



## 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  
RAC Bond Co PLC as Issuer  
J P Morgan Securities plc as Borrower Hedge Counterparty  
Standard & Poor's Credit Market Services Europe Limited as Rating Agency

From: RAC Group Limited as Holdco Group Agent

6 September 2021

### General Overview

RAC Bond Co PLC has today reported the unaudited consolidated results of RAC Bidco Limited ("Group") for the six months ended 30 June 2021. A summary of the Group's performance for the six months ended 30 June 2021 ("H1 2021") is set out below.

### Highlights

- Overall Membership up 0.8m to 13.0m, with growth in Membership Services making us the UK's #1 Breakdown provider. Consumer Membership of 2.6m up 3% on December 2020.
- H1 EBITDA increased by £8m to £122m, +7% vs H1 2020, demonstrating the continuing sustainable performance of the business
- H1 revenue of £325m up 6% driven by growth in subscription revenue and higher pay-on-use revenue
- Continuing progress across key performance measures, with churn performance particularly strong at 13.7% for H1, a reduction of 2.1pts vs H1 2020
- Liquidity, cash flow and capital position remained strong, reflected in a ratings upgrade from S&P and a successful debt refinancing on more favourable terms
- The partnership announced today with Silver Lake, who join GIC and CVC as co-shareholders, is an endorsement of our strategy and further opportunities ahead, and reflects our continued focus on delivering *Complete Peace of Mind* for our members

### Outlook

We end H1 2021 on track to deliver our 10<sup>th</sup> consecutive year of sustainable growth, despite the ongoing global pandemic. As we look forward, with rising vaccination rates and the relaxation of virtually all restrictions we expect to see business fully returning to normal in the latter half of the year.

We continue to execute against our strategy and remain well positioned to capitalise on new opportunities. None of this would be possible without the remarkable passion and dedication of our colleagues across the business who have kept delivering for our customers 24x7. We offer a heartfelt thanks to every single one of our colleagues for everything they do to keep us moving and keep Orange shining bright for all of our 13 million Members.

[rac.co.uk](http://rac.co.uk)

We remain excited about our long-term trajectory and welcoming Silver Lake on board, joining our existing co-shareholders GIC and CVC. The RAC has achieved incredible things over recent years, with a winning formula powering our sustainable growth into the future. With Silver Lake now alongside us, we can further accelerate our plans, delivering an even better experience for our members, colleagues and partners.

## **Regulatory and Business update**

### **Business Update**

- No changes in the RAC Bidco Ltd Group structure in H1 2021, with no acquisitions or disposals
- No change in “Permitted Business”
- No Board changes
- It was announced today that Silver Lake has entered into an agreement to become a co-shareholder alongside RAC’s longstanding shareholders GIC and CVC Strategic Opportunities I, a longer term investment fund managed by CVC Capital Partners (“CVC”). The transaction is subject to customary regulatory approvals and is expected to close in late Q4 2021

### **Regulatory/Legislative Update**

No material regulatory or legislative changes.

## **Capital Expenditure**

- Capital Investment remained on target with £22m invested in H1 2021 (H1 2020: £25m)
- Of this amount, £13m (H1 2020: £13m) relates to customer acquisition intangibles and contract costs (which includes fees and commissions paid to third parties for sales)
- Capex investment of £9m (H1 2020: £12m) comprised Investment and Maintenance Capex across a number of areas as we continue to focus on developing differentiated products and propositions, growing our new revenue streams and expanding the functionality of our member facing digital platforms. We continue to invest in our roadside infrastructure plus recruitment for our growing patrol base, and in our IT, Data and Information Security infrastructure, as well as preparing for upcoming regulatory changes
- We remain well invested for the future and to support future growth

## Financing Position

S&P upgraded the Investment Grade Rating of the Group's Class A1 and Class A2 Notes from BBB- (sf) to BBB (sf) and the Rating of the Group's Class B1 Notes from B (sf) to B+ (sf), both of which were announced by S&P on 22 April 2021.

Interest rate risk on the floating rate 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.

The table below sets out the current funding position as at 30 June 2021:

<u>Facility</u>	<u>£million</u>	<u>Due</u>	<u>Coupon / Interest</u>
Class A1 Notes	300	May 2023/46	4.565%
Class A2 Notes	600	May 2026/46	4.870%
Class B1 Notes	210	November 2022/46	5.00%
Senior Term Facility	300	January 2025	2.500% + LIBOR*
Drawn debt	<u>1,410</u>		

### Additional committed undrawn facilities:

Working Capital Facility	50	January 2025	2.500% + LIBOR*
Liquidity Facility	90	Annual renewal	2.250% + LIBOR*

\*Includes LIBOR floor

## **Ratios**

We confirm that in respect of this Investor Report dated 6 September 2021, 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 3.59; and
- (b) the amount of Additional Financial Indebtedness raised since the date of the immediately preceding Investor Report was £265 million<sup>1</sup>.

(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 overleaf.

<sup>1</sup> All £265 million of Additional Financial Indebtedness constitutes refinancing Additional Financial Indebtedness being used to fully redeem £210 million of remaining Class B1 notes and partially prepay the £300 million Senior Term Facility.

## Class A FCF DSCR as at 30 June 2021

Class A FCF has been calculated as:

	£m
LTM EBITDA <sup>2</sup>	234.1
Cash tax paid	(18.1)
Decrease in working capital	(4.1)
Minimum capital maintenance spend	(7.5)
Decrease in restricted cash	0.0
<b>Class A FCF</b>	<b>204.4</b>

Class A Total Debt Service Charges has been calculated as:

	£m
Accrued interest	55.3
Commitment fees on WCF and LF	1.6
Interest received on cash equivalents	(0.0)
<b>Class A Total Debt Service Charges</b>	<b>56.9</b>

**Ratio Class A FCF DSCR at 30 June 2021** **3.59**

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 Retained Excess Cashflow as at the date of this Investor Report is £37.7m;
- (d) the statements set out in this Investor Report are accurate in all material respects.

Yours faithfully



.....  
D Hobday, Chief Executive Officer  
For and on behalf of  
RAC Group Limited as Holdco Agent



.....  
J Baker, Chief Financial Officer

<sup>2</sup> EBITDA for the purposes of the calculation of the Class A FCF of £204.4m has been determined excluding the uplift in the consolidated operating profits of the Holdco Group for the relevant period arising as a result of the adoption of IFRS 16 'Leases' in the consolidated financial statements.