
Helix Acquisition Limited

Investor Report – 30 September 2020

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It should also be noted that the information in this Investor Report has not been reviewed by the Obligors’ auditors.

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Basis of Preparation

Unless otherwise specified this Investor Report comments on the historic financial performance of the Security Group for the six months to 30 September 2020. Defined terms used in this document have the same meanings as set out in the Master Definitions Agreement unless otherwise stated.

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1. General Overview

- Earnings before interest, tax, depreciation and amortisation (“EBITDA”) of £36.8m (Sep 19: £49.3m). Lower EBITDA was driven by significantly reduced retail and car park income because of the impact of COVID 19.
- COVID 19 has, and continues to have, an unprecedented impact on the UK and Global Economy, with domestic and international travel significantly impacted by lockdown and quarantine travel restrictions, impacting the number of travellers and shoppers in the stations.
- HS1 has been partially insulated from the reduction in passenger numbers as the forward booked timetable to mid-December 2020 was paid for in advance by both Eurostar and Southeastern. However, Eurostar has announced that, from December 2020, they will book train paths on an ad-hoc “spot bid” basis which will reduce the certainty of cashflows in the short term.
- Operational performance remains strong, the moving annual average (“MAA”) delays per train path from HS1’s infrastructure has decreased to 4.35 seconds at September 2020 (Sep 2019: 7.11 seconds). The MAA has improved by 2.09 seconds since March 2020.
- The MAA Fatalities and Weighted Injuries has remained low at 0.021 at September 2020 and September 2019.
- St Pancras International was voted number 3 Station in the UK by the Spring 2020 National Passenger Survey (Spring 2019: No 2).
- In the period, HS1 issued its sustainability strategy with a commitment to be net-zero carbon impact by 2030. To support this, HS1 has secured REGOs that provide fully renewable energy for the rail infrastructure. A first for the UK.

2. Financial Summary

The following section should be read in conjunction with the unaudited consolidated accounts of Helix Acquisition Limited, which are available from the Investors section of the Group’s corporate website (www.highspeed1.co.uk).

2.1. Train Paths

Train Paths Billed	6mths to 30 Sep 2020	6mths to 30 Sep 2019	Variance
Domestic	28,071	28,058	13
International	9,347	9,438	(91)
Total	37,418	37,496	(78)

Both train operators have been impacted by a reduction in passenger numbers due to Covid-19. Eurostar who have had to reduce its services significantly following the 14-day quarantine travel restriction. However, HS1 is insulated in the period by the forward booked timetable. Train paths billed were down 0.2% YoY. Domestic train paths were broadly flat.

International train paths were down 1.0% YoY driven by a reduction in spot bids run above the timetable.

Eurostar have not booked a forward timetable from December 2020 and will operate on a spot bid basis only going forward.

2.2. EBITDA Performance

EBITDA (£m)	6mths to 30 Sep 2020	6mths to 30 Sep 2019	Variance
Investment Recovery Charge ("IRC")	34.3	34.3	0.0
Net Operations, Maintenance and Renewals Charge ("OMRC")	0.3	1.7	(1.4)
Stations	0.4	0.3	0.1
Net unregulated income	1.8	13.0	(11.2)
Total	36.8	49.3	(12.5)

EBITDA for the year, one of the Group's key measures, was £36.8m down £12.5m vs. Sep 2019. This is mainly driven by the Retail business, in particular St Pancras, which has been significantly impacted by a reduction in passenger numbers due to Covid-19.

IRC representing 93% of EBITDA, including payments made under revenue transactions, was flat year on year ("YoY").

Net OMRC, representing 1% of EBITDA, was down £1.4m YoY driven by additional NH(HS) costs but broadly flat train paths.

Stations EBITDA was up at £0.1m YoY.

Net unregulated income representing 5% of EBITDA was down £11.2m YoY as a direct link to the Covid-19 pandemic and series of lockdowns and travel rules that have been put in place.

2.3. Profit and Loss Account and Reconciliation Between Operating Profit and Consolidated EBITDA

Profit and Loss Account (£m)	6mths to 30 Sep 2020	6mths to 30 Sep 2019	Variance
Turnover	103.5	116.3	(12.8)
Other operating expenditure	(91.2)	(91.5)	0.3
Operating profit on ordinary activities before interest	12.3	24.8	(12.5)
Interest receivable and similar income	107	101.7	5.3
Finance charges	(85.6)	(83.8)	(1.8)
Profit on ordinary activities before taxation	33.7	42.7	(9.0)
Taxation on loss on ordinary activities	(3.1)	(6.0)	1.4
Profit/(loss) for the financial year	30.6	36.7	(7.6)

Reconciliation Between Operating Profit and Consolidated EBITDA (£m)	6mths to 30 Sep 2020	6mths to 30 Sep 2019	Variance
Operating Profit	12.3	24.8	(12.5)
Amortisation of intangible asset	24.3	24.3	0
Depreciation of RoU asset	0.2	0.2	-
Payments under revenue transactions	-	-	-
Consolidated EBITDA	36.8	49.3	(12.5)

The Group's tax charge has £0m of cash tax payable in the period (Sep 2019: £0.4m)

Financing Costs (£m)	6mths to 30 Sep 2020	6mths to 30 Sep 2019	Variance
Interest payable to parent undertaking	27.2	27.1	0.1
Interest payable on bank borrowings	11.6	12.1	(0.5)
Interest payable on other loans	31.9	35.3	(3.4)
Interest payable on finance leases	12.8	12.6	0.2
Movement in liabilities measured at fair value	2.1	(3.3)	5.4
Total	85.6	83.8	1.8

Finance costs for the 6 months to 30 September 2020 were £85.6m (Sep 2019: £83.8m), up £1.8m YoY.

The movement of fair value through profit and loss includes fair value movement of the concession related financial asset and the movement in the fair value of derivatives where hedge accounting cannot be applied under IFRS.

2.4. Cash Flow

Covid-19 has impacted The Group's cash flows at both an operating profit and cash flow level. Net cash from operating activities was £14.8m (Sep 2019: £42.9m) which is a £28.1m YoY reduction.

3. Business Update

3.1. Operational performance of the infrastructure remains robust, the average delay per train path from HS1's infrastructure (the Group's primary operational KPI), at 30 September 2020 has decreased to 4.35 seconds (Sep 2019: 7.11 seconds) which is significantly below target. Initiatives continue to be delivered to reduce delays and maintain safe operations.

3.2. The Concession Agreement measures performance against a three month and annual performance floor. Performance floors measure the percentage of trains delayed by over five minutes or cancelled due mainly to HS1 attributable incidents. The annual threshold is 13% and the three-month threshold is 15%. The three-month position at September 2020 is 0.3% (Sep 2019: 0.4%).

3.3. Based on the industry standard accident definition of Fatalities and Weighted Injuries per 1,000,000 hours worked, the accident rate was 0.021 at September 2020 (Sep 2019: 0.021). Safety performance remains a key business priority with a target to become an injury free business.

3.4. The current Directors list as at 30 September 2020 is as follows:

- J Curley
- S Jones
- K Ludeman
- A Pitt
- S Springett
- M Woodhams
- D Harding
- A Leness
- P Robson

3.5. In relation to customers and potential new operators:

3.5.1. Further to 2.1, while Eurostar's traffic has declined significantly during COVID-19, its HS1 track access changes were pre-paid to December 2020, delaying the direct financial impacts on HS1.

3.5.2. Notwithstanding the challenges in recent months, Eurostar successfully launched direct London-Amsterdam (and return) services on 26 October 2020, removing the need to disembark at Brussels for passport control. We expect this change will support significant growth in the market when COVID-19 restrictions ease.

3.5.3. LSER has forward-booked a 'full' timetable for the six months from December 2020, notwithstanding the ongoing effects of the pandemic.

4. Significant announcements/publications by the Regulator/Government by or relating to the Security Group

- 4.1. HS1's regulatory charges for Control Period 3 commenced on 1 April 2020, and are effective until 30 March 2025.
- 4.2. Given the reduction in train path volumes driven by COVID-19, HS1 expects to trigger its contractual mechanism to re-apportion charges among its train operators, in early 2021. This mechanism ensures HS1 continues to recover its fixed regulated costs over the Control Period.
- 4.3. The rail franchising programme, a series of franchise extensions and/or directly awarded franchises, impacts on the Security Group's key domestic train operator, LSER. DfT signed a new Direct Award with LSER on 30 March 2020. The new agreement is in place until 16 October 2021, with the option to extend until 31 March 2022
- 4.4. As the COVID-19 pandemic was unfolding at the time, DfT assumed cost and revenue risk in the LSER Direct Award. It later adopted this approach to all franchised services, including HS1 other customers (East Midlands Railway ("EMR") and Govia Thameslink Railway ("GTR")).
- 4.5. On 21 September 2020, DfT also announced the end of franchising model, to be replaced by concession or management contracts, under which operators will cost and revenue risk will remain with the public sector. Operators are expected to be incentivised and paid according to performance-based contracts.
- 4.6. These changes, while fundamental to train operators, do not directly impact the HS1 concession. They will see greater short-term DfT involvement in decisions on franchise costs, which HS1 is managing through our existing strong relationships.
- 4.7. Other than as disclosed above or in the News and Investors sections of the Group's corporate website (www.highspeed1.co.uk), there have been no significant announcements or publications by or relating to the Security Group.

5. Financing

5.1. Debt Structure (excluding working capital facility, accrued interest and derivatives)

Debt Facility (£m)	Balance Outstanding 30 September 2020	Balance Outstanding 30 September 2019*	Maturity Date
Nominal Bonds	610.0	610.0	01 Nov 38
Index Linked Bonds	293.5	290.9	01 Nov 38
7 Year Bank Debt (tranche A)	41.0	66.3	31 Mar 22
US Private Placement tranche A	340.0	340.0	30 Mar 28
US Private Placement tranche B	117.0	117.0	30 Mar 31
US Private Placement tranche C	58.0	58.0	30 Mar 31
US Private Placement tranche D	50.0	50.0	30 Mar 36
US Private Placement tranche E	168.9	178.7	31 Mar 39
US Private Placement tranche F	130.0	130.0	31 Dec 39
Total	1,808.4	1,840.9	

*Gross of capitalised fees/issuance discounts/premiums

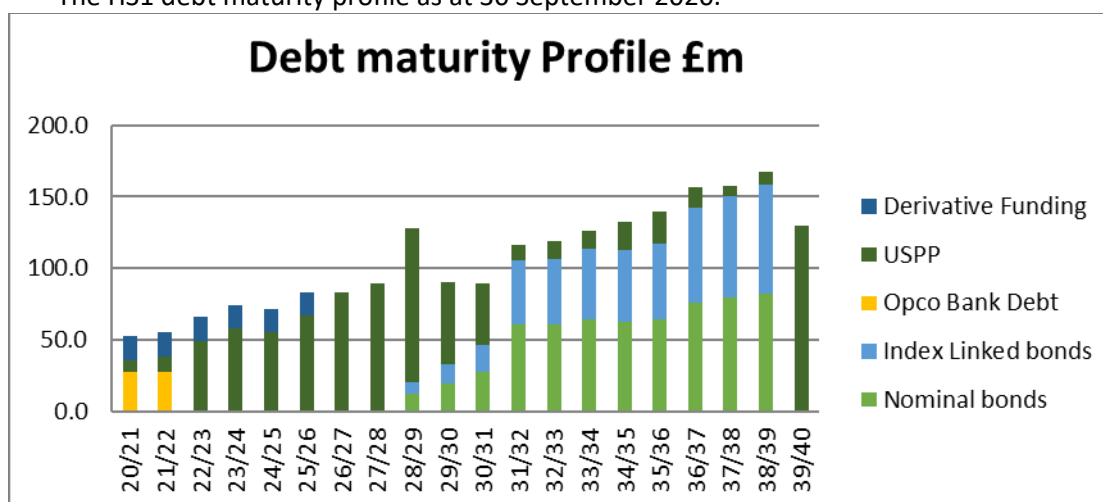
During the six-month period, the Group made capital repayments of £13.7m for tranche A bank debt and £4.4m for tranche E US private placement debt.

In December 2020, the Group made a voluntary prepayment of £28m on the 7 year bank debt.

At 30 September 2020, the Group had drawn down £40m of the working capital facility (Sept 2019: £23.0m).

5.2. Debt Maturity

The HS1 debt maturity profile as at 30 September 2020.



The 2020/21 payments relate only to H2.

6. Hedging Position

The Security Group's hedging position continues to be compliant with the Group's hedging policy of maintaining between 70% and 110% of its senior debt fixed for a minimum 7 year period.

Of the £1,808.4m of senior debt issued as at 30 September 2020, 97% is fixed rate debt with only the £58m US Private Placement tranche C and the £41.0m term loan floating with GBP 6mth London Interbank Offered Rate ("LIBOR").

7. Capital Expenditure

Total capital expenditure for the period to 30 September 2020 was £8.0m (Sep 2019: £3.2m) of which £8.6m (Sep 2019: £2.5m) was funded through Escrow accounts and £0.6m was a recharge to Eurostar for works done in FY20.

8. Acquisitions and Disposals

There have been no acquisitions or disposals involving the Security Group since the previously delivered Investor Report.

9. Restricted Payments

The Security Group submitted its 2019/20 full year compliance certificate on 12 June 2020 and as such, on 29 June 2020 was permitted to pay £28.2m to shareholders in respect of accrued interest on subordinated loans from the parent company. This payment has not yet been distributed.

10. Ratios

- 10.1. We confirm that in respect of this Investor Report dated 30 September 2020, by reference to the most recent Financial Statements that we are obliged to deliver to you in accordance with Paragraph 1 (*Financial Statements*) of Part A (*Information Covenants*) of Schedule 2 (*Security Group Covenants*) of the Common Terms Agreement:
- 10.1.1. the ratio of Historic Consolidated Cashflow to Historic Consolidated Debt Service in respect of the relevant Test Period (12mths to 30 September 2020) is 1.49x; and
 - 10.1.2. the ratio of Projected Consolidated Cashflow to Projected Consolidated Debt Service in respect of the relevant Test Period (12mths to 30 September 2021) is or is estimated to be 1.22x.
- 10.2. We confirm that the above Ratios have been calculated in respect of the Test Period or as at the Test Dates for which it is required to be calculated under the Common Terms Agreement.
- 10.3. We confirm that all forward looking financial ratio calculations and projections made for the purpose of making the confirmation above:
- 10.3.1. are made on the basis of assumptions made in good faith and arrived at after due and careful consideration;
 - 10.3.2. are consistent and updated by reference to the most recently available financial information required to be produced by each Obligor under this Schedule 2 (*Security Group Covenants*); and
 - 10.3.3. are consistent with the Accounting Standards (insofar as such Accounting Standards reasonably apply to such calculations and projections).

11. Policy

We confirm that:

11.1. no Default or Trigger Event has occurred and is continuing;

11.2. the Borrower is in compliance with the Hedging Policy; and

11.3. the statements set out in this Investor Report are accurate in all material respects.

Yours faithfully


Keith Ludeman (Dec 14, 2020 15:53 GMT).....

Director


Mark Farrer (Dec 14, 2020 16:09 GMT).....

Chief Financial Officer

Signing without personal liability, for and on behalf of
HS1 as Security Group Agent