

24 July 2024

2024 Annual Lender Presentation

HS1's CEO and Finance Director will commence the presentation shortly. Please note the following presentation protocol;

- This presentation will be recorded.
- Please remain on mute during the presentation.
- Questions will be addressed during the Q&A section at the end of the presentation.
- Please address any questions directly to the 'HS1 (Q&A)' attendee by using the chat function, or raise your virtual hand, you will then be asked for your question. Please unmute yourself to ask your question, remembering to put yourself back on mute when finished. To unmute if using a phone, please press *6.
- Questions will be taken post presentation via email.
- The session will finish promptly at 15:00hrs

ANNUAL LENDER PRESENTATION

HS1 LIMITED
24 JULY 2024



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The Presentation has been prepared on the basis of our reasonable assumptions as at the time of this Presentation and information relating to base case projections provided by our key train operating partner, Eurostar International Limited. Our assumptions are inherently subject to significant uncertainties and contingencies which are impossible to predict and are beyond our control.

Today's Presenters

ROBERT SINCLAIR
CEO



CLAIRE HOWLING
FINANCE DIRECTOR



AGENDA

Section	Presenter
Overview	Robert Sinclair
Business and Industry update	Robert Sinclair
Financial and Regulatory update	Claire Howling
Wrap up	Robert Sinclair
Questions	



hs1 high speed one

Overview

Results are broadly in line with expectations and solid performance last year provides confidence for continued recovery.

Eurostar train paths +14% vs. FY22/23 (-10 % vs. FY 19/20). Southeastern train paths -2% vs. FY22/23 (-13% vs. underpin).
Commercial income +14% vs. FY22/23 (-6% vs. FY19/20).

Operations remained 'best in class', with average delay of 11.8 seconds in FY23/24, despite a number of one-off incidents such as the Thames Tunnel flooding.

Progress on key strategic initiatives including submission of Periodic Review 2024 and Asset Management Annual Statement to the ORR and release of FY23/24 ESG Report.

Focus on growth – Eurostar, Southeastern and potential new international operator, with station enhancements and capacity options being considered alongside border control updates.

S&P rating was re-affirmed in March 2024 at BBB+ Positive, an improvement from the previous year. The Fitch rating affirmed as A- Stable.

New senior management appointments to support growth and commercial focus.

BUSINESS AND INDUSTRY UPDATE

24 JULY 2024



Key Financial Highlights

Actual train paths ran grew 2% in FY 23/24. Actual train paths billed grew by 3%, delivering strong YoY Growth in Key Financial Indicators.

Annual Train Paths Billed (IRC)			
	22/23 Actuals	23/24 Actuals	Var
Southeastern	52,824	52,888	0%
Eurostar	14,509	16,597	+14%
Total	67,333	69,485	+3%

Key Financial Indicators			
£'m	22/23 Actuals	23/24 Actuals	Var
EBITDA	68.7	100.9	+53%
CFADS	194.2	215.2	+11%
DSCR (Security group)	1.45x	1.51x	+0.06x

- Growth in EBITDA driven primarily by higher RPI and additional train paths due to a return of demand, as well as increased footfall supporting retail spend.
- CFADS YoY uplift is driven by EBITDA increase, offset by active working capital management, higher UKPN fees and increased capex spend on growth projects.

Train Paths Update - International

Eurostar has submitted their First Working Timetable (FWT) for May-24 to Dec-24 committing to circa 93% of pre-covid (FY19/20) paths for the period.

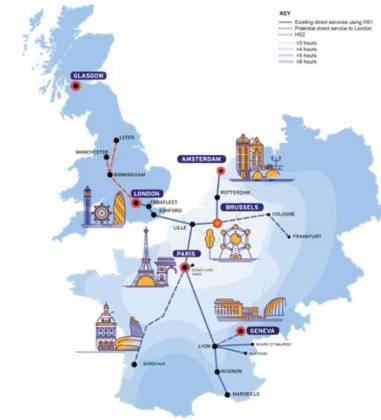


- The latest FWT May-24 to Dec-24 is the equivalent to c.17.5k train paths on an annualised basis, consistent with the previous FWT period.
- Indicative view from Eurostar for the next FWT submission(Dec-24 to May-25) is to place a heavier reliance on spot bids in anticipation of some operational issues on the continent.

Industry Update – Eurostar

Eurostar's current financial performance is improving and it has long-term growth ambitions.

- For the year to December 2023, revenue was up 26% YOY and EBITDA was up 8% to €423m.
- Average pax growth on London – Europe routes of 32% YoY.
- Eurostar reports current demand is strong, particularly leisure.
- However, there are a number of temporary operational issues, including the Amsterdam route.
- Successfully refinanced its existing debt of €963.7m in April 2024, reducing total debt by a third to €650m.
- Significant new fleet order expected (50 trains) to accommodate their growth ambitions (30m pax in 2030).
- HS1 strongly supports Eurostar growth endeavours.



Industry Update – Border Controls

HS1 is actively working with border authorities to minimise disruption upon the introduction of the Entry/Exit System (EES) for new border control requirements.

- Entry/Exit System (EES) currently expected to be introduced in October 2024.
- EES will require passengers to register fingerprints, a photo and passport details to enter the EU through a digital kiosk.
- HS1 and Eurostar have been working closely with the UK, French and European border authorities to ensure minimal disruption to passenger flows.
- Kiosks are being installed in three locations in St. Pancras and will be ready ahead of the current deadline.
- A comprehensive comms programme to advise passengers of the new requirements is also being developed.



International Growth Opportunities

HS1 is engaging with a number of prospective international operators and is undertaking a programme of activity to ensure we can meet capacity requirements of existing and future international operators.

- Supporting advanced business case development for a number of new international operators.
- We are ready to commence Framework Track Access Agreement negotiations with prospective operators that meet the requisite regulatory criteria.
- HS1 and NRHS have established programme teams to identify all necessary requirements and mobilise at pace to meet the needs of any prospective operator.
- We have commissioned a detailed feasibility studies to assess options to increase capacity at St Pancras to accommodate a new operator and Eurostar growth.
- HS1 has also begun formal consultation on multi-operator use of the International Zone.

 Trains Magazine

Competition heats up under the English Channel - Trains

Spanish rail firm planning London to Paris service to rival Eurostar

Evlyn says route is 'strategic and high demand' and it intends to launch its first service in 2025

HIGH SPEED

Evlyn to launch Paris – London trains in competition with Eurostar

By Railway Gazette International | 11 October 2023

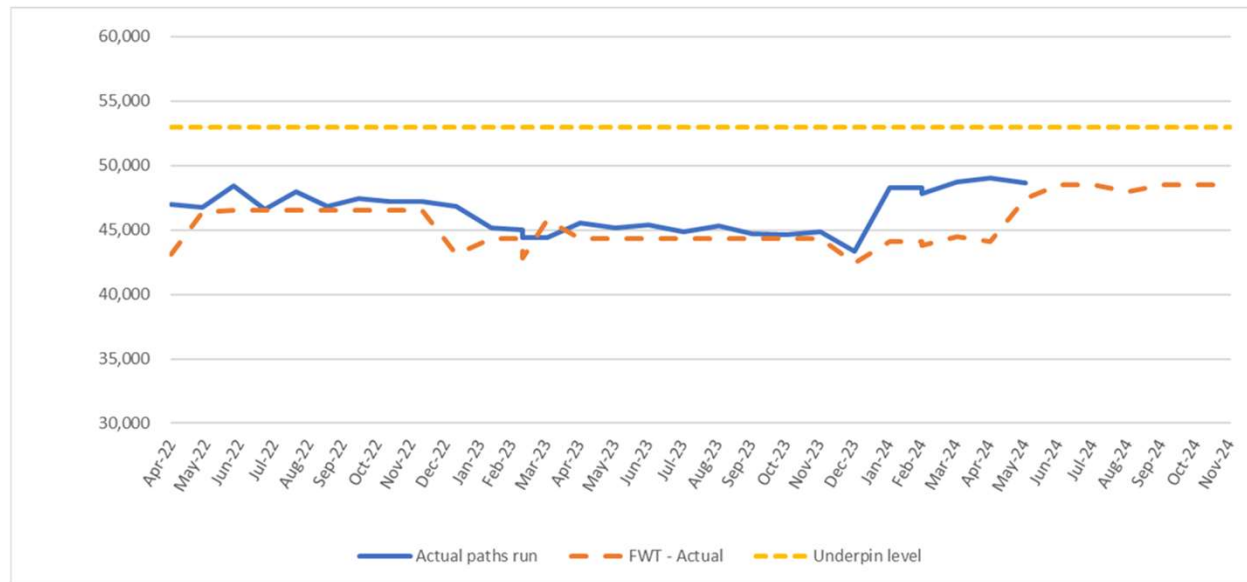


London's St Pancras station could soon get even bigger

The international rail hub needs to expand to keep up with rising demand from Eurostar and other international rail operators

Train Paths Update - Domestic

HS1 continues to be paid at the underpin in accordance with the domestic underpin agreement. The Southeastern FWT remains below the underpin and is expected to remain below this level throughout FY24/25.



- Whilst payment remains at the underpin level, annualised train paths in the FWT from May 2024 to December 2024 increased from c.44k paths to c.48k paths.
- Note that dips in actual paths run correspond to bank holidays over the Christmas period.

Government Update

HS1 is engaging with the new Government to highlight the benefits HS1 delivers and seek support for our growth agenda.

- Labour has a clear focus on **driving economic growth**, despite the public finances remaining constrained.
- Labour also has a strong **manifesto commitment to sustainability**. Encouraging more domestic and international travel by train will be a high priority for the new administration.
- In addition, Labour has indicated its intention to foster **closer relationships with the EU**, supporting growth in international operations from Eurostar and prospective operators, as well as potentially reducing regulatory burdens.
- Alongside greater public ownership of the railways, Labour is **committed to open access** and the protections afforded to it under the current legislation, which supports operators gaining access to the HS1 system.
- The **HS1 Concession remains out of scope** from Labour's rail reform.
- The HS1 system is recognised for its exceptional service levels, and we share Labour's ambition to **focus on the passenger**.

HS1 Operating Highlights FY 23/24

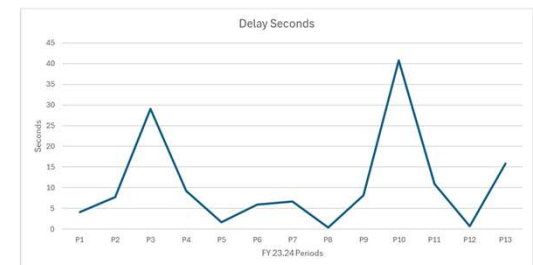
The operational performance has remained solid and well within Concession requirements, although a small number of one-off incidents (e.g. Thames Tunnel flooding) impacted delay seconds.

HS1 Key Metrics	22/23 Actuals	23/24 Actuals	YoY Variance
Safety (FWI)	0.15	0.10	-33%
Delay Seconds (Average)	7.3	11.8	61.6%
Sustainability	Published 4th ESG report. On track for 2030 Vision.		
Delivery against renewals	CP3 Renewals are on track.		
Productivity & Efficiency	Periodic Review preparations are continuing, delivering balanced costs to the TOCs. Submission of PR24.		

Thames Tunnel Flooding Incident

Severe disruption was caused due to a pump failure in December 2023. Active management of the incident by HS1 and NRHS led to a fast resolution, with operations recovered within 24 hours and controls in place to mitigate a risk of pump failure in the future.

- On 29 December 2023 sump pumps at Thames Kent Portal failed and water accumulated in the Thames Tunnel.
- Track was promptly closed for safety reasons and a resolution implemented allowing for operation within 24 hours.
- The pumping system has been upgraded pending full renewal funded through the long-term renewals plan.
- As per the performance regime contractual obligations, NRHS compensated the TOCs for delays caused. Financial impact on HS1 minimal.
- Detailed external review of the incident completed which included lessons learned and a review of similar risks.



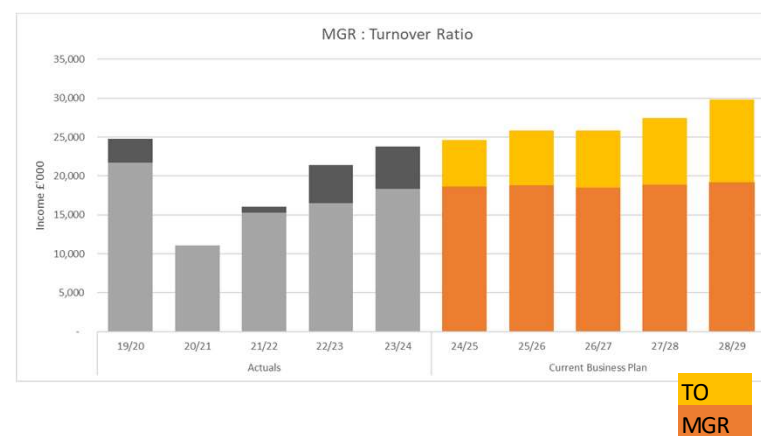
Commercial Update – Financial Performance

Retail performance exceeded budgeted expectations in 23/24, with sales exceeding pre-covid levels, although transactions are still behind this level. Indications for the current year are for another solid year of sales with YoY transaction growth. Car park income remains below pre-covid levels, primarily due to changes in commuter behaviour.

- Retail income for FY24 (Minimum Guaranteed Rent (MGR), Turnover (TO), Advertising) was 20% ahead of FY23 and at 97% of pre-covid levels (FY20).
- YTD retail performance is solid, with sales 4% ahead of PY.
- MGRs are being renewed at higher levels, however TO income is still making up a greater proportion of total income than pre-covid.
- Car park income for FY24 is 18% ahead of FY23 (once adjusted for HMRC contract), however, income still below pre-covid (78%) due to changes in commuter behaviour. We continue to investigate opportunities for diversifying car park utilisation.

	19/20	20/21	21/22	22/23	23/24
Retail Sales*	£120m	£18m	£72m	£115m	£133m
YoY % change		(85%)	+300%	+60%	+16%
Car Park sales**	£7.3m	£1.7m	£3.6m	£5.0m	£5.5m
YoY % change		(74%)	+112%	+38%	+10%

* Tenant Sales (Exl. Advertising & FX). ** Roll up traffic.



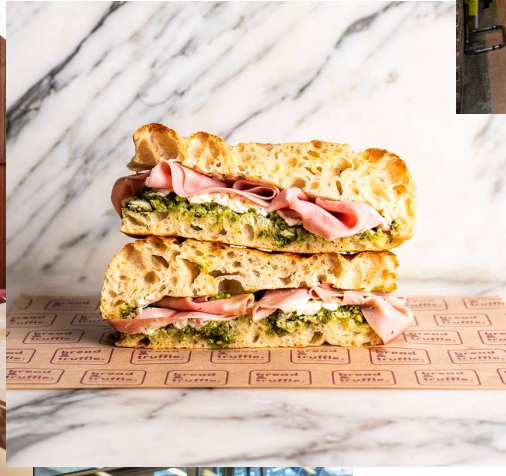
Commercial Update- New Opportunities

Continued focus on opportunities to increase commercial space within St Pancras, drive footfall, increase choice and improve sales.

- No vacant units in St Pancras given active management with new brands such as Blank Street Coffee, Bread & Truffle and Shake Shack.
- 'The Breakfast Club' now open, adding 1610 sq. foot to retail estate, with capacity for an extra 155+ people to dine.
- Artists including Alicia Keys, Norah Jones and James Arthur performed at St Pancras in FY 23/24, and there was world-wide press coverage of the St Pancras Christmas Tree.
- New rental car agreements signed at Stratford car park with Virtuo and Enterprise, other new contracts being actively progressed.
- Exploring asset diversification options including; Private Cable, High Speed Data Communication, Solar, Battery Storage.



Retail Successes



ESG update

HS1 is committed to driving continuous sustainability improvements and extending our efforts to benefit the wider railway system. In 2023, HS1's Sustainability Strategy was updated to build on the progress made since 2020, setting refreshed targets out to 2030.

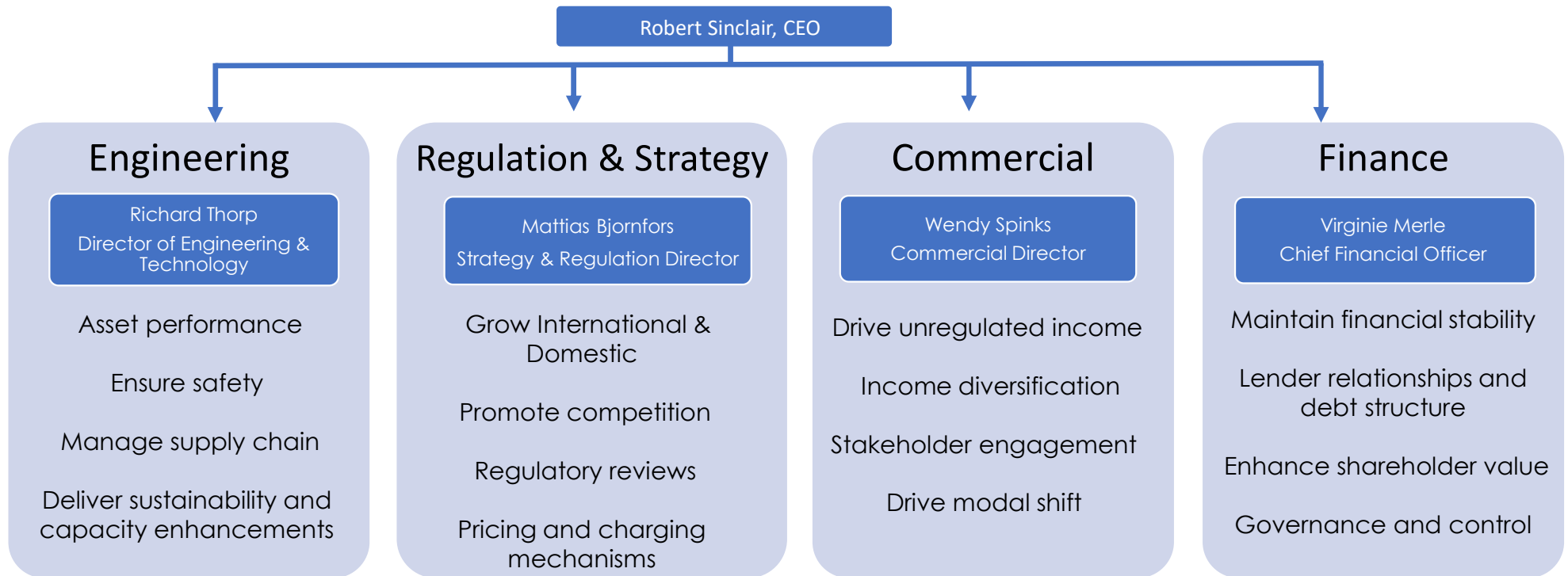


HS1 continues to report progress against on six priority areas within three themes: **Climate Action**, **Environmental Stewardship** and **Social Value**. The following was achieved during the 2023-24 financial year:

- **Net-zero electricity supply increased to 40%** of total volume, decreasing reliance on non-renewables.
- **15% reduction in gas** consumption since the previous financial year, despite an increase in station footfall.
- **69% station recycling rate** in the final four weeks of the year following the installation of a waste segregation unit in St Pancras International.
- **One of the UK's rarest plants**, the Lizard Orchid, found flowering on our land for the third consecutive year, with additional protection measures introduced.
- **£69,870 of social value** delivered, 713 hours of staff time donated to charitable causes and our first social value framework published.
- **Gold Investors in People** WIIP accreditation after triennial review.

New Executive Leadership Team Appointments

The below personnel make up the Executive Leadership team, who are each responsible for ensuring the delivery of our strategy and HSI's objectives.





FINANCIAL AND REGULATORY UPDATE

24 JULY 2024



Key Messages

Cashflows stable, supported by the concession protections. Financial results and DSCR covenants in line with expectations.

HS1 performed in line with expectations for FY 23/24 with financials stabilizing amidst the macro environment. YTD performance broadly on track.

SETL continue to run train paths below the underpin level, although we are forecasting a 7% YoY increase in actual paths ran in FY 24/25.

Eurostar maintained a full FWT and continue to top up train paths ran with spot bids. We are forecasting a 10% YoY increase in actual paths ran in FY24/25.

HS1's budget for FY 24/25 demonstrates continued growth in international train paths and retail, overall performance gap to pre-covid (FY 19/20) level closing. CFADS and DSCRs are steady and stable.

HS1's 5-year asset management plan has been submitted to the ORR. This is following a consultation period with stakeholders and proposes our charges for the next control period, from April 2025 to March 2030.

Financial Overview

HS1's budget forecasts a year-on-year increase in EBITDA, driven by strong growth in Eurostar train paths. CFADS and forecasted DSCR are aligned to prior year due to the shift in Eurostar back to a full FWT which impacted cashflow in FY 23.24.

Annual Train Paths Billed (IRC)				
	22/23 Actuals	23/24 Actuals	24/25 Budget	Var
Southeastern	52,824	52,888	52,860	0%
Eurostar	14,509	16,597	18,183	+10%
Total	67,333	69,485	71,043	+2%

Key Financial Indicators				
£'m	22/23 Actuals	23/24 Actuals	24/25 Budget	Var
EBITDA	68.7	100.9	108.9	+8%
CFADS	194.2	215.2	201.7	-6%
DSCR (Security group)	1.45x	1.51x	1.50x	+0.06x

HS1 Budget 24/25

The HS1 budget expects growth in EBITDA resulting from international train paths and impact of the volume reopener on OMRC. Working Capital, Capex and Corporation tax lead to an overall reduction in CFADs.

	Revenue	-	Operating Costs	=	EBITDA	+	Investing Activities	=	CFADS (vs Actuals 23/24)
Track	International IRC				£71m		Underpin Domestic IRC		£206m (+£10m)
		£71m					RPI Swap	£(21)m	
	Operations, Maintenance and Renewals Income	£111m	OMRC	£(98)m	£14m				
	Power Charges	£40m	Power Costs	£(40)m	£0m				£0m (+£0m)
Stations	Stations Charges	£38m	Station Costs	£(38)m	£1m				£1m (+£0m)
Unregulated Activities	Retail & Advertising	£29m	Retail Costs	£(12)m	£17m				£17m (-£1m)
	Car Parking	£8m	Car Park Costs	£(2)m	£5m				£5m (+£0m)
Other	Other Income	£2m	Other Costs	£(2)m	£(0)m				£(0)m (-£1m)
Total	£300m		£(192)m		£109m		£134m		£243m (+£13m)
							Capital - UKPN/Capex/Tax		£(37m) (-£8m)
							Working Capital		£(5)m (-£18m)
							Cash Flow Available for Debt Service (CFADS)		£202m (-£14m)

Current Trading

Current trading is broadly in line with the budget, although international train paths are under pressure from operational issues on the continent.

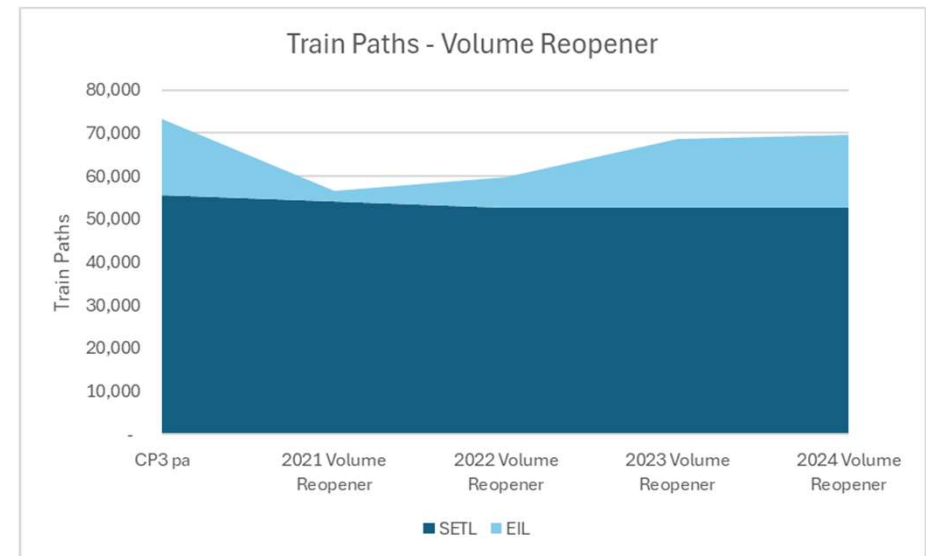
Measure	P3 YTD Actual	P3 YTD Variance	FY Budget
International Train Paths incl spots	4,129	(122)	18,183
Domestic Train Paths incl spots	11,098	149*	48,226
HS1 Costs (excl capex)	(5.3)	0.7	(26.9)
Retail Income	6.8	0.2	29.3
Car Park Income	1.6	(0.2)	7.6
CFADS (£'m)	90.2	6.9	201.7

* Domestic spot bids do not get billed where total domestic train paths are below the government underpin

HS1 Cost Recovery

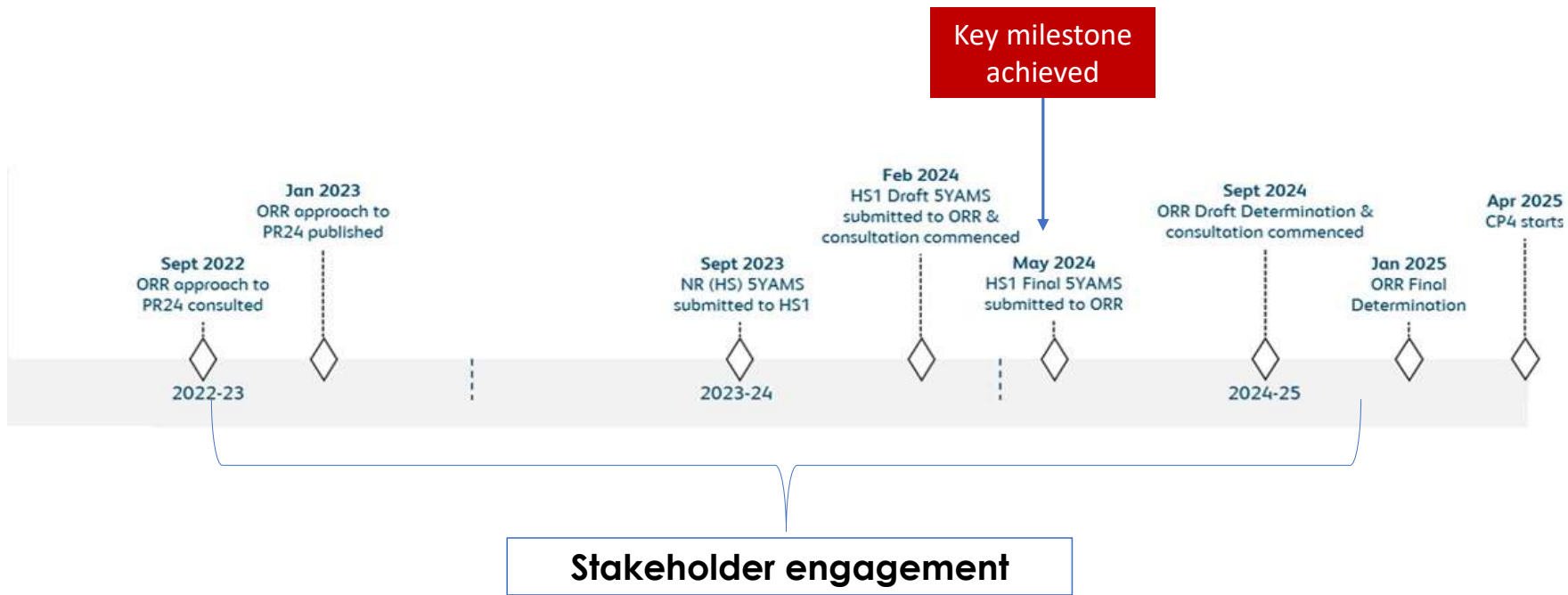
HS1 Operations, Maintenance and Renewal Charges (OMRC) are set by the ORR in consultation with HS1 and are adjusted through a Volume Re-opener when appropriate. This ensures HS1 fully recovers its fixed costs along with passthrough costs. HS1 remains at risk for variable charges.

- An annual volume reopener is being completed for this control period.
- The volume reopener provides HS1 cost neutrality – with fixed costs spread over updated train path forecasts
- Volume reopener FY 23/24 led to small uplift to fixed cost allocation per train for Eurostar and Southeastern as EIL train volumes recover slower than forecast.
- Full passthrough costs recovered
- No uplift to variable costs



PR 24 Process

HS1's 5-year asset management plan has been submitted to the ORR. This is following a consultation period with stakeholders and proposes our charges for the next control period, from April 2025 to March 2030. ORR are now reviewing, validating and challenging HS1's proposals in preparation for their Draft Determination for consultation.

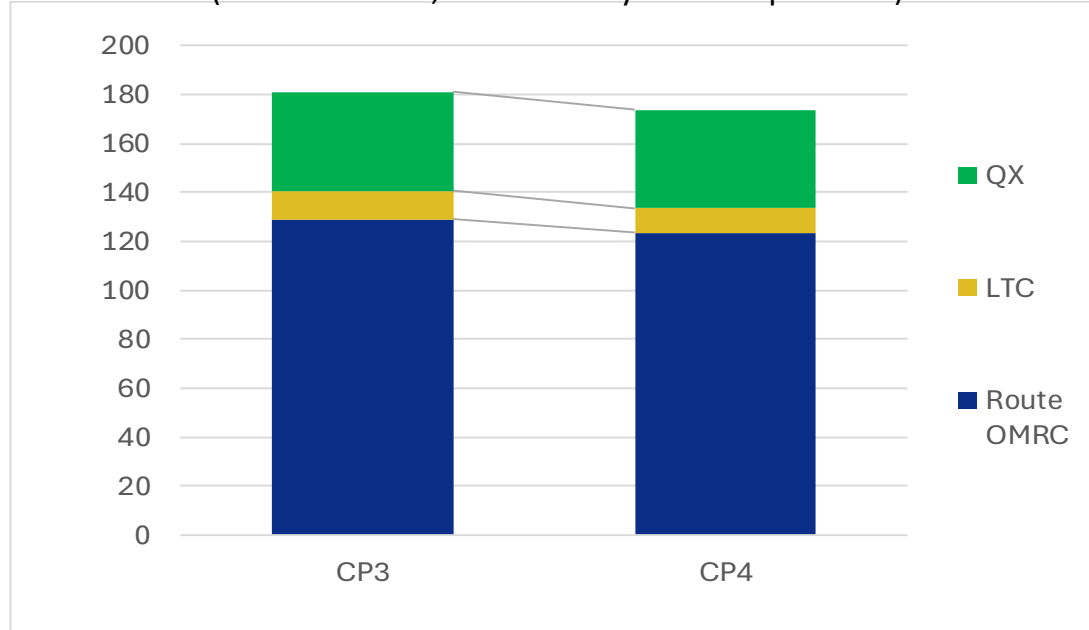


CP4 proposals

We have been able to submit an asset management proposal which would result in a 4.1% reduction in costs for our operators, whilst maintaining good asset stewardship. This is across route OMRC, stations LTC (renewals) and Qx (opex).

NB: These proposals and costs are subject to change as the ORR is still conducting its review and challenge of our proposals.

Average annual cost by category
(£ millions, February 2023 prices)



DSCR Covenants

Forecast DSCR covenants are expected to be above 1.5x on a consistent basis and we continue to see improved headroom on the ratios, based on the current budget, as international train paths and unregulated income grow.

Covenant for the period to:	Forecasted covenant ratio	Finalised
Mar 24	1.51x	Confirmed
Sep 24	1.51x	Dec 24
Mar 25	1.50x	Jun 25

Credit ratings: HSRF1 (Opco Security Group)

S&P have improved the credit rating outlook to Positive, after considering their expectations of solid operating and financial performance as well as the supportive contractual and regulatory framework.

S&P (Mar 2024): BBB+ Affirmed (Positive Outlook)

In September 2023, S&P affirmed the rating at BBB+ but revised the outlook from Stable to Positive. S&P have subsequently reaffirmed the rating and outlook in March 2024.

Eurostar's 2024 bookings support our positive outlook and are aligned with our expectations. Eurostar has already booked 97% of its pre-pandemic forward booked timetable in advance for May 2024-December 2024. This translates into 17,600 annualized train paths and represents roughly 25% growth when compared with 2023 bookings, as well as a 22% increase in traffic for fiscal year 2024 (without accounting for highly likely spot bookings).

S&P Tear Sheet: High Speed Rail Finance (1) PLC 7 March 2024

Fitch (July 2023): A- Affirmed (Stable Outlook)

Fitch annual review expected to be concluded in September.

WRAP UP



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Wrap Up

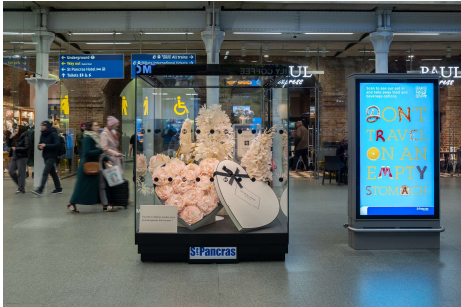
Solid recovery

Stable cash flows

Key ratings – positive outlook

Debt stability

Growth prospects



QUESTIONS



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