



RAC Bidco Limited
Investor Presentation
FY 2020 Performance

11 March 2021



Speakers: Dave Hobday, CEO and Jo Baker, CFO

- 2020 Highlights
- Financial Performance
- Strategy
- Closing Remarks
- Q&A

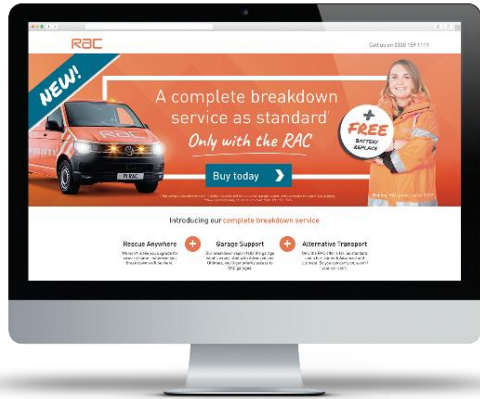


2020 Highlights



2020 Highlights – Delivering *Complete Peace of Mind*

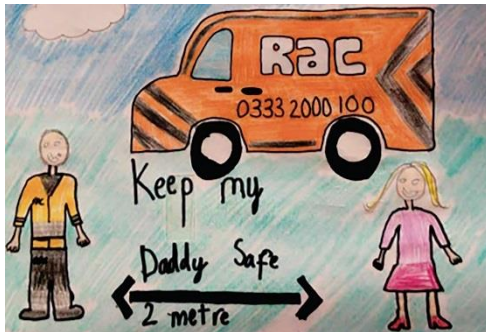
In the most challenging of circumstances, RAC's strategy and resilient, relevant and differentiated propositions delivered



Strong performance for the year. Focus on Core Business delivered 9th consecutive year of growth

- Grew EBITDA +7%, building on our track record of achieving consistent mid to high single digit growth
- Added +600k members, growing market share in our Core categories and now UK's #1 for Business
- Balanced results across all divisions, demonstrating resilience and relevance of our subscription based model
- Strategy continues to deliver, with differentiated propositions driving sustainable growth

Successfully navigated the effects of Covid-19 and sustained our momentum for the future



- Reacted fast to protect colleagues, deliver service, and sustain operational and financial performance
- Delivered record customer satisfaction and best ever colleague engagement scores throughout Covid-19
- Supported customers and NHS throughout
- Launched new products, services, ways of working to keep momentum and adapt to changes



Good progress on key strategic initiatives to open up new markets with real growth potential

- Strong performance of Core Businesses enables expansion into adjacent markets where RAC has a right to win
- Size, scale and growth of new markets present significant potential to accelerate current performance
- Evolving macro trends in “Mobility” give future opportunity
- RAC EV capability, data, digital platforms and brand perfectly positioned in an increasingly complex world

Financial Performance



Impact of Covid-19

We reacted quickly to handle unprecedented levels of pressure and change across the business



Covid-19 clearly had significant impacts across our business

- Changing travel patterns leading to extremely volatile and unpredictable levels of demand
- Sales channels seeing different patterns of demand, and some forced to close temporarily
- Impact on working practices at roadside and for office-based colleagues



The whole organisation reacted quickly to protect colleagues and service

- Provided an uninterrupted service throughout lockdowns, protecting essential journeys
- Rebalanced the business and safeguarded jobs
- Introduced significant changes to our ways of working
- Dialed up our colleague engagement activities
- Supported our members with payment holidays, flexible membership, new channels and new digital services
- Helped thousands of NHS staff with free rescue, cover upgrades and half price batteries



Our actions helped us to deliver a robust financial performance

- Geared up initiatives to accelerate membership growth, pivoted to alternative channels and reduced costs
- The relevance of our propositions and *Complete Peace of Mind* promise shone through at a time of critical need

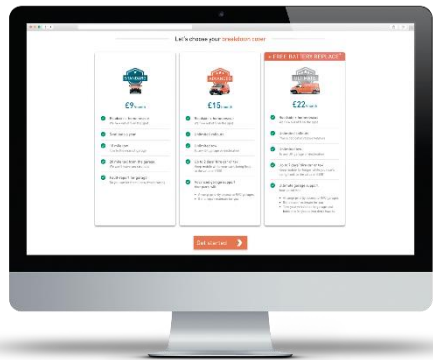
2020 Performance Headlines

We delivered another year of market-beating performance, continuing our membership growth and pace on key initiatives



Our ninth consecutive year of growth since separation from Aviva in 2011

- Strong financial performance with +7% EBITDA growth to £241m and 92% operating cash conversion
- Our relentless focus on trading, and an agile approach to making the most of opportunities (e.g. roadside efficiencies, recalls, battery sales) enabled us to sustain our momentum
- Longer term structural changes mean we come out as a stronger business overall – more resilient and more efficient



Quality of earnings was strong, with key underlying performance metrics showing healthy improvements

- Record breaking consumer churn and web sales volumes drove best ever consumer net adds
- Business filesize reached a new record and we achieved top spot as the UK's #1 for Business
- Insurance growth continued with another year of double digit growth in Core Motor and BBI policies



We also strengthened our balance sheet and funding position during the year, which underpins our confidence in the future

- Senior Term Loan refinanced with slight uplift in total amount, extended maturity date and improved terms
- £65m of existing Class B bonds repurchased, and £44m shareholder debt repaid
- Net leverage ratio reduced from 6.3x to 5.7x, continuing deleveraging of the business since 2017

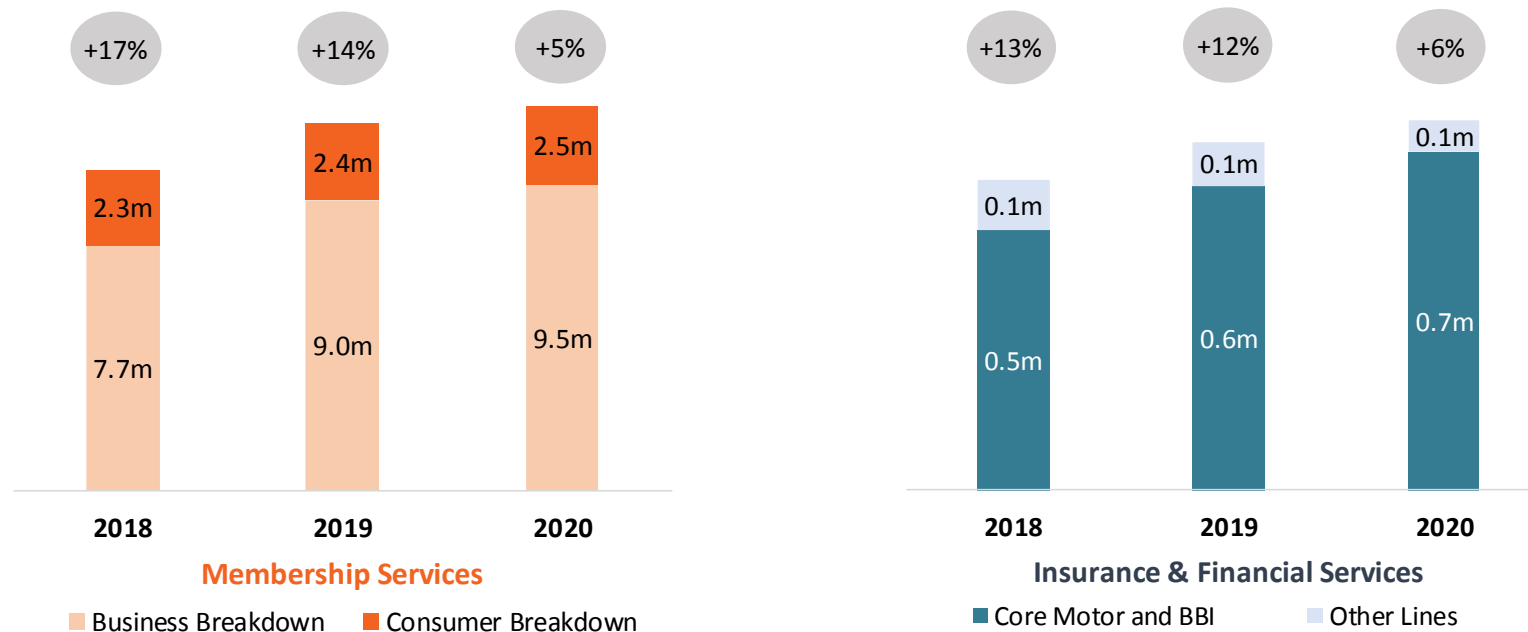
Across the board, the business has real and sustainable momentum, with an ongoing series of initiatives and material new business wins. 2021 has already got off to a very positive start, trading well ahead of prior year

Membership Growth

Continued member growth, powered by our differentiated products and services, underpinned by exceptional customer service

Overall Membership grew by +600k to 12.7 million, driven by strong new business flows across all divisions and record low consumer churn

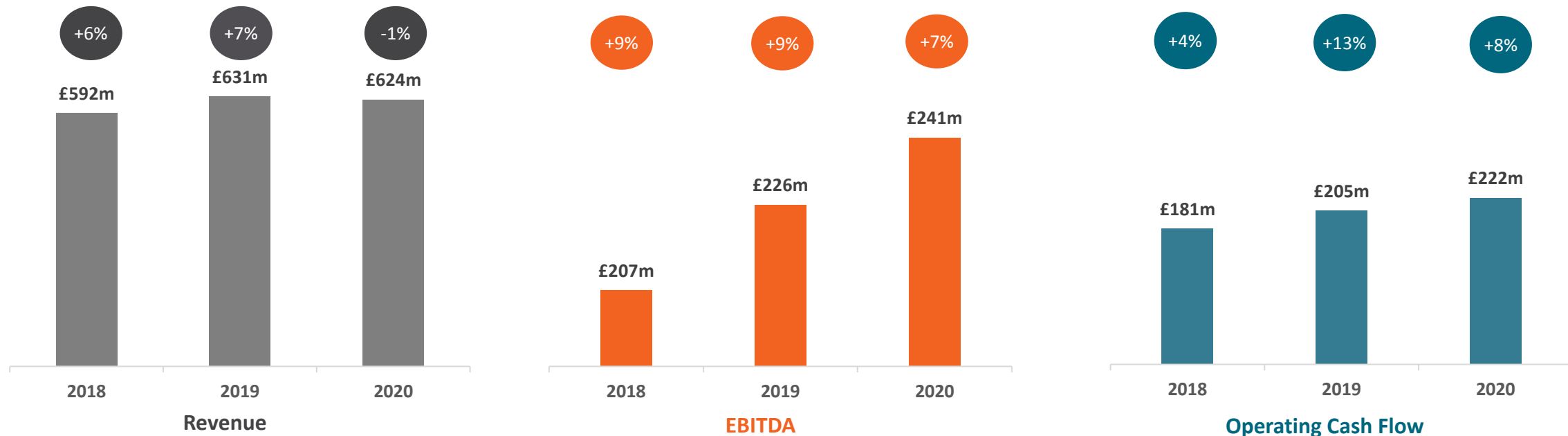
- #2 in the UK for overall Roadside Assistance, and growing
 - Consumer member growth of +93k to 2.5 million, with lowest ever 15.0% churn rate (2019: 15.6%)
 - Business member growth of +465k to 9.5 million, testament to our compelling propositions
- Highest ever Insurance & Financial Services members with 747k policies in force (2019: 704k)
 - Motor and black box insurance policies of 683k (2019: 615k)
- #3 Motor Insurance broker in the UK, with continued double digit Motor Insurance & Black Box Insurance growth
- 1 million members registered and engaging on MyRAC, +100% in 12 months



Group Financial Performance

We delivered our 9th consecutive year of growth in 2020, across membership numbers, EBITDA and Operating cash conversion

- Group Revenue for the year of £624m was underpinned by continued recurring subscription revenue growth. A strong second half saw H2 2020 revenue above H2 2019, in spite of continuing lower pay on use revenues due to tier restrictions and lower Accident Management Services revenue
- EBITDA increased by £15m (+7%) to £241m, driven by member growth, new products, data and digitally led services, revenue performance, retention improvements, and ongoing operational cost efficiency initiatives
- Operating costs of £383m were 5% lower (2019: £405m) as we drove deployment model efficiencies across our breakdown operations
- Operating Cash flow remained healthy at £222m, up £17m (+8%) vs 2019, with strong Operating Cash conversion of 92% (2019: 91%) evidencing the resilience of our strong cash generative business model
- Capital investment of £54m (2019: £47m) remains in our target envelope and ensures we continue to be well invested for Core and new Adjacent Markets

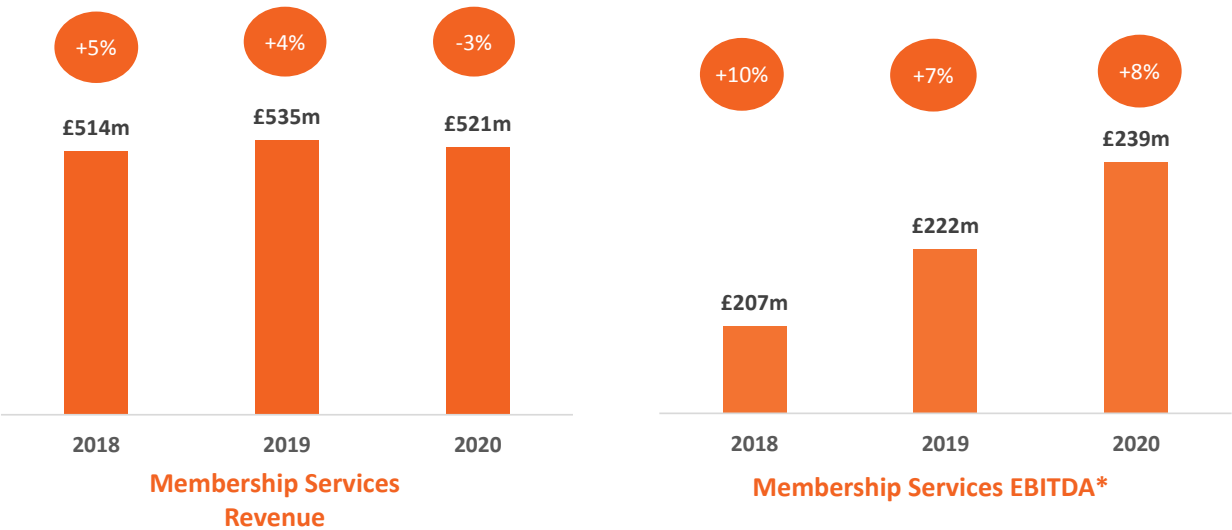


Divisional Financial Performance

Balanced performance across the business divisions, growing membership numbers and EBITDA alike

Membership Services

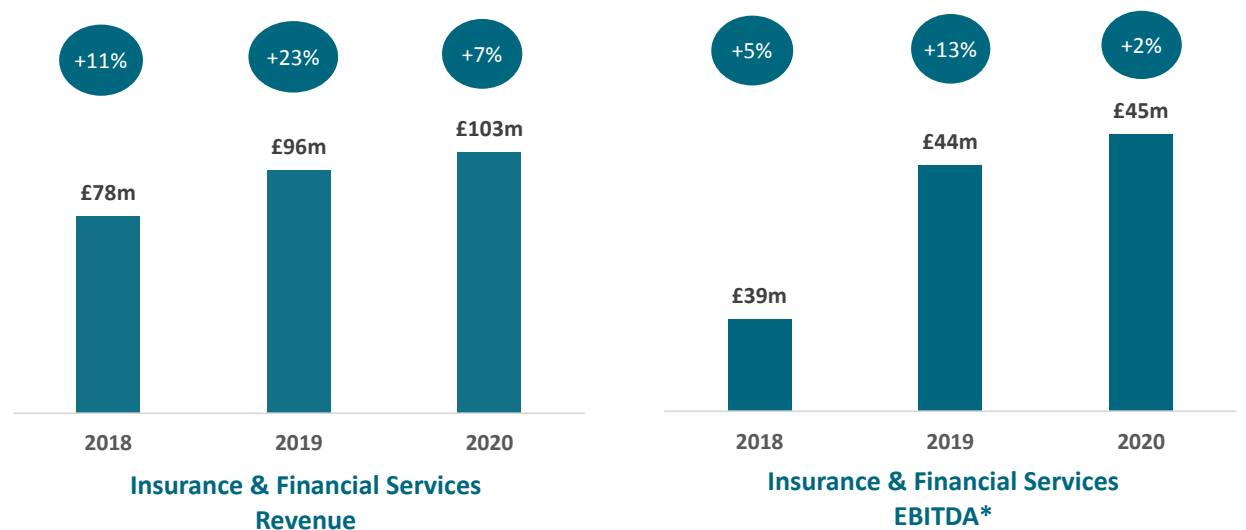
- Membership Services EBITDA growth of £17m (+8%) to £239m
- Recurring subscription revenues in Core channels continued to grow, supporting positive outlook into 2021
- Headwinds from lower volume related revenues, together with removal of low-margin Accident Management Services revenue, will fall away as we go into 2021



* Pre head office costs and exceptional items

Insurance & Financial Services

- Insurance and Financial Services EBITDA of £45m (+2%) vs prior year
- Growth in Core Motor and BBI policies in force of 11% drove higher year on year revenue, offsetting lower claims income and mid-term adjustment income during the lockdown period
- Active use of data and insight driving tangible improvements in risk selection and pricing for our panel insurers, supporting new business



Financing Structure

Solid balance sheet with further reduction in leverage during the year

Facility	Dec 2019	Dec 2020	Due	Coupon
Class A1 Notes	300	300	May 2023/46	4.565%
Class A2 Notes	600	600	May 2026/46	4.870%
Class B1 Notes	275	210	Nov 2022/46	5.000%
Senior Term Facility	262	300	Jan 2025	LIBOR + 2.500%
Drawn Debt	1,437	1,410		
Working Capital Facility	50	50	Jan 2025	LIBOR + 2.500%
Liquidity Facility	90	90	Renewed annually	LIBOR + 2.250%
Undrawn Debt	140	140		

- Successful refinancing of our £300m Senior Term Facility and £50m Working Capital Facility in January 2020, ahead of maturity and on more favourable terms
- Proactive £65m buyback of Class B1 Notes in November 2020, further de-leveraging the Group
- Multiple options to address upcoming Class B1 Notes maturity in November 2022
- S&P re-affirmed ratings of Class A1 and A2 Notes of BBB- (sf) and Class B1 Notes of B (sf)
- Amending our financial policy to raise minimum counterparty rating requirement, giving further security for bondholders



Financial Ratios and Covenants

Significant headroom with all ratios continuing to improve year on year

Class A FCF DSCR	2019	2020 H1	2020
Actual	3.25	3.33	3.54
Trigger	1.35	1.35	1.35
Default	1.10	1.10	1.10

Class B FCF DSCR	2019	2020 H1	2020
Actual	2.62	2.68	2.88
Default	1.00	1.00	1.00

Leverage	2019	2020 H1	2020
EBITDA LTM (£m)	226	234	241
Gross debt (£m)	1,437	1,475	1,410
Unrestricted cash* (£m)	(90)	(145)	(98)
IFRS 16 Lease Liability	71	69	67
Net debt (£m)	1,418	1,399	1,379
Leverage	6.3x	6.0x	5.7x

- Class A and Class B FCF DSCR covenants met with significant headroom
- Continued proactive capital management, with Leverage ratio of 5.7x (2019: 6.3x)
- No pension funding deficit and no off balance sheet liabilities

* Includes cash held by the Employee Benefit Trust



Financial Performance: Summary

Another consecutive year of growth with positive trends into 2021

We delivered another record-breaking set of results for the business

- +7% EBITDA growth
- Revenue broadly flat for Full Year and growing in H2
- Operating cash flow up by +8%
- Deleveraging the balance sheet

With underlying metrics giving real confidence in the outlook for future sustainable growth

- Overall Membership up by +5%
- Best ever web sales
- Best ever consumer churn
- Best ever customer service
- Best ever colleague engagement



Strategy



RAC2025 Strategy

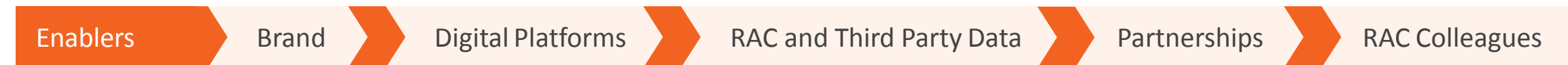
Our strategy is delivering sustainable business growth and returns – now and for the future

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

Summary RAC is a consumer driving services subscription business, delivering long-term sustainable growth, underpinned by unique data capabilities, highly differentiated propositions, quality customer experience and enabled by our colleagues, digital platforms and brand



All seamlessly enabled by the My **RAC** “one-stop-shop”



Brilliant Basics continued to underpin good progress in 2020

Sustained momentum through the delivery of key strategic initiatives in the Core Businesses

Consumer Roadside delivered growth in net adds and ARPU with new and differentiated propositions and channels



➤ +89k net members with record web sales and best ever consumer churn of 15.0%

➤ Accelerating SME business with +4k net adds in year and significant potential, underserved by the roadside industry



➤ Launched unique Complete Breakdown, redefining the category, with “standard”, “advanced” and “unlimited” cover levels. Plus exclusive breakdown extras to drive sales



➤ Launched RAC Essentials product on Aggregators, providing value-seeking customers a tailored product



➤ MyRAC digital subscription platform surpassed 1 million members (+100% in 12 months). New features added e.g. easy registration, MOT & tax reminders, RAC products and services access

Business Roadside became UK’s #1, adding new customers and broadening service offering with existing partners



➤ +465k net members to become UK’s #1 for Business Breakdown. All relationships retained (Barclays, Kia, BGL, Co-Op Bank, RSA)



➤ Partnership approach and expertise in B2B landed more new breakdown relationships. Isuzu Trucks, Mercedes-Benz Vans, Smart and By Miles. Growth in inspections and recalls with BCA and London EV Company



➤ Built on existing partnerships with expansion into new products and services – Renault Contact Centre, NFU Premium Service, Barclays Motoring Pack, PSA Recalls, Porsche Connect

Brilliant Basics (continued)

Sustained momentum through the delivery of key strategic initiatives in the Core Businesses

Operations delivered best ever service alongside cost efficiencies. More to come through the use of digital platforms and data



➤ New Deployment model, with 110 additional patrols recruited allowing reduced contractor use and better customer management



➤ Roll out of our unique All Wheels Up trailer continued, reducing the need to use contractors for towing



➤ Further developed our market leading “Remote Fix” capability with diagnostic data plus insight for OEM partners

➤ Introduced new “Locate Me” and “Track My Rescue” and SMS updates to improve customer breakdown experience



➤ Digital Breakdown launched to let members report breakdowns online



➤ Highest ever customer satisfaction scores delivered

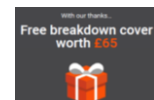
Insurance saw another year of strong membership growth, enabled by unique data assets and panel relationships



➤ Insurance +68k motor net adds with joint RAC / underwriter bespoke pricing initiatives driving acquisition volumes



➤ Further investment in data science and pricing capabilities, migrating models in-house to industry leading Radar live platform



➤ Launched ongoing retention improvements, including proactive loyalty offers and new messaging



➤ Rolled out unique mileage validation data to 75% of insurer panel improving risk selection, pricing and driving sales growth

RAC 2025: A growing Core and potential to expand to New Markets

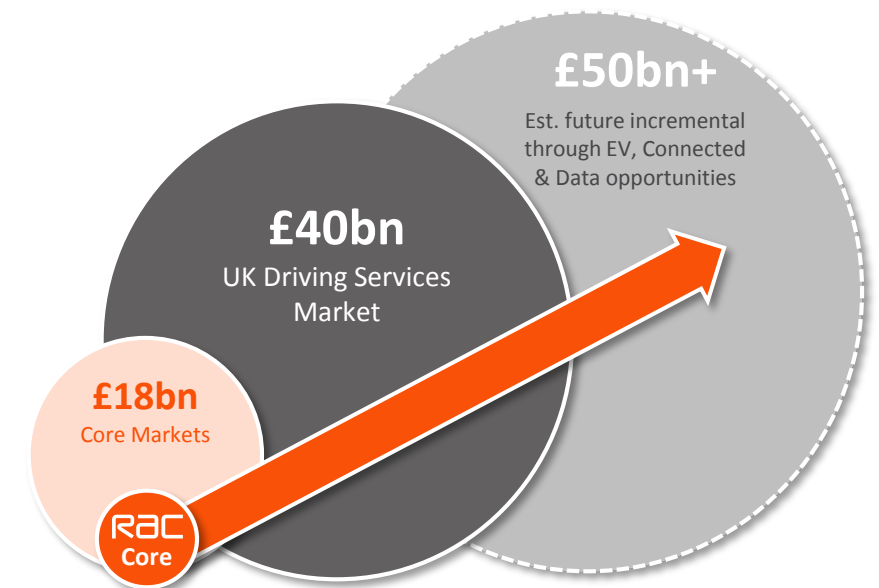
Sustainable momentum in Core £18bn markets will continue, while expanding into growing £40bn Driving Services adjacencies

Core Businesses of breakdown and motor insurance will deliver with plenty more Brilliant Basics to come

- Sustainable long-term market growth
- Scope and momentum to differentiate and go further: acquisition, churn, ARPU, cost, service
- Further opportunities to leverage our unique digital and data capabilities

Increase focus on Adjacent “Driving Services” markets value where RAC has a right to win and significant upside potential

- Existing and adjacent driving services markets, where RAC has relevant expertise, present a £40bn opportunity to grow revenue
- Longer term structural trends in Mobility and advances in technology are accelerating change, creating ever more complex vehicles and putting RAC technical capabilities, brand and trust even more in demand
- £50bn+ further opportunity through these Future Mobility Trends, notably electric vehicles expected to grow to c.8m by 2030
- These markets are fragmented with a clear opportunity to build share using trusted brand, expertise, established and new partnerships and unique data assets
- Subscription model provides RAC a strong platform to cross-sell additional products and services and leverage macro shift from “ownership to usership”
- RAC has all the ingredients for success and will build traction quickly to significantly accelerate growth trajectory for the future



New Adjacent Driving Services Market Potential

These markets are large and growing, and we are already making demonstrable progress

Concept	Total Market Value	Progress in 2020	Opportunity	Key Partners
Recalls & Inspections <ul style="list-style-type: none"> Using skills and service to add value to dealers & OEMs 	<p>£170m</p> <p>↑ 5% pa</p>	<ul style="list-style-type: none"> Dedicated operation set up BCA contract live from July 0.5m inspections in H2 (20x growth) Strong pipeline of activity for 2021 	<ul style="list-style-type: none"> Capitalise on growing shift to digital and online car purchases 	BCA, Cinch Cazoo Nissan, PSA, LEV
Usage Based Insurance <ul style="list-style-type: none"> Using telematics expertise to create a unique proposition 	<p>£3bn</p> <p>↑ 40% Pa</p>	<ul style="list-style-type: none"> Development and trials completed Data models built and tested Launched Pay By Mile in March 2021 	<ul style="list-style-type: none"> Scale Pay By Mile, taking advantage of changing travel patterns 	Wrisk LV Sycada
Servicing Maintenance and Repair <ul style="list-style-type: none"> Adding trust and simplicity into a fragmented market 	<p>£13bn</p> <p>↑ 1% Pa</p>	<ul style="list-style-type: none"> Added garage support to breakdown cover packages New partner to manage our network of 500 garages and provide digital platform for garage services 	<ul style="list-style-type: none"> Develop propositions to disrupt traditional garage market 	WCFMC RAC Approved Garages
Accident Services <ul style="list-style-type: none"> Combining recovery, repair & legal expertise for seamless services 	<p>£5bn</p> <p>→</p>	<ul style="list-style-type: none"> Signed partnership with industry leader in claims management Creating platform for future growth 	<ul style="list-style-type: none"> Increasing awareness and penetration of services into our member base 	FMG
SME <ul style="list-style-type: none"> Using consumer experience to build better SME propositions 	<p>£8bn</p> <p>↑ 3% Pa</p>	<ul style="list-style-type: none"> +4k new customers added in 2020 New payment channels and product design New partnerships established to drive future sales growth 	<ul style="list-style-type: none"> Build product set and sales channels to capitalise on growth in local delivery services 	TBC

Future Emerging Mobility Markets Potential

We are building an early lead as the UK's #1 for Electric Vehicles

Specialist EV Expertise

Leaders in EV roadside capability

- › Market leading technology; c.100 vans with unique onboard charging capability
- › >1,000 unique all wheel lift recovery vehicles
- › c.100 Heavy Duty 4x4 patrol vans
- › Around 20k EV breakdowns attended (8k in 2020)

Leaders in EV insurance

- › Market leading EV insurance product with c.2k live policies

Leaders in specialist EV content and PR

- › Library of online content and guidance available; trusted expert advice
- › RAC firmly associated with EV news and key media with links to content
- › Driving more traffic to rac.co.uk



Trusted Partner to OEMs



OEM support underway includes:

- EV Roadside (all)
- EV consumer education (all)
- EV contact centres for customers (Renault, Hyundai, Porsche)
- EV dealer help line (Hyundai)
- EV technical training (Maxus)
- EV recalls (Hyundai Kona)

Supporting Fleets Moving to EV

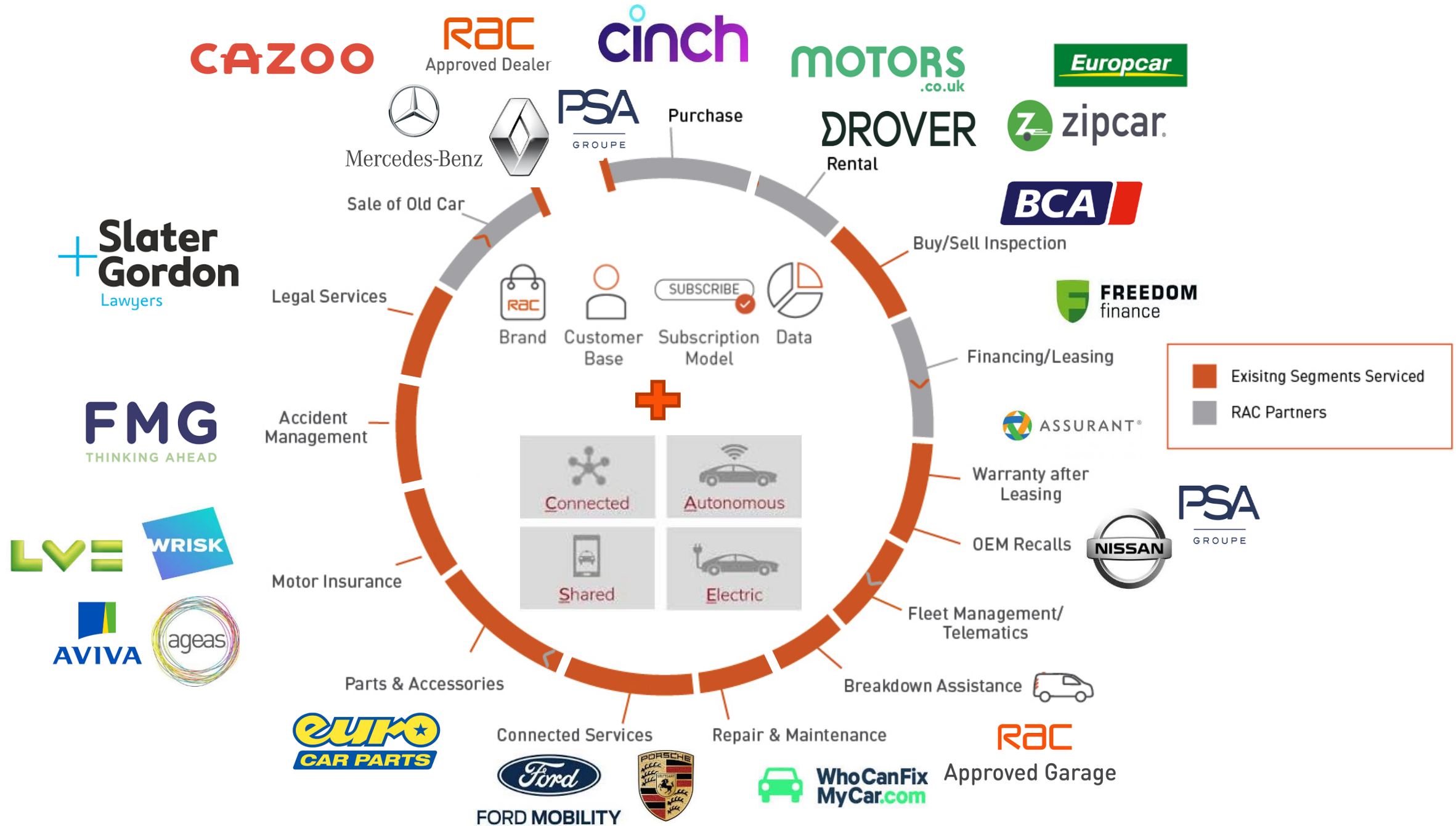
Some fleets are already making the switch to EV, for cost and ESG benefits. They are looking to the RAC for help with EV roadside breakdown

There are opportunities for us to help fleets further with fleet mix, energy supply, storage and charging, working with partners to help provide the solutions



RAC 2025 – Strong Core, New Markets, Central to Mobility

Our strategy leverages our strong brand, partnerships and unique data to put RAC firmly at the heart of the Mobility Ecosystem



Closing Remarks



Closing Remarks

Confident in the Strength of our Core. Entering new markets. Perfectly positioned for long-term Mobility

Strong financial and customer performance in 2020 with +7% EBITDA growth, 92% cash conversion and overall membership up to 12.7 million

- Navigated through the crisis, sustained growth trajectory. Now have potential to accelerate into £40bn driving services market
- Confidence is grounded in strength of Core Breakdown and Motor Insurance - tested to extremes through Covid-19 and did not miss a beat
- Performance epitomised by +600k growth in members, best ever service scores, and highest ever colleague engagement
- Relentless focus on superior customer experience, combined with our increasingly differentiated, unique and compelling propositions

2021 has started well for our 10th year of growth. New market expansion is on track

- Customer, revenue and EBITDA growth in Core Businesses
- Investments made in new growing markets already reaping rewards and playing to our strengths

All the macro mobility trends play to our strengths, giving confidence for our very long-term future

- Brand, subscription base, data and digital position RAC to benefit from emerging trends and more complex world
- We are excited about the long term future and RAC's position at the heart of new mobility ecosystems
- RAC is already #1 in EV driving services, an exponentially growing market for years to come



Q&A



Financial calendar

August 2021

- > Half year results to 30 June 2021

>

Key company contacts

RAC

Jo Baker

Chief Financial Officer

Email: Investor.Relations@rac.co.uk

RAC

Bruce Claassen

Group Finance Director

Email: Investor.Relations@rac.co.uk



This document contains statements that are, or may be deemed to be, ‘forward-looking statements’ with respect to the RAC Bidco Limited Group’s (“RAC”) financial condition, results of operations and business and certain of RAC’s plans and objectives with respect to these items. Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as ‘anticipates’, ‘aims’, ‘due’, ‘could’, ‘may’, ‘will’, ‘would’, ‘should’, ‘expects’, ‘believes’, ‘intends’, ‘plans’, ‘projects’, ‘potential’, ‘reasonably possible’, ‘targets’, ‘goal’ or ‘estimates’ and, in each case, their negative or other variations or comparable terminology.

Any forward-looking statements in this document are based on RAC’s current expectations and, by their very nature, forward-looking statements are inherently unpredictable, speculative and involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance and no assurances can be given that the forward-looking statements in this document will be realised.

There are a number of factors, many of which are beyond RAC’s control, that could cause actual results, performance and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to, changes in the economies and markets in which the Group operates; changes in the regulatory and competition frameworks in which the Group operates; the impact of legal or other proceedings against or which affect the Group; and changes in interest and exchange rates.

All written or verbal forward-looking statements, made in this document or made subsequently, which are attributable to RAC or any other member of RAC or persons acting on their behalf are expressly qualified in their entirety by the factors referred to above. Subject to compliance with applicable laws and regulations, RAC does not intend to update these forward-looking statements and does not undertake any obligation to do so. Nothing in this document should be regarded as a profits forecast.