



28 February 2024

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
Deutsche Bank AG, London as 2021 STF Facility Agent and WCF Agent
RAC Bond Co PLC as Issuer
J.P. Morgan Securities plc, Banco Santander S.A. (London Branch) and Barclays Bank PLC London 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 2023.

A summary of the Group's performance for the year ended 31 December 2023 ("FY 2023") is set out below.

Highlights

- 12th consecutive year of EBITDA growth, up £12 million or 5% to £272 million, with H2 growth accelerating to 8%
- EBITDA growth across both segments, with Membership Services up 5% and Insurance up 22%
- Membership increased by 0.6 million and now exceeds 13.6million
- Revenue of £720 million increased by £56 million or 8%
- Lowest-ever churn rate of 14.1% (2022: 14.2%)
- Service, Maintenance and Repair nationally established, undertaking 23,000 jobs
- 2.1 million members using myRAC for sales, upgrades, renewals and logging breakdowns
- Adjusted operating cash conversion remained strong at 92% (2022: 86%)
- Drawn debt reduced by £70 million

Outlook

Our strategy, execution and recurring membership model provide predictable results and long-term confidence. In tough market conditions, our ability to grow strongly yet again stands out. This resilience, combined with ongoing investment, improving market conditions and the new opportunities in SMR and digital give the Group real confidence and excitement about the further potential that lies ahead.

Regulatory and business update

Business Update

- No changes in RAC Bidco Ltd Group structure in FY2023, with no acquisitions or disposals
- No change in "Permitted Business"
- No changes to the Company's Board of Directors ("Board") during the period.

Regulatory/Legislative Update

In 2023, the Group met the deadlines for the implementation of the FCA's Consumer Duty rules which came into force on 31 July 2023. Consumer Duty's central aim of setting higher standards and putting consumers' needs first is completely aligned with the purpose and philosophy of our business, which is built around providing members with Complete Peace of Mind. Consumer Duty has given us an additional framework and focus to review our strategic plans with a different lens to provide even better member outcomes. Customer Outcomes are monitored through a variety of internal governance committees to ensure that we can demonstrate we are acting to achieve good outcomes for customers and proactively identifying any risks of customer harm.

Capital Expenditure

- Capital Investment totalled £82 million during the period (2022: £54 million)
- Of this amount, £43 million (2022: £26 million) relates to insurance acquisition cash flows and contract costs (including commissions paid to third parties for sales across our membership services and insurance divisions)
- £11 million (2022: £5 million) relates to Property, Plant and Equipment, which includes investment in equipment to support the expansion of our new SMR division as well as improvements to our breakdown services and the move to our new Manchester offices
- The remaining £28 million (2022: £23 million) relates to investment in our digital offerings, improvements to service and technology upgrades.

Financing Position

Interest rate risk on the floating rate Senior Term Facilities 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 31 December 2023:

| Facility | £million | Due | Coupon / Interest |
|---|--------------|-----------------------|----------------------|
| Class A2 Notes | 600 | May 2026/46 | 4.870% |
| Class A3 Notes | 250 | November 2028/ May 46 | 8.25% |
| Class B2 Notes | 345 | November 2027/ May 46 | 5.25% |
| 2020 Senior Term Facility | 141 | January 2025 | 2.500% + SONIA + CAS |
| 2021 Senior Term Facility | 170 | June 2025 | 1.800% + SONIA |
| 2021 Senior Term Facility | 95 | June 2028 | 2.500% + SONIA |
| Working Capital Facility | 5 | January 2025 | 2.500% + SONIA |
| Drawn debt | 1,606 | | |
| <u>Additional committed facilities:</u> | | | |
| Working Capital Facility | 45 | January 2025 | 2.500% + SONIA + CAS |
| Liquidity Facility | 99 | Annual renewal | 2.250% + SONIA |

During 2023, the Group repaid £120 million of debt including £20 million in relation to the 2020 Senior Term Facility. The Class A1 Notes of £300 million were redeemed by £100 million of available cash and drawing £200 million of the 2022 Senior Term Facility. The 2022 Senior Term Facility was repaid in October 2023, using the funds from issuance of the £250 million Class A3 Notes. £50 million of funds from the Class A3 issuance is currently held in escrow to be used to repay other existing debt. Interest paid was £83 million (2022: £83 million).

In January 2024, the Group successfully refinanced the 2020 Senior Term Facility with a new £205 million facility, due in January 2029 with a rate of 3.000% + SONIA. The incremental £65 million raised will be used to repay other existing debt.

No other changes were made to the debt instruments.

Ratios

We confirm that in respect of this investor report dated 28 February 2024, 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 3.65; and
- (b) the amount of Additional Financial Indebtedness raised since the date of the immediately preceding Investor Report was £200 million¹;

(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 2023

Class A FCF has been calculated as:

| | |
|-----------------------------------|--------|
| | £m |
| EBITDA ² | 250.3 |
| Cash tax paid | (22.5) |
| Increase in working capital | (0.1) |
| Minimum capital maintenance spend | (8.0) |
| Increase in restricted cash | (4.3) |
| Class A FCF | 215.5 |

Class A Total Debt Service Charges has been calculated as:

| | |
|---------------------------------------|-------|
| | £m |
| Accrued interest | 60.4 |
| Commitment fees on STF, WCF and LF | 1.8 |
| Interest received on cash equivalents | (3.2) |
| Class A Total Debt Service Charges | 59.0 |

Ratio Class A FCF DSCR at 31 December 2023 3.65

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;

¹ All of the £200 million Additional Financial Indebtedness constitutes refinancing Additional Financial Indebtedness being used to fully redeem £200 million of Senior Term Facility.

² EBITDA of £250.3m is stated 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.

(c) the amount of Excess Cashflow for the preceding financial year is £86.7 million.

| | £m |
|--|--------|
| Free cash flow calculated as above | 215.5 |
| Cash payments relating to one-off items | (10.7) |
| Excess capex above minimum maintenance spend | (74.1) |
| Add back: Investment Capex | 33.1 |
| Debt service costs | (77.2) |
| Total Excess Cashflow | 86.7 |

(d) the amount of Retained Excess Cashflow as at the date of this Investor Report is £112.4 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
For and on behalf of
RAC Group Limited as Holdco Agent



.....
Jo Baker, Chief Financial Officer