



24 February 2021

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

Barclays Bank PLC as Borrower Hedge Counterparty

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

From: RAC Group Limited as Holdco Group Agent

General Overview

A summary of performance for the year ended 31 December 2020 ("2020") is set out below.

2020 highlights

Growth in EBITDA and operating cashflow, with overall revenue marginally down as continued growth in subscription revenues largely offset Covid-19 volume related reductions:

- Revenue reduction of 1% to £624 million (2019: £631 million)
- EBITDA up 7% to £241 million (2019: £226 million)
- Operating profit up 25% to £126 million (2019: £101 million)
- Operating Cashflow up 8% to £222 million (2019: £205 million)
- Operating Cash conversion of 92% (2019: 91%)

Robust KPIs:

- Total Members of 12.7 million (2019: 12.1 million)
- 2.2m breakdowns attended (2019: 2.4 million)
- Roadside Churn Rate of 15% (2019: 16%)

Outlook

2021 has started well, with customer, revenue and EBITDA growth across the Group, despite the challenges of the Covid-19 pandemic. We have made further demonstrable progress in our efforts to expand and diversify our revenue streams for the future, underpinned by digital and data. We remain on track to deliver our 10th consecutive year of sustainable and uninterrupted growth, expand into driving services and leverage RAC's position at the heart of new mobility ecosystems.

Regulatory and business update

Business Update

- No changes in RAC Bidco Ltd Group structure in 2020, with no acquisitions or disposals
- No change in “Permitted Business”
- On 25 August 2020 Vinit Nagarajan resigned from the Board and Alexandre Levy was appointed

Regulatory/Legislative Update

No material regulatory or legislative changes.

Capital Expenditure

- Capital Investment on target with £54 million invested in 2019 across Tangible and Intangible assets (2019: £47 million)
- Of this amount, £24 million (2019: £28 million) relates to customer acquisition intangibles and contract costs (i.e. includes commissions paid to third parties for sales)
- Capex investment of £30 million (2019: £20 million) comprising Investment and Maintenance Capex across a number of areas, including:
 - ‘Complete Breakdown’ Consumer Proposition
 - Further enhancements and functionality made to the “MyRAC” digital platform and app;
 - Investment in customer management platform
 - Developments of insurance operating platform, including in house pricing models and ongoing development of our unique data assets
 - Increasing our fleet of award-winning “Heavy Duty 4x4” patrol vehicles and rapidly deployable “all wheels up” trailers;
 - Expansion of our Electric and Hybrid vehicle charging capabilities

Current Financing Position

There have been no changes in the S&P Investment Grade BBB- (sf) Rating of the Group’s Class A1 and Class A2 Notes and the B (sf) Rating of the Group’s Class B1 Notes.

Interest rate risk on the floating rate Senior Term Facility is effectively hedged through an interest rate swap.

In January 2020, we took the opportunity to refinance our Senior Term Facility ahead of maturity on more favourable terms. We refinanced for an amount of £300 million at a floating rate of LIBOR plus 2.5%, a reduction of 25bps compared to the terms of the original facility. The new facility matures in January 2025. We also extended the term of the £50m Working Capital Facility to January 2025.

In November 2020, using Retained Excess Cash Flow, we repurchased £65 million of Class B1 Notes at 99.5% of value.

The table below sets out the current funding position as at 31 December 2020:

Facility	£million	Due	Coupon / Interest
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	1,410		
<u>Additional committed facilities:</u>			
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 24 February 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 3.54; 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 2020

Class A FCF has been calculated as:

	£m
EBITDA ¹	226.9
Cash tax paid	(25.7)
Increase in working capital	9.0
Minimum capital maintenance spend	(7.5)
Increase in restricted cash	(0.0)
Class A FCF	202.7

Class A Total Debt Service Charges has been calculated as:

	£m
Accrued interest	56.0
Commitment fees on WCF and LF	1.5
Interest received on cash equivalents	(0.3)
Class A Total Debt Service Charges	57.2

Ratio Class A FCF DSCR at 31 December 2020 **3.54**

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 £88.1m:

	£m
Free cash flow calculated as above	202.7
Cash payments relating to exceptional items	(4.3)
Excess capex above minimum maintenance spend	(45.7)
Debt service costs	(70.5)
Accrued tax not yet paid	5.9
Total Excess Cashflow	88.1

- (d) the amount of Retained Excess Cashflow as at the date of this Investor Report is £88.1million;

¹ EBITDA of £226.9m 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 2020

- (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