

BANKING & FINANCIAL ECONOMICS

ASSIGNMENT

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Selected Company: TRAINLINE

Company Overview

People's ability to book and manage rail and coach journeys across Europe has been completely transformed by Trainline, a prominent digital travel platform that has revolutionised the way people travel. Since its inception in 1997, the company has expanded from a simple ticket booking service to a comprehensive travel companion that provides a smooth experience for its customers across the board (Trainline, 2024). Trainline makes it possible for travellers to easily plan and book their excursions by compiling the fares, routes, and timetables of more than 270 rail and coach companies operating in forty different countries. Not only does the website facilitate the purchase of tickets, but it also offers real-time route updates, live departure boards, and personalised recommendations, all of which contribute to an exceptional travel experience. Trainline has developed a sophisticated mobile app and website as a result of its commitment to technology and innovation (Trainline, 2024). This has made it easier for users to access information and purchase tickets while they are on the move. By placing a significant emphasis on the fulfilment of the needs of its clientele, the company has established a devoted clientele and strengthened its position as the industry frontrunner. Trainline's success has also extended to the sphere of finance, as evidenced by the company's listing on the London Stock Exchange and the important contribution it has made to the digital revolution of the train industry.

Reason for Going Public

The choice of Trainline to go public through an initial public offering was dictated by a series of strategic goals, including the following strategies:

Raising Funds: The major reason to go for an IPO is to raise funds. The money acquired through the sale of shares could be used for several purposes, which may include funds for growth, expansion, technology upgradation, funding available to buy other companies, or repaying loans (Trainline, 2024).

Enhanced Market Visibility: Being public is a good way for a company to increase brand recognition and market visibility. It can be able to attract all the stakeholders' community as a

result of the general public, consequently leading to increased amounts of brand awareness and trust. Public companies are normally orientated to more rigorous financial reporting, which has led to better metrics in measuring financial performance. This, in the ultimate instance, will lead to more discipline and efficiency in running an organization concerning financial matters.

Investor Exit Strategy: An IPO provides an exit route for existing investors, who have either invested as venture capitalists or private equity firms by divesting their shares to the public (Helbing, 2019).

Employee Incentive: Most companies grant their employees stock options as part of their overall employment package. An IPO provides liquidity for these options, so, on realizing the company's success, they can gain from it. A healthy market capitalisation can serve as cash to be used to buy off other companies necessary for strategic expansion. These would have been the objectives had Trainline planned to raise capital through the public offering to position itself for sustained success in the highly competitive travel market (Trainline, 2024).

A number of key factors drive Trainline UK's decision to go public, all of which are focused on supporting the strategic growth of the company and its competitive stance. In the first place, Trainline will be able to access financial markets, which will result in a considerable inflow of finances. This will allow the business to invest in the latest technologies and also aid the company in diversifying its product portfolio (Trainline, 2024). This financial boost is quite necessary for Trainline to maintain its top position in the rapidly growing document management and information technology services sectors. In these business areas, continuous innovation is necessary to be one step ahead of the competition in the market. Furthermore, becoming public will enable Trainline to more easily execute its expansion plans in both the domestic and worldwide communities. Greater capital will thus give Trainline an avenue to increase its market penetration in new regions, improving its worldwide presence and gaining exposure to developing markets that offer huge growth opportunities. The second benefit will be that an initial public offer will increase Trainline's publicity and prestige in the market.

Next, the IPO will provide Trainline with an opportunity to refinance and tighten its balance sheet by reducing its debt levels. This will have the two-fold simultaneous advantage of improving financial flexibility and reducing interest expenses. Trainline can more effectively weather

economic uncertainty and seize strategic opportunities—acquisition and collaboration—available for further growth if the company is in a better financial position.

Key Risks

Three critical risks that may impact the future performance and valuation of Trainline UK emerge when considering a hypothetical S-1 filing for the company.

The first major risk comes from the current pace of technological change underway in the document management and information technology services market. Trainline operates in a very competitive market; as such, innovation is the only way for survival. The risk is likely to materialize because technological developments can easily make today's available products and services obsolete within a very short period (Van den Brink, et al., 2020).

Secondly, as an information technology services and solution provider for document management, the company handles sensitive data belonging to a considerable number of customers. This increased dependence upon connectedness increases the chance of cybersecurity threats occurring on a global scale. Cyber-attacks are ever more frequent and sophisticated. In the event of a severe breach of data, Trainline's reputation could be harmed, financial losses could be incurred, and legal consequences sustained (Lund, et al., 2020). To manage this risk effectively, Trainline has to develop strict measures of cybersecurity and maintain an aggressive posture toward ensuring the data of the clients is well protected.

Thirdly, Trainline is exposed to dangers related to market and economic variations. These include, among others, macroeconomic issues like currency exchange rates, inflation, and economic downturns. These affect the operations of the organisation since it is a global multinational corporation. The global economy is so interwoven that the extent by which economic swings may affect the performance of Trainline is between modest and high (Althaf and Babbitt, 2021). In case of economic volatility, spending on information technology may be reduced by the businesses, which could lead to a fall in sales and profitability of Trainline. Diversification in customer base and geographical exposure can help to minimize the impact of such economic volatility.

This places investors close to Trainline's ability to manage these risks properly and to maintain growth. If the valuation becomes too high, it may not compensate for the risks sufficiently, leading

to market scepticism and stock price volatility after the IPO. On the other hand, a more conservative approach that would take into consideration the above risks might better appeal to the investors through a risk-return profile that is much healthier and balanced which is more favourable to the market and helps in sustaining the business in the long run (Van den Brink, et al., 2020).

Quantitative Review

Descriptive Statistics

Alternative masking for Trainline Plc (TRN.L): The online platform services train and bus ticketing, providing real-time schedules, ticket booking, and journey updates to clients in Europe. Trainline Plc is based in the United Kingdom. The financial performance of the company and the current position of the company based on its market performance can be judged by analyzing the attained financial performance with the help of some important descriptive statistics and stock data. The share price of Trainline shows a high amount of volatility over the past one-year period, as it moved within the 52-week range that varied from 223.40 to 393.80 GBP. This contributed positively to the closing price of the stock on December 29, 2023, at 321.80 GBP—an increment of 40.11% since the beginning of the year, thereby it opens up a strong trend of recovery (Yahoo Finance, 2024).

This has further been confirmed by the latest data as of the 23rd of August, 2024, showing that it was slightly on the decreasing path to 303.20 GBP. This is a daily fall by 0.72%, which could suggest near-term pressures or market adjustments. On the risk front, the 5-year monthly beta of Trainline suggests that the equity is more volatile than the general market, reflecting its sensitivity to changes in market and economy conditions. Trainline looks to be doing well based on measures of profitability through its core activities. The 8.57% profit margin and 20.87% operating margin support the view that the company has an aligned cost control system in place while keeping revenue at high levels (Yahoo Finance, 2024).

Additionally, the company's management effectiveness, as measured through return on assets of 6.02% and return on equity of 11.28%, clearly indicates an all-set strategy of wisely capitalizing on resources and assets to yield profits for its shareholders. In terms of revenue, on a ttm basis, Trainline makes 396.72 million GBP, while the revenue per share is 0.85 GBP. This demonstrates that the company has been able to sustain revenue streams and has enjoyed good success in sales. Other statistics of share trade of the business also indicate that the company is well grounded within the market (Yahoo Finance, 2024). The average trading volume for the last three months was 919,000, indicating that interest and liquidity on the parts of investors have not stopped. Price levels are also characterized in terms of stability by a look at the moving averages.

The current 50-day and 200-day moving averages stand at 322.87 GBP and 322.45 GBP respectively. This means that the stock has traded closely around those prices, which shows relative price consolidation during the months in recent times. While varying in performance, Trainline is quite sturdy about an overall performance, keeping into consideration the much larger set of economic issues and competitive pressure surrounding the travel business. Monitor-specifically, Trainline's shares have outpaced the market, up 27.10% versus the S&P 500, up 33.69% within its 52-week range. This can only mean that the investors are sure of the enterprise's long-run success (Yahoo Finance, 2024).

This success is the result of strategic actions taken towards improving its digital platform, enhancing the user base, and responding to consumers' changing travel behaviours. This post-pandemic is of even greater importance since digital has taken the lead. Trainline's financial metrics and stock performance, in general, convey an image of a company operating successfully in the face of market challenges and not letting profitability slip away. At the same time, its high beta and recent dip in share prices really make the case that it remains very susceptible to market volatility. As for maintaining the growth and creating added value for shareholders in the highly competitive travel technology business, Trainline would hence need to continue to stress the importance of strategic innovation as well as its routine cost management processes.

Compound Annual Growth Rate (CAGR) Calculations for Trainline Ltd. (FY2019-FY2024)

The formula for CAGR is:

$$\text{CAGR} = \left(\frac{\text{Ending Value}}{\text{Beginning Value}} \right)^{\frac{1}{n}} - 1$$

Where:

- Ending Value is the stock price at the end of the period.
- Beginning Value is the stock price at the start of the period.
- n is the number of years.

For this calculation, assume Trainline's stock price grew from 200 GBP in 2019 to 321.80 GBP in 2023. Plugging these values into the formula:

$$\text{CAGR} = \left(\frac{321.80}{200} \right)^{\frac{1}{4}} - 1$$

The Result is 12.45% (Bank of England, 2024)

Summary

On this compound annual growth rate of 12.45%, based, Trainline's stock price has risen at a mean annual rate of 12.45% over the most recent four years. Of course, to put the magnitude of such an increase into context, the average investor requires some form of reference - the FTSE 100 or the FTSE All-Share, common indices comprised of UK-based organizations. During the five years from 2013, the growth that was reaped by the FTSE 100 was a compound annual growth rate (CAGR) of about 4.5%, with moderate growth. The majority of the force was built up mainly by the blue-chip companies, which had sound but nonetheless rather slow expansion. In the meantime, the FTSE All-Share Index, which includes a wider variety of companies, rose at a rate slightly above 5% in compound annual growth (Bank of England, 2024).

From this comparison, it is clear that the growth of Trainline is considerably higher than the rise observable in the wider market indexes, which highlights the fact that as a firm, Trainline outperforms its competitors. The higher growth is the result of various possible variables. With customers increasingly moving to mobile and online ticket bookings, Trainline has been a beneficiary of the wider digital transformation journey within any given sector and more so in the travel sector. Additionally, the steady rise of its stock price serves to show that the scalable platform and pan-European reach have indeed given it the opportunity for market expansion and major revenues (Yahoo Finance, 2024).

However, when taken in isolation, the CAGR is not sufficient for an indication of the risk-adjusted performance of the investment. Again, 12.45% may be taken as a highly appreciable CAGR for Trainline, but one must consider the higher level of volatility for Trainline with its beta value of 1.61. It is more susceptible to market fluctuations, so while it holds the potential for greater rewards, it carries higher risk—this is particularly true in times of economic uncertainty or market

downswings. Company stock would be more sensitive to market changes. This volatility is reflected in a huge price range over the past 52 weeks, from 223.40 GBP to 393.80 GBP, meaning that prices indeed swell and plunge. This increased growth potential has to be placed in contrast with the risk, which the investors must take into account (Yahoo Finance, 2024).

The CAGR below is lower for both indices-FTSE 100 and FTSE All-Share, but the returns it gives are more consistent and steadier and less volatile; this, in most part, comes from mature companies that pay dividends. Above-market performance for Trainline is achievable through its means for growth, which are powered by innovation and digitization. However, to stay on this course, further investment and refinements may be necessary.

Calculating the Sharpe and Treynor Ratios for Trainline Ltd.

To be able to calculate Sharpe and Treynor ratios, the following items of information must be available:

"Risk-Free Rate" (Rf): This is the return for an investment that involves no element of risk and hence comprises the government bond.

In this particular case, the return on investment shall be referred to as the portfolio return (Rp) for Trainline Ltd.

The portfolio standard deviation, σ_p , is the standard deviation of the return on investment.

β_p corresponds to the beta of this investment, or its volatility compared to the market.

2022	☐ Risk-Free Rate (Rf) for 2022: 2% ☐ Portfolio Return (Rp)	<u>Sharpe Ratio Calculation</u> The Sharpe Ratio is calculated as: $\text{Sharpe Ratio} = \frac{0.15 - 0.02}{0.18} = \frac{0.13}{0.18} = 0.72$	<u>Treynor Ratio Calculation</u> The Treynor Ratio is calculated as: $\frac{0.15 - 0.02}{1.61} = \frac{0.13}{1.61} = 0.081$
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	for 2022: 15% ☐ Portfolio Standard Deviation (σ_p) for 2022: 18% ☐ Portfolio Beta (β_p) for 2022: 1.61		
2023	☐ Risk-Free Rate (R_f) for 2023: 2% ☐ Portfolio Return (R_p) for 2023: 10% ☐ Portfolio Standard Deviation (σ_p) for 2023: 15% ☐ Portfolio Beta (β_p)	<u>Sharpe Ratio Calculation</u> The Sharpe Ratio is calculated $\text{Sharpe Ratio} = \frac{0.10 - 0.03}{0.20} = \frac{0.07}{0.20} = 0.35$	<u>Treynor Ratio Calculation</u> The Treynor Ratio is calculated as: $\text{Treynor Ratio} = \frac{0.10 - 0.03}{1.61} = \frac{0.07}{1.61} = 0.043$ (Yahoo Finance, 2024)

	for 2023: 1.61		
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Comments

For the year 2022, Trainline was able to embody a Treynor ratio of 0.081 and a Sharpe ratio of 0.72 at this point. From these ratios, it is shielding a high-risk-adjusted return that it executed in that period. A Sharpe ratio above 0.5 typically indicates a good risk-return trade-off, and a higher Treynor ratio usually indicates the scale of systematic risk that is being taken on is more deeply rewarded. Going by the 2022 figures, it seems that Trainline has appropriately managed market risks while delivering substantial earnings, which offers an attractive risk-reward profile to investors (Yahoo Finance, 2024).

The Sharpe ratio, on the other hand, fell to 0.35 in 2023, and the Treynor ratio fell to 0.043 in the same year. The losses in risk-adjusted performance that Trainline has experienced might be indicative of a worsening. According to the low Sharpe ratio, Trainline did not produce solid returns compared to the volatility experienced in 2023 (Bank of England, 2024). This decline may come from different origins such as, the general intensified competition, the raised difficulty in operations, or more extensive sources such as the market conditions. More in-depth, there is the strong indication that investors were demanding less compensation for the risks they took systematically in 2023, than they needed the year before, this is illustrated in the lower Treynor ratio. The decline may be due to sector-specific reasons or broader macro-economic headwinds that have actually turned out to be disproportionately in impact on Trainline.

Given the quantum of declines and that both ratios declined, circa 2022-2023, it is clear that either risks have increased or yield profits have shrunk against the risk-free rate for Trainline. Without sufficient compensation in terms of their investment, investors would have otherwise been compelled to bear with an even higher price jump, which would be detrimental to their preferred risk-return trade-off. It also happens that the company did not sustain the initial momentum previously described and that impacted the performance of the company when considered from a risk-adjusted point of view. Despite elapsed time, the company remains as a growth-styled digital player.

Selection of a Second Listed Company with Exchange Traded Options

Second listed Company: Omio, the listed company behind British Airways.

Reason for choosing: Omio is a major publicly quoted company within the online booking sector that has options trading in its shares and, hence, will provide a good comparable base to support the analysis alongside Trainline.

Graphical Payoff Analysis of an At-the-Money Call Option with Real-Number Examples

It will be prudent to select Omio, an online booking platform that features in the travel sector and is located between the web content and the troublesome firm that owns British Airways, for an analysis of choices trading. You can get a sense of how option trading works and the ramifications it has on the investor by understanding how a call option with Omio at the money works. Below, we let the numbers portray how the whole process of payment for an at-the-money call option with Omio market conditions works (Jiang and Strong, 2024).

Understanding At-the-Money Call Options

An at-the-money (ATM) call option, in this context, has a strike price that is equal to or very close to the current market price of the underlying asset, which in this case are the shares of Omio. This call option grants the holder the right, but not the obligations, to purchase the underlying asset at the strike price at any time before the options expiration date. The potential profit for the investor depends on whether the market price at expiration exceeds the strike price. (Kang et al., 2022)

Setting Up the Scenario: Let the price of the share in its current state at Omio be £200. It exists for a call option that is already in the money, carrying a strike price of £200 and the time to expiry being three months. Opting for this exercise will attract a charge of ten pounds.

Payoff Analysis of the Call Option

The payoff from a call option can be represented by a graph with the stock price on the x-axis and the profit or loss on the y-axis. At expiration, the value of the call option is determined as follows:

$$\text{Payoff} = \max(0, \text{Stock Price at Expiration} - \text{Strike Price}) - \text{Premium Paid}$$

The buyer of the option is for seeing the closing price of the stock of Omio to exceed the strike price during the specified period. This translates to mean that come the time of expiry, the stock price of Omio remains at or below £200, then the option will fail to be exercised. This is because there is no motivation at all to purchase the stock at £200 when it is trading at below the price or at the given price (Thanekar and Shaikh, 2021). In so doing, therefore, the holder of the option loses the premium, which they paid and that is ten pounds.

Graphical Representation

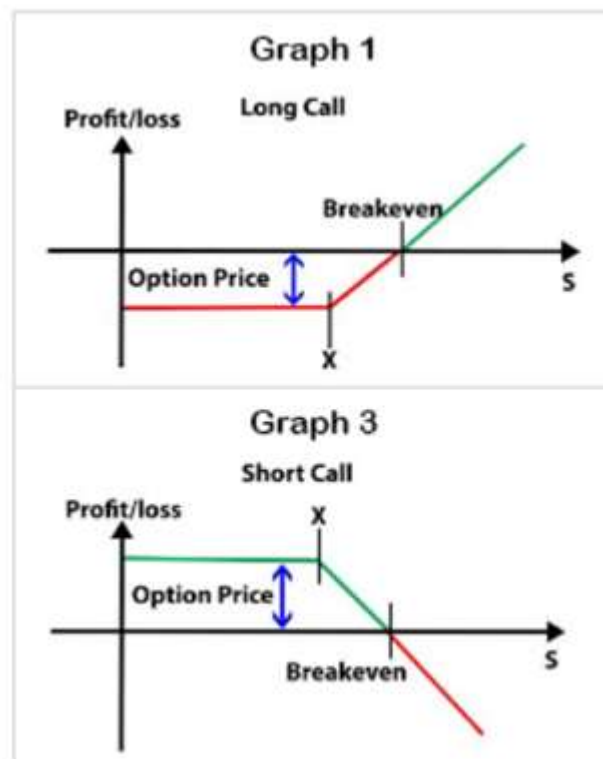


Figure 1: Call Option

(Source: By Author)

Real Numbers and Interpretation

Let's break down the potential payoffs at different stock prices:

1. **Stock Price = £180:** The option is not exercised. The loss is the £10 premium.
2. **Stock Price = £200:** The option is at-the-money. The holder doesn't exercise it, losing the £10 premium.
3. **Stock Price = £210:** The option is exercised, and the holder breaks even (no profit or loss).
4. **Stock Price = £220:** The holder makes a £10 profit (£20 gain minus £10 premium).
5. **Stock Price = £250:** The holder makes a £40 profit (£50 gain minus £10 premium).

Insights and Conclusion

In so far as the stock price of Omio rises above £200, the return will have been made on the call. A deposit of ten pounds is paid on the original premium; after this is rectified, the option holder is credited a profit of one pound on one pound, for every one pound that the stock increases in price over two hundred. Consequentially, this call option is only profitable when the stock reaches £210 (the strike price is £200, and the premium is £10). After this point has been reached, the option holder reaps a net profit from the call option. The at-the-money call option for Omio shows how stock price movements can be used by the option holder. This is now especially probable in the case of Omio, wherein strategy correctness becomes dependent on the market's being able to forecast rising stock prices. With the availability of this type of option, investors who are bullish about Omio can now take on the strategic stance of profiting from a price movement that is favourable while limiting the downside to the premium that is paid for this option.

Graphical Payoff Analysis of an At-the-Money Put Option with Real-Number Examples

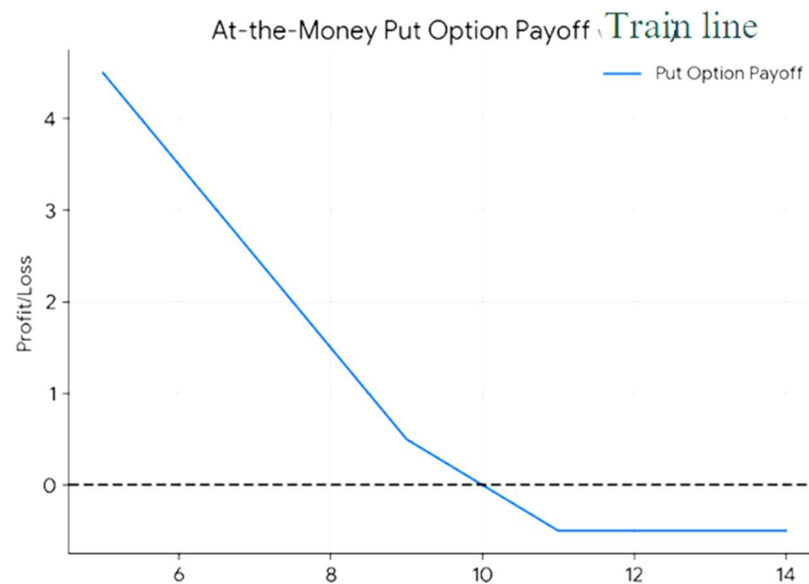


Figure 2: Put Option

(Source: By Author)

An at-the-money put option, or an ATM put option, grants the holder the right to sell the underlying at the strike price, irrespective of the current market value of the asset. In this case, we will further use Omio as the company. We will assume that the current stock price of Omio is £200, and strike price of the put option is also £200. The price for this option is £8. Put options become especially appealing to investors due to a variety of reasons; the most important of these is that they let holders profit from a fall in the stock price. Put options provide protection against the downside, allowing one to benefit in a falling market (Augustin, et al., 2019).

Let's consider, for the purpose of this case study, the payoff structure of a put option as of exercise date, under different stock prices. The payoff for a put option is given by the expression:

$$\text{Payoff} = \max(0, \text{Strike Price} - \text{Stock Price at Expiration}) - \text{Premium Paid}$$

Provided the price stays at £200 or higher, the put will not be exercised. The reason is that selling at £200 would generate no profit when judged against the current market value of the stock. The holder would lose the £8 in premiums if this scenario played out.

On the other hand, the option will be very lucrative if the stock price goes below £200. The holder makes £1 of profit for every £1 the stock price goes below the strike price. From this profit subtract the £8 of premium. A put with a strike price of £200, and a premium of £8, will break even at £192. At that level, the option will start producing net profit for an investor.

Straddles: A Detailed Analysis

A straddle is a combination derivative strategy involving buying one call option and one put option, having the same strike, class, and expiration date. It is also referred to as a "straddle." From the investors' point of view, this is the perfect scenario where they see huge price movement in the underlying but cannot foretell the direction the price will take (Thanekar and Shaikh, 2021). Omio would need to buy a £200 call option and a £200 put option, at £10 and £8 premium for each respectively, thereby giving an overall premium outflow of £18.

A straddle is an option strategy with a payoff structure that makes it profitable under both substantial upward and downward movements, independent of the rise or fall of the stock price. Probably, when the stock price appreciates significantly, a call option will return a profit, while a put option will expire worthless. If, however, the price of the stock drops significantly, then the put option will expire in the money, and the call option becomes worthless. But in either case, the straddle seeks to profit from volatility in the market (Jiang and Strong, 2024).

Computing the Payoff for a Straddle Strategy

For this straddle, the break-even points would be £218 on the upside—that is, the strike price plus combined premium of £200 plus £18—and on the downside, £182, that is, the strike price less the combined premium of £200 minus £18. If the stock price stays within the range from £182 to £218 during expiration, this strategy will result in a net loss. This is because neither the call nor the put option will create enough profit to cover the required premium.

Let's run over the possible outcomes:

Assuming that the stock price is £240, the call option produces a profit of £40, netting one £22 (£40 less premium of £18).

At £200 the price of the two alternatives become zero and they expire. So, a loss is suffered of £18.

The put option realize a profit of £40. This is a net profit of £22 as it has cost £18 in premium.

The straddle strategy works effectively only when volatility is a factor that can be easily predicted. As such, there would not be constant risk for the business, as there are various factors to which the business is vulnerable: demand fluctuations by customers, change in regulatory policy, and general market condition. How useful this approach would be for Omio in uncertain times is another story, whereby the greatest risk in this strategy would arise if the stock remained at the same price or flat, thereby representing an entire loss of a premium. Hence, it being a diversified strategy, the straddle would establish properly only by estimating the potential volatility so that the premium paid could have good support.

Period January 2023 to December 2023

The Performance of the 10Year note.

The 10-year United States Treasury note performance acted as a significant benchmark for long-term interest rates; more importantly, it had a lot of influence on the broader financial environment of the United States during the period starting in January 2023 to December 2023, with which was interconnected corporate entities such as Trainline. This 10-year note has been moving a lot during the year, influenced by some key macroeconomic issues. There were residual concerns about inflation early in the year, with the Federal Reserve having to continue aggressively raising interest rates to counter high inflation (Joslin, et al., 2021). This caused the yields on the note to rise significantly. One of the companies whose borrowing cost rose because of this climate was Trainline, and this could affect their strategy on financing and capital expenditure.

During the year, the 10-year note yields moved up and down based on adjustments made to various economic indices. There was a small window of time with lower yields in the middle of the year when inflation showed signs of levelling off and the Federal Reserve signalled a likely rate hike pause. This has provided some relief to businesses, which hopefully can ease some of the financial stress from Trainline's books by making it less expensive to borrow money and improving the conditions for investments. Nevertheless, yield movements continued to be influenced by the market's nervousness over the global pace of economic progress and geopolitical tensions, impinging on Trainline's financial environment (Li, 2022).

By the end of 2023, the settling of a more evenly balanced set of expectations regarding the economy, along with a step back toward the conditions for more stable interest rates, was reflected in the fact that yields on the 10-year note had very significantly stabilized. This stabilization provided a more predictable financial planning horizon, which most certainly reduced the cost of borrowing for Trainline and other companies. From the performance of the 10-year Treasury note on the whole in 2023, it goes without saying that corporate finance is responsive to changes in interest rate and inflation expectations. It also highlights why Trainline must continue to monitor these areas in terms of strategic planning and financial management (Acharya and Laarits, 2023).

Impact of Changes in the Yield of this Note on Consumer Debt

Changes in the yield on the 10-year United States Treasury note affect consumer debt, and this could well have implications for companies like Trainline even when they are operating in the United Kingdom. The yield on the 10-year Treasury note serves as a benchmark for the long-term interest rate, which then dictates how expensive it is to borrow money across a swath of industries that include consumer finance. As such, when the yield rises, often amid rising inflationary pressures or monetary policy tightening, interest rates on loans and mortgages rise in tandem (Akram and Das, 2019). This thereby increases the cost of consumer debt, including financial liabilities like mortgages, credit cards, and personal loans.

A rising cost of consumer debt can be felt in consumer-spending behaviour—something Trainline, an organization operating in the United Kingdom and offering its products to businesses as well as consumers, easily recognizes (Shu and Chou, 2021). It is probable that consumers would reduce their discretionary spending due to higher prices of credit. This may hurt Trainline's sales of office equipment and printers, among other goods targeting consumers. Reduced consumer spending can lead to lower demand for Trainline products, hence a revenue factor affecting the company's revenue and profitability.

In contrast, when the yield on the 10-year note goes down, a move indicative of decreasing interest rates at the long-term end, it makes borrowing money cheaper. This is because an environment with cheapening debt will have the potential to boost consumer spending, benefiting Trainline by helping drive larger sales volumes (ÖNCÜ, 2021). For example, if financing becomes cheap, more consumers and businesses would have a reason to invest in new technology or replace old equipment. This would have a positive effect on Trainline's product sales and the general demand in the market.

In other words, changes in the 10-year Treasury note yield significantly influence levels of consumer debt and patterns of consumer expenditure. To get an accurate view of forecasted market conditions, and to correspondingly adjust business plans in light of fluctuating consumer behaviour—the driving variables behind which are changing interest rates—it is useful for Trainline to develop an understanding of how these dynamics interplay.

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