



3 March 2023

INVESTOR REPORT

To: Deutsche Trustee Company Limited as Obligor Security Trustee, Issuer Security Trustee and Class A Note Trustee

BNP Paribas as Initial STF Agent and Initial WCF Agent

Deutsche Bank AG, London as 2021 STF Facility Agent

RAC Bond Co PLC as Issuer

J.P. Morgan Securities plc and Banco Santander S.A. (London Branch) as Borrower Hedge Counterparties

Standard & Poor's Credit Market Services Europe Limited as Rating Agency

From: RAC Group Limited as Holdco Group Agent

General Overview

RAC Bond Co PLC has today reported the consolidated audited results of RAC Bidco Limited ("Group") for the year ended 31 December 2022.

A summary of the Group's performance for the year ended 31 December 2022 ("2022") is set out below.

2022 highlights

- Membership now exceeding 13.0million (2021: 12.9 million) for the first time in RAC's history
- Adjusted revenue¹ of £664 million increased by £32 million (+5%). Statutory revenue grew by 4%.
- Adjusted EBITDA¹ of £260 million increased by £6 million (+2%)
- Lowest ever churn rate of 14.2% (2021: 14.5%)
- Challenging start to the year for Insurance following the introduction of the FCA's General Insurance Pricing Practices regulation (GIPP), but ending the year more positively, returning to membership growth
- Adjusted operating cash conversion¹ remained strong at 86% (2021: 89%)
- Completed the transaction to bring Silver Lake in as a significant investor in March 2022, providing the benefit of their expertise as we accelerate our digital journey and transformation

¹ Within the financial statements, revenue and EBITDA have been adjusted for a change in the Group's estimation of deferred service revenue for the sale of certain insured roadside assistance services. Please see note 9 of the Audited Annual Results for more details.

Outlook

In this, our 125th anniversary year, we faced particularly tough market conditions. Once again, we successfully navigated our way through to deliver another year of growth.

These results, combined with our ongoing investment, clear strategy and track record of operational execution ensure we have strong momentum. Despite the continued macro challenges, we remain confident about continuing to deliver long-term profitable growth and are well set for the future.

Regulatory and business update

Business Update

- No changes in RAC Bidco Ltd Group structure in 2022, with no acquisitions or disposals
- No change in “Permitted Business”
- On 11 March 2022, the transaction for Silver Lake to become a co-shareholder was completed
- On 14 March 2022, Alexandre Levy and Marc Boughton resigned as directors and Simon Patterson and Jonathan Galore was appointed as director.
- On 1 July 2022, Henry Ormond resigned as director and Alexandre Levy was re-appointed
- On 1 September 2022, Tesula Mohindra was appointed as a director
- On 23 September 2022, Kelly Bowden resigned as Company Secretary and on 31 January 2023, Lisa Griffiths was appointed.

Regulatory/Legislative Update

During 2022, RAC implemented the changes required as a result of the FCA's general insurance pricing practices regulations and is now in the process of delivering on its plan for implementation of the Consumer Duty rules which will come into force in July 2023. RAC is experienced in delivering regulatory change projects and is well placed to deliver the further changes required by these rules in line with the deadline.

Capital Expenditure

- Capital Investment remained on target with £54 million invested (2021: £49 million)
- Of this amount, £26 million (2021: £24 million) relates to customer acquisition intangibles and contract costs (i.e. includes commissions paid to third parties for sales)
- £28 million (2021: £25 million) relates to investment and maintenance projects as we continued to invest in our digital offerings and improvements to service. Consistent capital spend ensures that we remain well positioned to accelerate the development of our digital capabilities which will support our vision and future growth plans.

Current Financing Position

On 15 September 2022, the Group entered into a new £300m Senior Term Facility agreement in order to have committed funds available to refinance, if required, the outstanding Class A1 Notes in full ahead of their Expected Maturity Date on 6 May 2023. The Facility carries an opening interest rate of SONIA + 1.500%, subject to increase over the life of the Facility pursuant to a margin grid (to a maximum of SONIA + 4.250%). The Group may decide not to utilise the Facility.

The table below sets out the current funding position as at 31 December 2022:

Facility	£million	Due	Coupon / Interest
Class A1 Notes	300	May 2023/46	4.565%
Class A2 Notes	600	May 2026/46	4.870%
Class B2 Notes	345	November 2027	5.25%
Senior Term Facility	161	January 2025	2.500% + SONIA
Senior Term Facility	170	June 2025	1.800% + SONIA
Senior Term Facility	95	June 2028	2.500% + SONIA
Working capital facility	5	January 2025	2.500% + SONIA
Drawn debt	1,676		
<u>Additional committed facilities:</u>			
Working Capital Facility	45	January 2025	2.500% + SONIA
Liquidity Facility	90	Annual renewal	2.250% + SONIA
Senior Term Facility	300	May 2025	1.500% + SONIA

Interest rate risk on the floating rate drawn Senior Term Facility is appropriately hedged in accordance with the Hedging Policy set out in the Common Terms Agreement through an interest rate swap and the hedge remains effective.

Ratios

We confirm that in respect of this investor report dated 03 March 2023, 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 (Holdco Group Covenants) of the Common Terms Agreement:

- (a) the Class A FCF DSCR in respect of the relevant Test Period is equal to 3.00; and
- (b) the amount of Additional Financial Indebtedness raised since the date of the immediately preceding Investor Report was £nil;

(together the *Ratios*).

We confirm that each of the above Ratios has been calculated in respect of the Test Period(s) or as at the Test Dates for which it is required to be calculated under the Common Terms Agreement and is set out below:

Class A FCF DSCR for the year ended 31 December 2022

Class A FCF has been calculated as:

	£m
EBITDA ²	236.4
Cash tax paid	(51.7)
Decrease in working capital	(10.9)
Minimum capital maintenance spend ³	(8.0)
Decrease in restricted cash	4.0
Class A FCF	169.8

Class A Total Debt Service Charges has been calculated as:

	£m
Accrued interest	55.9
Commitment fees on WCF and LF	2.0
Interest received on cash equivalents	(1.3)
Class A Total Debt Service Charges	56.6
Ratio Class A FCF DSCR at 31 December 2022	3.00

² EBITDA of £236.4m is stated excluding the uplift in the consolidated operating profits of the Holdco Group arising as a result of the adoption of IFRS 16 'Leases', details of which are set out in the accounting policies in the consolidated financial statements of RAC Bidco Limited for the year ended 31 December 2022

³ In accordance with clause 12 (Preservation of Assets and Minimum Capital Spend Amount) of part B (General Covenants) of schedule 2 (Holdco Group Covenants) of the Common Terms Agreement, the Holdco Group Agent has determined a Minimum Maintenance Capex Spend Amount to apply for this Financial Year (ending 31 December 2022) and each of the succeeding four Financial Years and such new Minimum Maintenance Capex Spend Amount has been approved by an independent expert appointed by the Holdco Group Agent as being a reasonable estimate of the likely minimum capital expenditure requirements of the Holdco Group for those five Financial Years. The new Minimum Maintenance Capex Spend Amount is £8,000,000 (increased from £7,500,000).

We confirm that:

- (a) no CTA Default or Trigger Event has occurred and is continuing;
- (b) the Borrower is in compliance with the Hedging Policy;
- (c) the amount of Excess Cashflow for the preceding Financial Year is £55.3m:

	£m
Free cash flow calculated as above	169.8
Cash payments relating to one-off items	(19.7)
Excess capex above minimum maintenance spend	(43.2)
Add back: Investment Capex	17.6
Debt service costs	(74.8)
Accrued tax not yet paid	28.5
Total Excess Cashflow	78.2

- (d) the amount of Retained Excess Cashflow as at the date of this Investor Report is £145.5 million;
- (e) we are in compliance with the Obligor Coverage Tests;
- (f) below is a list of the Material Companies:
 - 1. RAC Motoring Services (registered number 01424399);
 - 2. RAC Financial Services Limited (registered number 05171817);
 - 3. RAC Brand Enterprises LLP (registered number OC377385)
- (g) the statements set out in this Investor Report are accurate in all material respects.

Yours faithfully



.....
Dave Hobday, Chief Executive Officer



.....
Jo Baker, Chief Financial Officer

For and on behalf of
RAC Group Limited as Holdco Agent

rac.co.uk

RAC Group Limited Registered in England (00229121). Registered Offices RAC House, Brockhurst Crescent, Walsall WS5 4AW.