



26 February 2020

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 2019 ("2019") is set out below.

2019 highlights

Significant growth in revenue, EBITDA and operating cashflow:

- Revenue growth of £39 million to £631 million
- EBITDA growth of £19 million to £226 million
- Operating profit growth of £21 million to £101 million
- Operating Cashflow growth of £24 million to £205 million
- Operating Cash conversion of 91% (2018: 87%)

Robust KPIs:

- Roadside Repair Rate of 81% (2018: 80%)
- Roadside Churn Rate of 16% (2018: 18%)

Outlook

Fuelled by our 2019 performance, 2020 has got off to a very positive start. The core business has momentum and we are well invested to further differentiate ourselves. The motoring services and mobility markets offer multiple opportunities and we are uniquely positioned to exploit these. Combined together with our strong results, we have confidence in our continued long-term growth.

Regulatory and business update

Business Update

- No changes in RAC Bidco Ltd Group structure in 2019, with no acquisitions or disposals
- No change in "Permitted Business"
- No Board changes

Regulatory/Legislative Update

No material regulatory or legislative changes.

Capital Expenditure

- Capital Investment on target with £47 million invested in 2019 across Tangible and Intangible assets (2018: £53 million)
- Of this amount, £27 million (2018: £25 million) relates to customer acquisition intangibles and contract costs (i.e. includes commissions paid to third parties for sales)
- Capex investment of £20 million (2018: £28 million) comprising Investment and Maintenance Capex across a number of areas, including:
 - "MyRAC" digital platform;
 - Development of unique insurance data assets to enhance risk-based pricing capability;
 - Expanded "Remote Fix" smartphone capability;
 - Roll out of unique patrol Electric Vehicle electric charging capabilities;
 - Further enhancements to the consumer web journey and contact centre;
 - More4More enhanced customer offerings;
 - Deployment of Insurer Hosted Pricing capabilities;
 - New business implementation costs;
 - Roll out of our award-winning "Heavy Duty 4x4" patrol vehicles;
 - Deployment of our rapidly deployable "all wheels up" trailers;
 - "Track My Rescue" breakdown support;
 - IT infrastructure and systems enhancement;
 - Insurance Telematics boxes; and
 - Further enhancements to Information and Data Security

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 105% hedged through an interest rate swap and the hedge remains effective.

Subsequent to 31 December 2019, we took the opportunity to refinance our Senior Term Facility ahead of maturity. 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.

rac.co.uk

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

The table below sets out the current funding position as at 31 December 2019:

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	275	November 2022/46	5.00%
Senior Term Facility	262	May 2021	2.750% + LIBOR*
Drawn debt	1,437		
<u>Additional committed facilities:</u>			
Working Capital Facility	50	May 2021	2.750% + LIBOR*
Liquidity Facility	90	Annual renewal	2.250% + LIBOR*

*Includes LIBOR floor

Ratios

We confirm that in respect of this investor report dated 26 February 2020, 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 3.25; and
- (b) the amount of Additional Financial Indebtedness raised since the date of the immediately preceding Investor Report was £350 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:

¹ Only £38 million of the Additional Financial Indebtedness incurred since the date of the immediately preceding Investor Report (August 2019) constitutes incremental Additional Financial Indebtedness, with the remainder being refinancing Additional Financial Indebtedness which was used to replace the Holdco Group's previous senior term and working capital facilities.

Class A FCF DSCR for the year ended 31 December 2019

Class A FCF has been calculated as:

	£m
EBITDA ²	212.9
Cash tax paid	(15.3)
Decrease in working capital	(5.5)
Minimum capital maintenance spend	(7.5)
Decrease in restricted cash	0.1
Class A FCF	184.7

Class A Total Debt Service Charges has been calculated as:

	£m
Accrued interest	55.8
Commitment fees on WCF and LF	1.6
Interest received on cash equivalents	(0.6)
Class A Total Debt Service Charges	56.8

Ratio Class A FCF DSCR at 31 December 2019 3.25

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 £71.3m:

	£m
Free cash flow calculated as above	184.7
Cash payments relating to exceptional items	(1.1)
Excess capex above minimum maintenance spend	(40.6)
Debt service costs	(70.6)
Accrued tax not yet paid	(1.1)
Total Excess Cashflow	71.3

² EBITDA of £212.9m 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 2019

- (d) the amount of Retained Excess Cashflow as at the date of this Investor Report is £71.3 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



.....
Jo Baker, Chief Financial Officer

For and on behalf of
RAC Group Limited as Holdco Agent