



RAC Bidco Limited Investor Presentation H1 2020 Performance



15 September 2020

Speakers: Dave Hobday, CEO and Jo Baker, CFO

➤ H1 Highlights and COVID-19 Update

➤ Financial Performance

➤ Closing Remarks

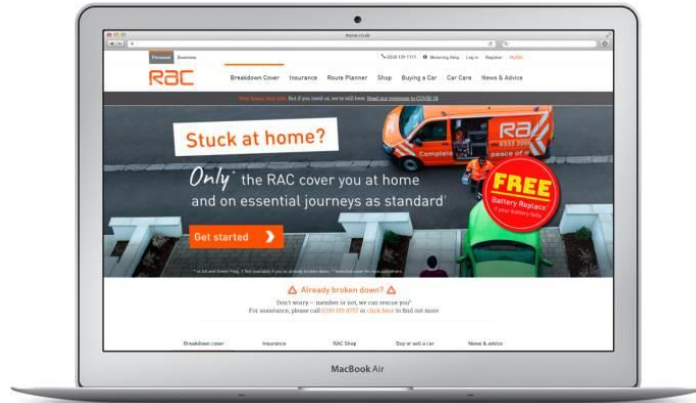
➤ Q&A

A man in a high-visibility orange jacket with reflective silver stripes stands in front of an orange RBC van. The van has the RBC logo, the number '033', and the text 'lete peace' on its side. The man is smiling and looking towards the camera. The background shows a brick building and a paved area. A large orange triangle is overlaid on the left side of the image.

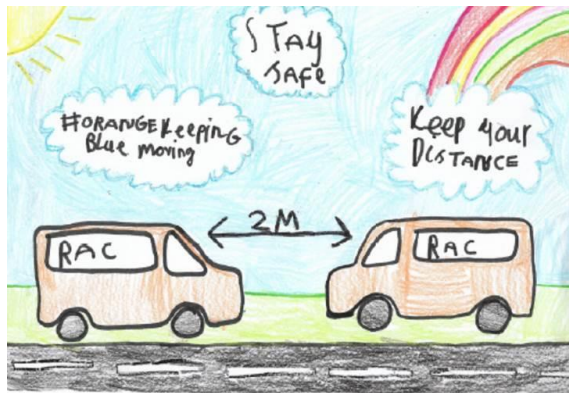
H1 Highlights and COVID-19 Update

H1 Highlights

Proved the resilience of our unique business model and relevance of our differentiated proposition during most challenging of times



- H1 EBITDA growth of £8m to £114m, an increase of +8% vs H1 2019
- Customer focused differentiation continues to drive sustainable growth across the RAC in 2020 and beyond
- Quick and decisive reaction to COVID-19 to protect the health and safety of our colleagues and members, maintain uninterrupted service, and provide extra support and free cover to NHS staff
- H1 revenue of £306m down only 2% driven by COVID-19 related temporary closures of some business units and reduction in volume related revenues; recurring subscription revenues grew
- Overall Membership up 0.5m to 12.2m with Consumer Breakdown churn improved vs H1 2019 as our differentiated offering remained relevant for drivers through COVID-19
- Surpassed competition to become UK's #1 for Business Breakdown with the addition of more new Corporate Partners and all relationships retained (including Barclays and Mercedes-Benz)
- Liquidity, cash flow and capital position remained strong, with continued investment in initiatives to drive efficiency and member growth
- H2 2020 has started strongly with significant growth in membership and overall revenue returning to growth as strong subscription revenues continue and COVID-19 impacted areas return
- Overall momentum across the group keeping us on-track to deliver our 9th consecutive year of growth



C-19 Response

Reacted positively to the crisis, finding opportunities despite the challenging external environment

How we reacted



Customer

- Uninterrupted service throughout lockdown
- Social distancing and protective measures at roadside
- Payment holidays and cover extensions for customers



Colleague

- 1,000 colleagues working from home
- Invested in 110 new patrols; growing headcount overall



Community

- Free rescue and half price batteries for NHS workers
- Fund raising for essential services and other charities



Company

- Swift action to reduce variable costs
- Response plans implemented rapidly and smoothly
- Continued to win and onboard new Business customers

Business results

- Responded to 1.1 million breakdowns in H1
- Best ever Net Promoter Scores for service
- Strong digital sales and churn driving member growth

- Best ever employee engagement scores
- New working patterns will have longer term benefits

- Over 4,500 NHS workers helped
- Colleagues raised funds for NHS Charities Together

- Continued to provide high quality 24/7/365 service
- Strong liquidity and financial health
- Focus on emerging stronger and more efficient

Business Delivery

We continued to make progress against our strategic objectives, despite the impact of C-19 and lockdown

Membership Services

- Launched unique new “standard” and “unlimited” propositions for consumer with exclusive breakdown extras to drive web sales
- Implemented new marketing system giving greater capability to personalise offers and communications for customers
- Consumer churn of 15.8% underpinned by strong performance in our inbound and outbound contact channels
- MyRAC +750,000 registered members with new features added e.g. easy registration, MOT and tax reminders, RAC product access
- Onboarded new breakdown relationships with Isuzu Trucks, Mercedes-Benz Vans and Smart, plus renewed Barclays relationship
- Ancillary business won to expand on existing NFUM, Porsche, PSA Groupe and Renault partnerships
- Development of Inspections and Recalls, with go-live of new relationships with BCA and London EV Company

Insurance

- New web journey launched in insurance improving sales conversion rates
- Joint RAC / underwriter bespoke pricing initiatives to drive acquisition volumes and retention
- Proactive retention offers in insurance reducing churn
- Rolled out unique mileage validation data to insurer panel improving risk selection and pricing and driving sales growth

Strategy

Our consistent strategy is working; sustaining our momentum with significant opportunity to grow further

Purpose For *Complete Peace of Mind* you can trust the RAC for your driving needs

Summary RAC is a **consumer driving services subscription business**, delivering long-term **sustainable growth**, underpinned by **quality customer experience** and enabled by our **people, digital platforms and unique data**



RAC 2025 Sustainable business growth and returns – now and for the future



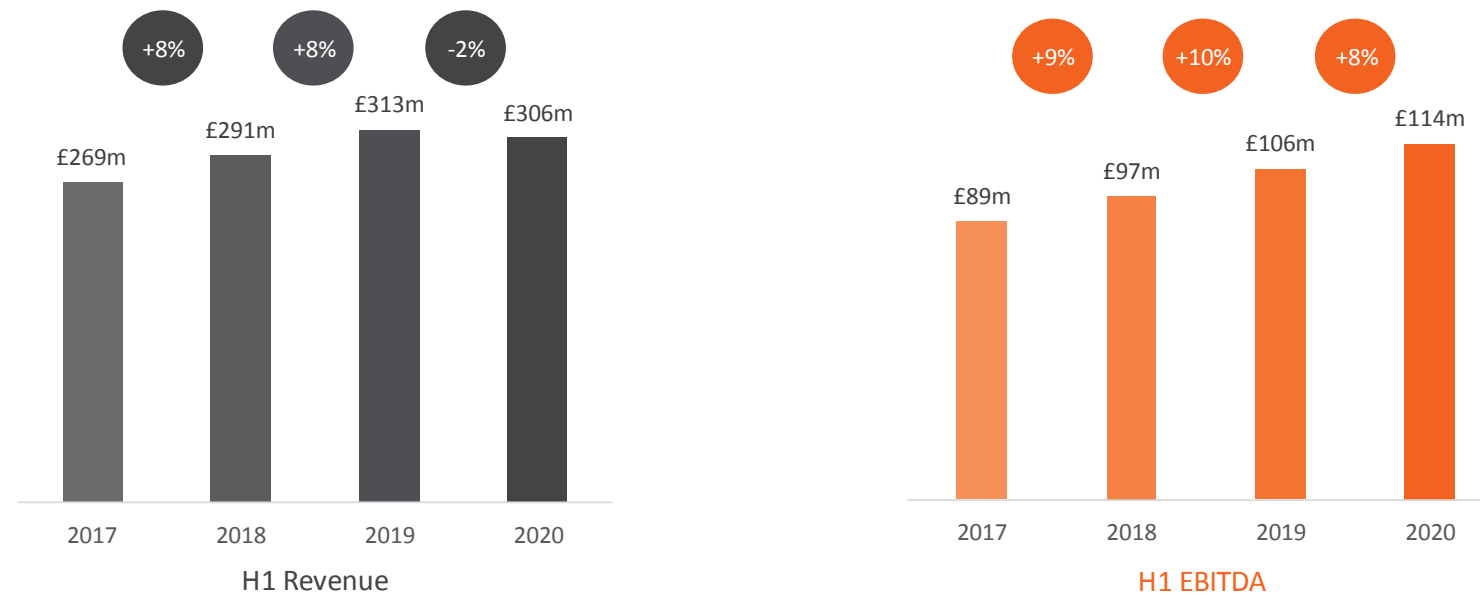
A man in an orange high-visibility vest with reflective silver stripes is leaning into the back of a truck. He is looking down at something in his hands. The truck's interior is visible, showing a storage compartment with various items like a spray bottle and a roll of paper. On the right side of the truck's interior, there are three dispensers labeled 'Protective Cream', 'Hand Cleaner', and 'Hand Sanitiser'. A large coil of black and red cables is hanging from the truck's side. The background shows a rural landscape with hills and a road.

Financial Performance

Financial Performance

Momentum is maintained and strong subscription revenues underpin EBITDA

- On track to deliver our 9th consecutive year of growth
- H1 Revenue of £306m, -£7m (-2%) vs H1 2019; continued core recurring subscription revenues growth offset COVID-19 related temporary closures of some business units and volume related reductions, and reduction in non-core low margin Accident Management Services revenues
- H1 EBITDA of £114m, +£8m (+8%) vs H1 2019; strong performance as core channel subscription revenue growth and structural changes to reduce costs more than offset temporary shortfalls in non-subscription revenues; step change to reduce use of external garage contractors plus management of other costs in line with lower activity levels
- H1 Operating Cash flow of £85m in line with H1 2019 and H1 Operating Cash conversion of 75% (2019: 81%). H2 expected to be significantly higher than H1 due to higher pay-per-use revenues and seasonality of receipts on corporate partner contracts
- H2 off to a very positive start with strong sales and revenue momentum as well as cost initiatives giving confidence in the long term outlook



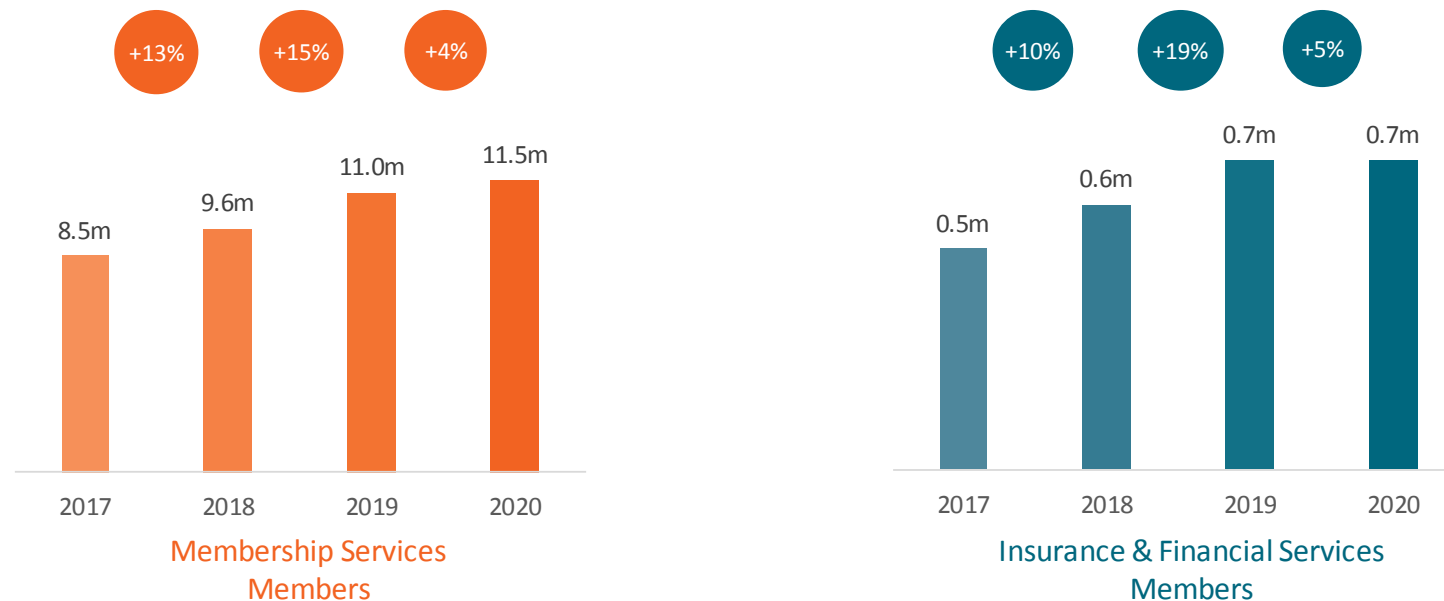
Membership Growth

Continues across all divisions with strong sales and churn (customer retention) performance

➤ Continued market share growth in our core categories and surpassed competition during H1 2020 to become UK’s #1 for Business Breakdown

- Membership Services members up 0.5m to 11.5m
- H1 Roadside Membership churn rate of 15.8% (H1 2019: 16.6%)
- Insurance & Financial Services policies of 730k (H1 2019: 695k)
- Motor and black box insurance policies of 649k (H1 2019: 595k)
- Over 750,000 members registered on MyRAC

➤ Growth in membership underpinning sustainable revenue and EBITDA growth

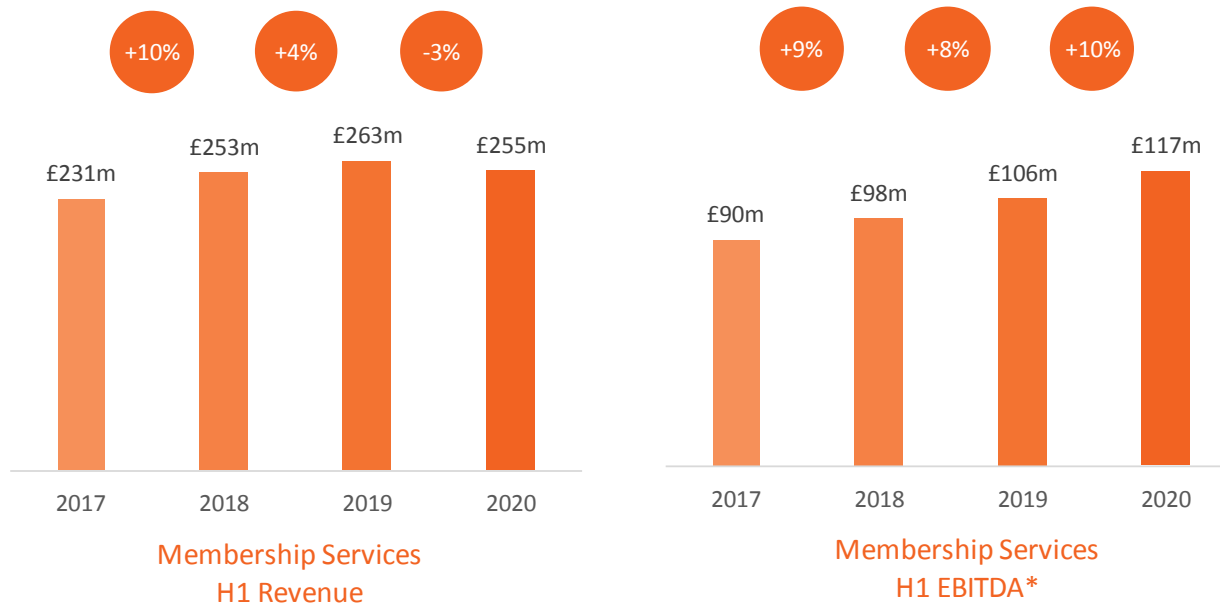


Divisional Performance

A balanced performance with growth across the group

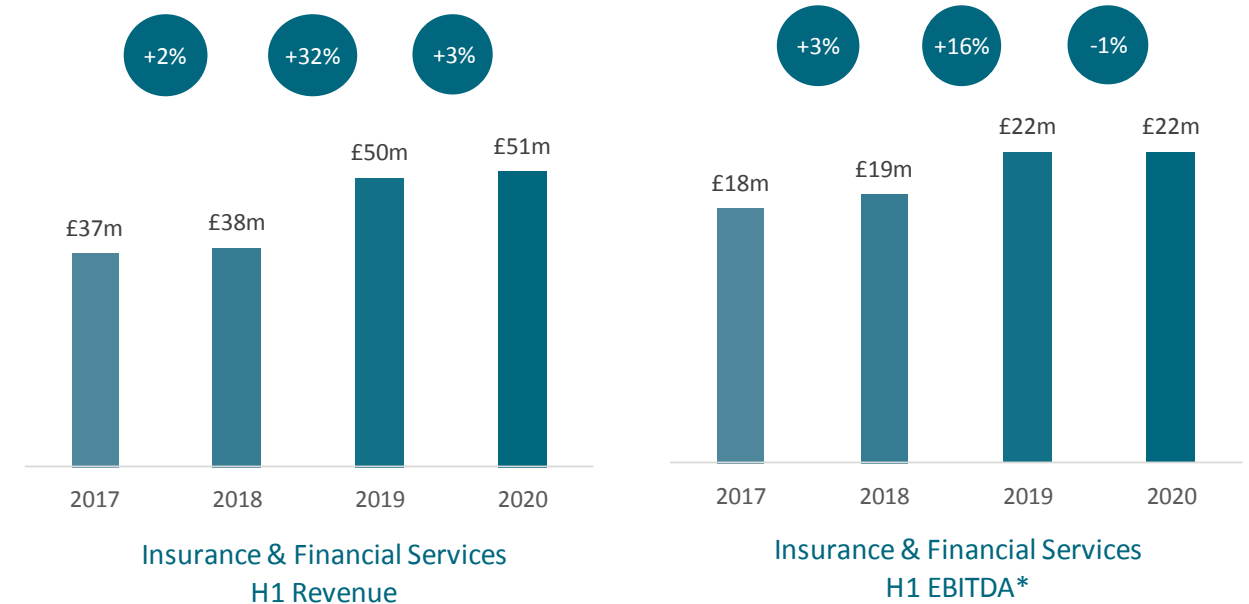
Membership Services

- Membership Services EBITDA growth of £11m (+10%) to £117m
- Overall revenue decline of 3% driven by temporary COVID-19 related closures of some business units and reduced volume related revenues
- Recurring subscription revenues in core channels continued to grow, supporting positive outlook into H2



Insurance & Financial Services

- Insurance and Financial Services EBITDA of £22m in line with prior year
- Growth in motor policies in force of 9% drove higher year on year revenue, offsetting lower claims income and mid-term adjustment income during the lockdown period
- Positive outlook underpinned by policy growth from core motor and black box insurance; active use of data and insight driving tangible improvements in risk selection and pricing for our panel insurers



* Pre head office costs and exceptional items

Financial Ratios and Covenants

Significant headroom with all ratios improving year on year

Class A FCF DSCR	2020 H1	2019 FY	2019 H1
Actual	3.33	3.25	2.91
Trigger	1.35	1.35	1.35
Default	1.10	1.10	1.10

Class B FCF DSCR	2020 H1	2019 FY	2019 H1
Actual	2.68	2.62	2.35
Default	1.00	1.00	1.00

Leverage	2020 H1	2019 FY	2019 H1
EBITDA LTM (£m)	234	226	217
Gross debt (£m)	1,475	1,437	1,437
Unrestricted cash* (£m)	(145)	(90)	(92)
IFRS 16 Lease Liability	69	71	72
Net debt (£m)	1,399	1,418	1,417
Leverage	6.0x	6.3x	6.5x

* Includes cash held by the Employee Benefit Trust

- Class A and Class B FCF DSCR covenants met with significant headroom
- Successfully refinanced our Senior Term Facility (“STF”) and Working Capital Facility (“WCF”) ahead of maturity on more favourable terms
- H1 Net leverage of 6.0x (2019 H1: 6.5x)
- No change to S&P rating assigned to Class A1 and A2 Notes of BBB- or Class B1 Notes of B
- No pension funding deficit and no off balance sheet liabilities





Closing Remarks

Summary

Clearly differentiated and well positioned for H2 2020, 2021 and beyond

Strong financial and customer performance in H1 2020 with +8% EBITDA growth, 75% cash conversion and overall membership up to 12.2m, keeping us on track to deliver our 9th consecutive year of growth

- Quick and decisive reaction to COVID-19 to protect the health and safety of our colleagues and members and deliver uninterrupted service
- Results confirm the resilience of our subscription-based business model, which together with strong member service levels and record colleague engagement gives momentum to continue our growth trajectory
- Relentless focus on our members, combined with our increasingly differentiated, unique and compelling propositions, ensures we remain well positioned and well invested for the future:
 - “Brilliant Basics” continues to provide long-term sustainable growth
 - Rolling series of unique and differentiated initiatives is “Super-Charging” our performance
 - Adjacent opportunities allow us to “Expand our Market”
 - Our digital subscription platforms and unique data capabilities position us to “Leverage Future Mobility Trends”

H1 performance and H2 momentum confirms resilience and relevance of our unique business model and differentiated proposition

- Well capitalised with strong liquidity and cash flow; continuing to invest in the business and our strategic initiatives to drive efficiency and member growth, setting us up well for 2021 and beyond
- H2 performance continues our growth trajectory, with strong momentum across all divisions in terms of customer, revenue and EBITDA growth
- All enabled by the commitment of our 4,000 **#OrangeHeroes** across the RAC who deliver **Complete Peace of Mind** for all of our 12.2m members

Q&A



Financial calendar

February 2021

- > Annual Report & Financial Statements for year ending 31 December 2020

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