



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

22 August 2019

General Overview

RAC Bond Co PLC has today reported the unaudited consolidated results of RAC Bidco Limited ("Group") for the six months ended 30 June 2019. A summary of the Group's performance for the six months ended 30 June 2019 ("H1 2019") is set out below.

H1 2019 highlights

Significant growth in revenue, EBITDA and operating profit:

- Revenue increased by £22 million to £313 million
- EBITDA before exceptional items increased by £9 million to £106 million
- Operating profit increased by £8 million to £44 million
- Net cash flow from operations was £86m (81% conversion of EBITDA), albeit £3m below prior year due to the timing of renewals impacting on the seasonality of receipts on corporate partner contracts. This is expected to neutralise by year end. The underlying cash flow was strong due to the £9 million increase in EBITDA, £2m lower corporation tax payments and reduced cash costs of exceptional items in the period.

Robust KPIs:

- Roadside Repair Rate of 81% (H1 2018: 79%)
- Consumer Roadside Churn Rate of 16.6% (H1 2018: 17.4%)
- 11.0m Membership Services members (H1 2018: 9.6m)
- 0.7m Insurance & Financial Services members (H1 2018: 0.6m)

Outlook

As we look forward, these strong and sustainable results, building on the momentum from 2018, give us significant confidence in the trajectory of the business. This confidence is driven by our increasingly differentiated, compelling and sustainable propositions for our Members, and equally by the continued hard work, commitment and customer obsession of our loyal and skilled colleagues across the RAC - our #OrangeHeroes.

We are well positioned and well invested to sustain our progress and are excited by the opportunities the motoring services market offers for the future.

Regulatory and Business update

Business Update

- No changes in the RAC Bidco Ltd Group structure in H1 2019, with no acquisitions or disposals
- No change in "Permitted Business"
- No Board changes
- Senior management team changes
 - Mark Withers appointed Chief Information Officer on 1 April 2019

Regulatory/Legislative Update

No material regulatory or legislative changes.

Capital Expenditure

- Capital Investment on target with £23 million invested in H1 2019 (H1 2018: £24 million), ensuring we are well invested for the future and continuing to support future growth.
- Of this amount, £15 million (H1 2018: £11 million) relates to customer acquisition intangibles and contract costs (i.e. includes commissions paid to third parties for sales)
- Capex investment of £8 million (H1 2018: £12 million) comprising Investment and Maintenance Capex across a number of areas, including:
 - Product and proposition enhancements, including member loyalty schemes and product upgrades;
 - Expanding the functionality of our customer facing digital platforms;
 - Set up costs related to onboarding new corporate partners;
 - Information and Data Security; and
 - Fleet and Insurance telematics boxes.
- Maintenance Capex of £8 million for the twelve month period ended 30 June 2019

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, both of which were reaffirmed by S&P on 29 July 2019.

Interest rate risk on the floating rate Senior Term Facility 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 30 June 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	<u>1,437</u>		

Additional committed undrawn facilities:

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 22 August 2019, 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 2.91; and
- (b) the amount of Additional Financial Indebtedness raised since the date of the immediately preceding Investor Report 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 overleaf;

Class A FCF DSCR as at 30 June 2019

Class A FCF has been calculated as:

	£m
LTM EBITDA ¹	205.2
Cash tax paid	(15.9)
Decrease in working capital	(19.0)
Minimum capital maintenance spend	(7.5)
Decrease in restricted cash	4.2
Class A FCF	167.0

Class A Total Debt Service Charges has been calculated as:

	£m
Accrued interest	56.1
Commitment fees on WCF and LF	1.6
Interest received on cash equivalents	(0.4)
Class A Total Debt Service Charges	57.3

Ratio Class A FCF DSCR at 30 June 2019 **2.91**

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 Retained Excess Cashflow as at the date of this Investor Report is £nil;
- (d) the statements set out in this Investor Report are accurate in all material respects.

Yours faithfully



.....
D Hobday, Chief Executive Officer
For and on behalf of
RAC Group Limited as Holdco Agent



.....
J Baker, Chief Financial Officer

¹ EBITDA for the purposes of the calculation of the Class A FCF of £167.0m has been determined 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.