



# Interim Report 2013

RAC Finance Group (Holdings) Limited

RAC

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## Market and economic climate

Whilst the economic climate in the UK, the RAC's primary market, appears to have stabilised during the first half of 2013, the average inflation rate of 2.7%<sup>1</sup> has exceeded the Government's target of 2%. This, coupled with limited increase in salaries, means that motorists' pockets are being hit harder than ever before as fuel prices remain high and other motoring costs, such as insurance and taxes, have eaten up an ever-increasing share of household budgets.

The RAC published its 25th annual Report on Motoring during the first half of the year and celebrated its Silver Anniversary edition by looking at the biggest changes to motoring in Britain over the past 25 years,

as well as considering the biggest issues on motorists' minds today.

The cost of fuel is by far the biggest complaint for drivers in 2013 with 63% ranking it among their top five concerns and over a third (36%) as their greatest concern, up 6% on last year. Whilst fuel prices in 2013 have remained relatively stable in comparison to 2012, they still remain high as evidenced by the 77% of drivers who say they are struggling to make ends meet in the face of escalating costs<sup>2</sup>.



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## **Performance**

The focus during the period has been to invest in new products and propositions for our members as we strive to become the motorist's champion. These investment programmes will be largely drawing to a close by the end of 2013 and will deliver benefit from 2014.

Notwithstanding this investment, the Group has improved financial performance during the first half of 2013 with both sales revenue and EBITDA increasing versus the equivalent period last year. This performance has been delivered despite significant challenges caused by weather extremes experienced in the first half of the year, seeing demand significantly exceed expectations during the coldest spring in Britain since 1962<sup>3</sup>.

The number of individual and corporate breakdown members has increased. There has also been an increase of 11% in our Insurance customer numbers with the share of non-breakdown revenue up to 12.4% from 11.5% in 2012 and 10% in 2011.

The business continues to achieve strong cash generation and retains significant cash reserves. The RAC is operating comfortably within the covenants on its loans and has also achieved a debt cover ratio below 4.25 at June 2013, well ahead of forecast.

## **Major developments**

During the period the RAC has undergone a total brand refresh which sees us making a step change in the positive messaging around rescue services and being more than just a breakdown provider.

We have invested in tools and systems to deliver outstanding service to our members. This includes investment in new 'toughbooks' for all patrols and the development of RACScan+ which significantly improves patrols capability to interact with a vehicle's own diagnostic systems and on-board sensors to swiftly identify and fix faults on today's highly sophisticated cars.

During the period, following the acquisition of NetCars Ltd, the business has successfully launched the RAC Cars website; a used car website advertising quality used vehicles from franchised and approved dealers to an increased customer base.

The RAC has also launched its pioneering telematics solution for customers with the aim of reducing insurance premiums, fuel costs and bringing significant benefits from an operational service perspective. This has launched initially with our business and fleet customers and will now be offered to our individual members.



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## Summary

Despite continued challenges within the market and the wider economy, the Group's performance in the first half of 2013 has been strong and in line with high expectations set at the start of the year. The adverse weather conditions experienced during the spring months led to increased demand, however service levels remained consistent throughout the period, evidenced by a Net Promoter Score of 88.4%, compared to 84.6% in the equivalent period in 2012.

The RAC continued to develop its strong brand through on-going sponsorship of the Goodwood Festival of Speed during the period, as well as through high-impact TV advertising campaigns to promote

the benefits of RAC membership. The RAC also retained its 'Best Online Motor Insurance Provider' award at the prestigious Your Money awards.

The professionalism, pride and passion of the RAC team has enabled the business to enjoy a successful first half of the year, driven by continuing growth in the breakdown market and through development of new and exciting products and propositions in response to customer needs.

<sup>1</sup> Office of National Statistics

<sup>2</sup> RAC Report on Motoring 2013

<sup>3</sup> Met Office





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