



RAC Bidco Limited Investor Presentation FY19 Performance

CEO: Dave Hobday & CFO: Jo Baker



11 March 2020

Private and Confidential

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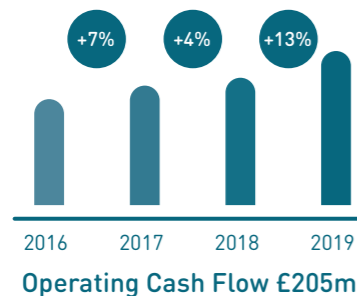
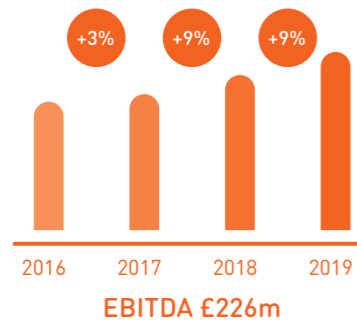
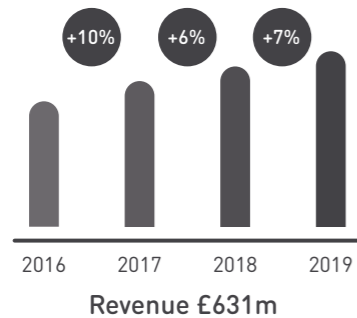
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Overview and strategy



Customer focused differentiation continues to drive sustainable growth across the RAC in 2019 and beyond



- > Today, we are growing market share in our core categories. We are the UK's 2nd largest roadside assistance provider and the UK's 3rd largest insurance broker
- > In 2019, we delivered our 8th consecutive year of growth since separation from Aviva in 2011, testament to our truly differentiated "Complete Peace of Mind" proposition
 - Strong financial performance with like for like Group EBITDA growth of £19m (+9%) to £226m
 - 12.1 million customers, up 1.5 million in the year, as more members chose to join us and more chose to stay with us
 - Good operational performance, continuing to handle all demand patterns and volatility
 - Continued strong levels of end-to-end service and resulting benefits to customer retention; we delivered our lowest ever "churn" in Consumer Breakdown
 - Customer driven differentiation through continued investment in our core membership and insurance businesses as the growth engines of the RAC
 - Investments in digital, data and expanded offerings bearing fruit
- > The FY19 financial performance reflects the continued strong momentum across all of our divisions:
 - **Consumer Breakdown:** membership growth through retaining more customers, plus strong acquisition volumes. Supported by our strengthened and further differentiated proposition. More sales of our highest ever cover levels giving drivers added service and reassurance
 - **Business Breakdown:** retained all existing corporate partners. Onboarded several new relationships, including Groupe PSA, Saga and 1st Central. We are proud to confirm several new partnerships for 2020 including British Car Auctions and Monzo Bank
 - **Insurance & Financial Services:** grew our motor insurance customer base significantly. Our unique data assets, broking model and pricing capabilities deliver better value for customers
- > Across the board, the business has real and sustainable momentum, with an ongoing series of initiatives and material new business wins
- > The strong 2019 performance and "subscription model" are supporting a good start to 2020

Overview and strategy



Our strategy remains consistent – it's working and it's driving momentum

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

Summary RAC is a **consumer driving services subscription business**, delivering long-term **sustainable growth**, underpinned by **quality customer experience** and enabled by our **people, digital platforms and data**



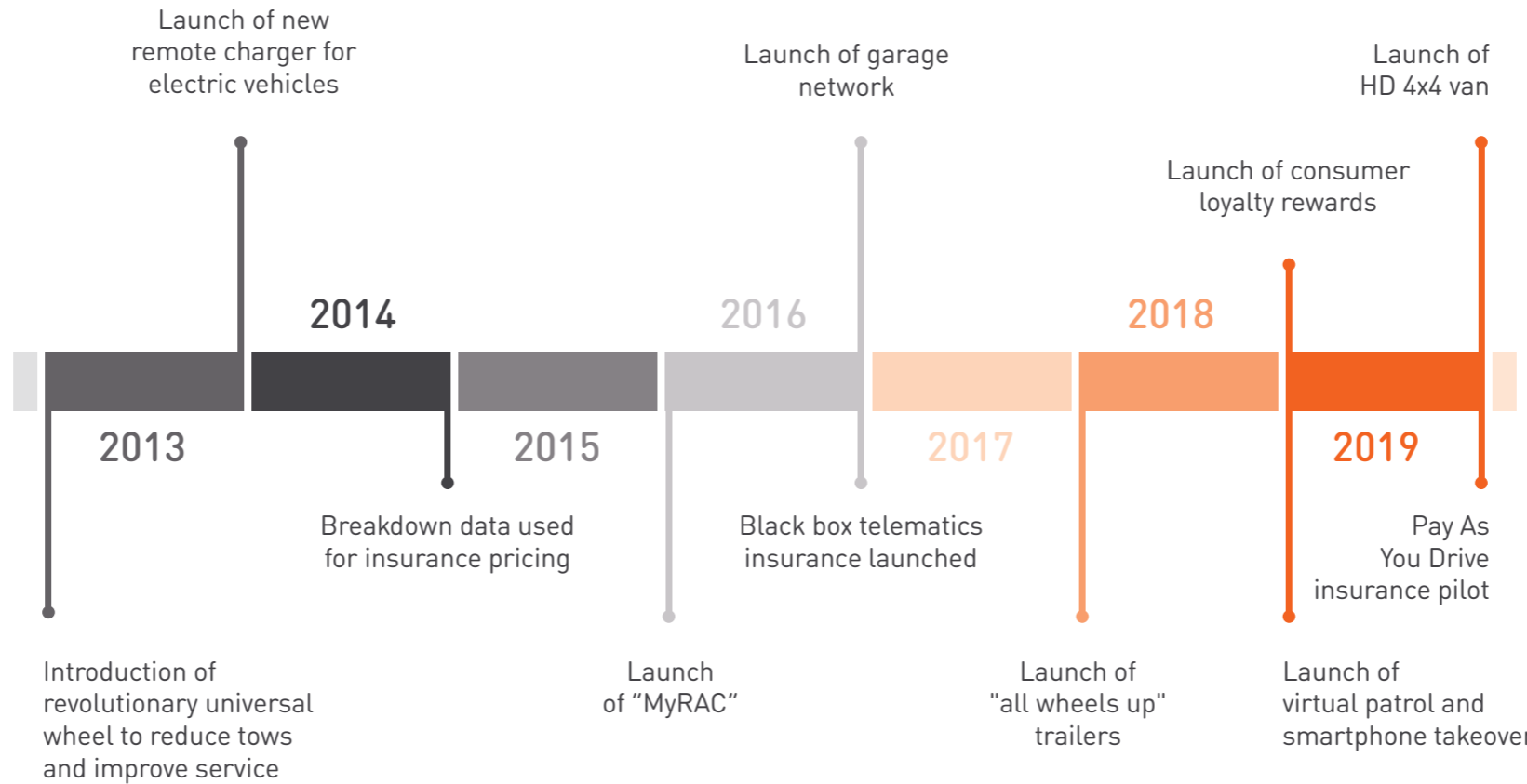
RAC 2025 Sustainable business growth and returns – now and for the future

Enablers Digital Platforms RAC and Third Party Data RAC Colleagues **# OrangeHeroes**

Overview and strategy



Our growth is underpinned by significant investment in customer innovation, continuing to support the delivery of profitable and sustainable growth



2019 Highlights



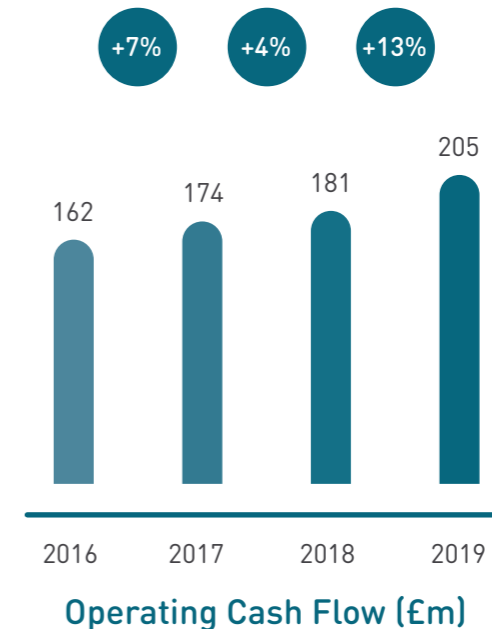
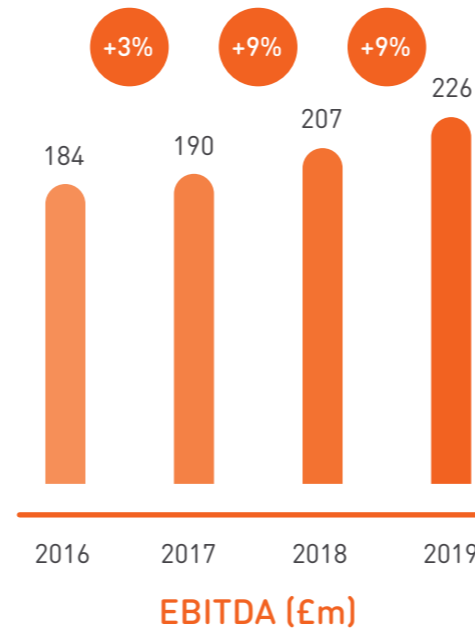
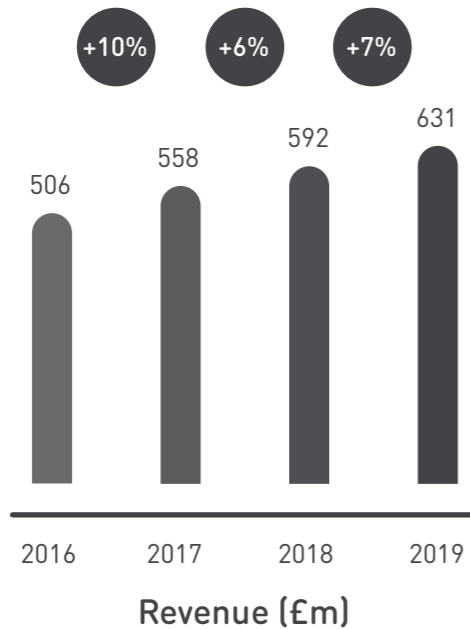
KPIs

> Strong financial performance

- Revenue of £631m, +£39m (+7%) vs 2018
- EBITDA of £226m, +£19m (+9%) vs 2018
- Operating Cash flow of £205m, +£24m (+13%) vs 2018
- Continued strong cash conversion of 91% (2018: 87%)

> Robust operational KPIs supporting our focus on the core of our business

- Roadside Repair rate of 81% (2018: 80%)
- Roadside Membership churn rate of 16% (2018: 18%)
- Highest ever Insurance & Financial Services members with c.700k policies in force (2018: c.600k)

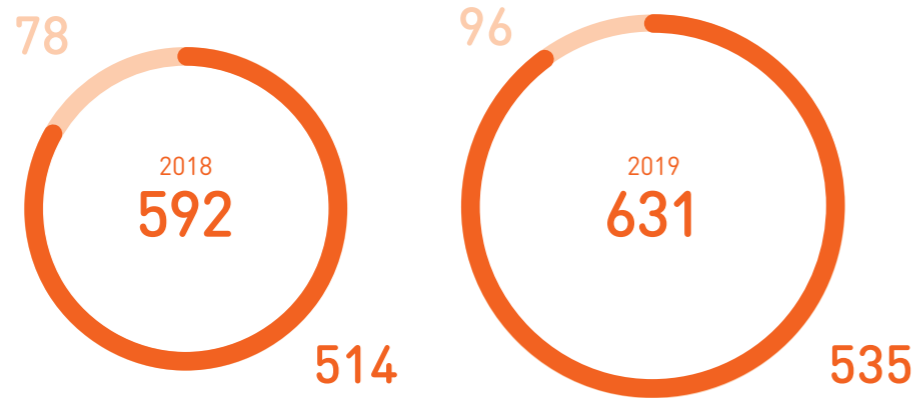


2019 Highlights



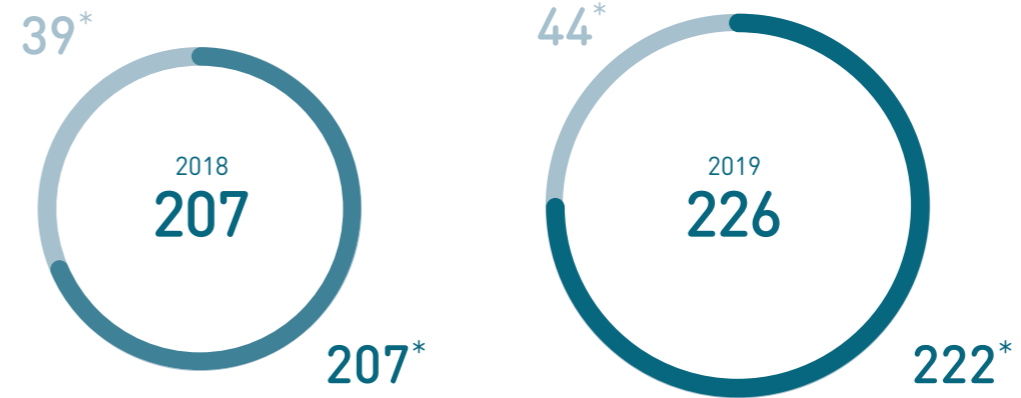
Segmental trading performance

Revenue (£m)



- Membership Services
- Insurance & Financial Services

EBITDA (£m)



- Membership Services
- Insurance & Financial Services

- > +9% year on year EBITDA growth to £226m delivered through balanced trading performance across Membership Services and Insurance & Financial Services
- > Membership Services grew EBITDA by £15m (+7%) to £222m. Revenue grew by +4%, supported by growth in members in both Consumer and Business Breakdown

- > Insurance and Financial Services grew EBITDA by £5m (+13%) to £44m. Revenue grew by 23% and was partly offset by higher negative commissions on new policies. Income per policy, net of negative commissions, was stable year on year
- > Head office costs broadly flat at £40m (2018: £39m)

*pre head office costs

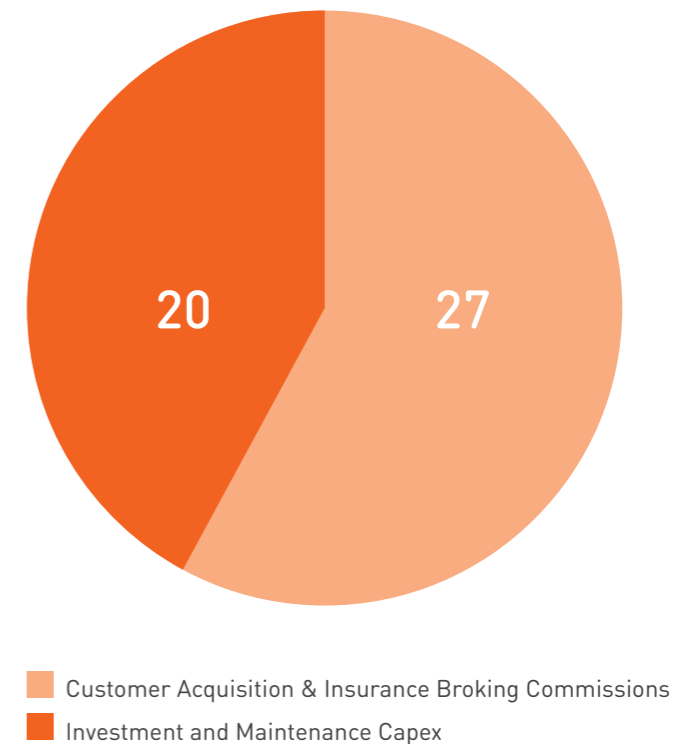
Capital expenditure



RAC remains well invested

- › The business is well invested and we continue to target expenditure aligned to our strategy covering both current priorities and selected opportunities to support future growth
- › Capital Investment on target with £47 million invested in 2019 across tangible and intangible assets (2018: £53 million). This excludes a further £2.5 million of capital investment committed as at year end
- › Capex investment across a number of areas, including:
 - Additional functionality on the “MyRAC” digital platform and full re-platforming
 - Conversion improvements on the consumer web journey and save tools for Contact Centre
 - More4More enhanced customer loyalty offerings
 - “Track My Rescue” breakdown support
 - Expanded “Remote Fix” smartphone capability
 - Roll out of unique patrol Electric Vehicle charging capabilities
 - Roll out of our award-winning “Heavy Duty 4x4” patrol vehicles
 - Deployment of our rapidly deployable “all wheels up” trailers
 - Development of unique insurance data assets to enhance risk-based pricing capability
 - Deployment of Insurer Hosted Pricing capabilities

Capital Investment (£m)



Financing structure



No changes to financing structure in 2019*

Facility	£m	Due	Coupon
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	5.000%
Senior Term Facility*	280	May 2021	LIBOR + 2.75%
Drawn Debt	1,455		
Working Capital Facility	49	May 2021	LIBOR + 2.75%
Liquidity Facility	90	Renewed annually	LIBOR + 2.25%
Undrawn Debt	139		

- > Class A1 Notes, Class A2 Notes and Senior Term Facility put in place under the Whole Business Securitisation (“WBS”) completed in May 2016
- > Class B1 Notes issued in July 2017 of £275m
- > No change to S&P rating assigned to Class A1 and A2 Notes of BBB (sf) or Class B1 Notes of B (sf)
- > *In January, we successfully refinanced our Senior Term Facility (“STF”) and Working Capital Facility (“WCF”) ahead of maturity. £300 million STF and £50 million WCF at a floating rate of LIBOR plus 2.5%. STF remains 100% hedged through an interest rate swap agreement

Financial ratios and covenants



Significant covenant headroom, with all ratios improving year on year

Class A FCF DSCR	2019	2018
Actual	3.25	3.02
Trigger	1.35	1.35
Default	1.10	1.10

Class B FCF DSCR	2019	2018
Actual	2.62	2.44
Default	1.00	1.00

- > Class A and Class B FCF DSCR covenants met with significant headroom
- > Net leverage of 6.3x (2018: 7.0x)
- > No pension funding deficit and no off balance sheet liabilities

Leverage	2019	2018
EBITDA (£m)	226	207
Gross debt (£m)	1,437	1,455
Unrestricted cash (£m)	(90)	(84)
IFRS 16 Lease Liability	71	75
Net debt (£m)	1,418	1,446
Leverage	6.3x	7.0x



Summary



- › Strong financial and customer performance in 2019 with near double digit EBITDA growth, 12.1 million members and 91% EBITDA cash conversion
- › Sustainable capital structure, with significant covenant headroom and successful bank refinancing in January 2020
- › Our strategy is delivering sustainable growth and Complete Peace of Mind for our members:
 - “Brilliant Basics” continues to provide long-term strong momentum
 - Rolling series of unique and differentiated initiatives is “Super-Charging” our performance
 - Adjacent opportunities allow us to “Expand our Market”
 - Our digital platforms and data capabilities position us to “Leverage Future Mobility Trends”
- › Strong start to 2020 continuing the momentum from 2019
- › Positively positioned, clearly differentiated, and well invested to maintain our trajectory

Outlook

- › The RAC remains an iconic and resilient consumer brand, and the need for our increasingly broad range of products and services continues to grow
- › Fuelled by our 2019 momentum, new customer wins and underpinned by our *Complete Peace of Mind* strategy, we are pleased that 2020 has got off to a very positive start, trading well ahead of prior year
- › We expect to continue to deliver sustainable growth in members, exceptional customer service, and strong financial performance
- › We are well invested and well placed for further growth as we execute on our strategy for “RAC 2025”



Appendix



Financial calendar

August 2020

- › Half year results to 30 June 2020

February 2021

- › Annual Report & Financial Statements for year ending 31 December 2020

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



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