



RAC Group Limited

RAC House, Brockhurst Crescent, Walsall, WS5 4AW

3 March 2017

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 2017 full year performance is set out below. Further details will be provided to investors in a call with management to be held on 23 March 2017.

2016 Full year highlights

Strong financial performance in 2016 full year:

- Revenue growth to £506m
- EBITDA growth to £184m
- Operating profit growth to £68m
- Operating Cash flow growth to £162m
- Improved Operating cash conversion of 88%

Robust KPIs:

- Roadside Repair Rate of 81%
- Roadside Membership Retention Rate of 80%
- Net Promoter Score of 94%

Outlook

RAC is well positioned for growth in Revenue and EBITDA in 2017 across all sectors. We are pleased to announce that we have secured the Mercedes-Benz Cars UK roadside contract which will commence on 31 March 2017.

rac.co.uk

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

Regulatory and business update

Business Update

- No changes in RAC Bidco Ltd Group structure in 2016, with no acquisitions or disposals
- No change in “Permitted Business”
- Board changes:
 - Dave Hobday joined as CEO on 2 March 2017
- Senior management team changes:
 - Phil Ryan promoted to Operations Director, July 2016
 - Steve Kircher joined as CIO, July 2016

Regulatory/Legislative Update

Provision of £5m made for costs of managing a process and redress payments to customers who have enjoyed dual cover through holding an Individual Membership and roadside cover through an Added Value Bank Account or motor insurance policy.

Capital Expenditure

- Capital Investment on budget with £46m invested in 2016 across Tangible and Intangible assets
- Of this £20m relates to customer acquisition intangibles (e.g. includes commissions paid to third parties for sales)
- Capex investment of £26m comprising Investment and Maintenance Capex across a number of areas:
 - Telephony system upgrade
 - Telematics & connected car development
 - Mobile App development
 - Battery testers
 - Rapidly deployable trailers
- Maintenance Capex of £8.1m for the full year and £5.5m for period from May to December 2016.

Financing

The Group’s facilities are unchanged from the Closing Date, there have been no new issues or redemptions in the period from 6 May 2016 to the date of this report. There has been no change in S&P Investment Grade BBB- (sf) Rating. Interest rate risk on floating rate Senior Term Facility is 100% hedged through an interest rate swap and the hedge remains effective.

The current funding position is set out below as summarises the Group's borrowings as at 31 December 2016:

Financing	£m	Due	Coupon / Interest
Class A1 Notes	300.0	May 2023/46	4.565%
Class A2 Notes	600.0	May 2026/46	4.870%
Senior Term Facility	280.0	May 2021	2.75% + LIBOR*
Drawn debt	1,180.0		

Additional committed facilities:

Working Capital Facility	50.0	May 2021	2.75% + LIBOR*
Liquidity Facility	90.0	Annual renewal	2.25% + LIBOR*

*Includes LIBOR floor

Ratios

We confirm that in respect of this investor report dated 3 March 2017, 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 3.17;
- (b) the amount of Additional Financial Indebtedness raised since the date of the immediately preceding Investor Report (or, if none, since the Closing Date) 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;

FCF has been calculated as;

	£m
EBITDA per financial statements	183.7
Increase in working capital	3.6
Minimum capital maintenance spend	(5.0)
Increase in restricted cash	0.1
TOTAL FREE CASH FLOW	182.4

Debt Service cost has been calculated as;

Accrued interest	56.2
Commitment fees on WCF and LF	1.6
Interest received on cash equivalents	(0.3)
TOTAL DEBT SERVICE COST	57.5

Ratio Class A FCF DSCR **3.17**

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 £19.5m;
- (d) the amount of Retained Excess Cashflow as at the date of this Investor Report is £19.5m;
- (e) we are in compliance with the Obligor Coverage Test;
- (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); and

(g) the statements set out in this Investor Report are accurate in all material respects.

Yours faithfully



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Richard Fairman, Chief Financial Officer

For and on behalf of
RAC Group Limited as Holdco Agent



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Director