

# RAC

## RAC Bidco Limited Investor Presentation FY 2021 Performance

15<sup>th</sup> March 2022



## Today's speakers



Dave Hobday, CEO



Jo Baker, CFO

- 2021 Highlights
- Financial Performance
- Strategy Update
- Closing Remarks
- Q&A

# 2021 Highlights



# 2021 Highlights – Delivering Complete Peace of Mind

Balancing a resilient performance against the backdrop of Covid-19 with ongoing investment in innovation and new digital services

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## Strong performance for the year marked a decade of uninterrupted growth

- › Grew EBITDA, yet again demonstrating our consistency of achieving consistent mid to high single digit growth
- › Covid-19 impact contained, demonstrating resilience and relevance of our subscription based model
- › Record low churn, all roadside partners renewed, new wins coming on board
- › Added +0.2m members, to become the #1 Breakdown Services provider during the year



## Continued to lead the market in differentiation and innovation with investment in current and future propositions

- › Established brand with 125 year history, 80%+ brand awareness and strong NPS
- › New unique products launched, including Long Term Plans, Garage and Parts Cover, and expansion of EV products
- › Continued development of MyRAC saw new features rolled out to members
- › Rescue Me, our digital breakdown reporting service, used in 26% of breakdowns in H2



## Our strength in the market was endorsed by the agreement for Silver Lake to become a major shareholder

- › Their unparalleled technology expertise further strengthens our digital agenda
- › Our premium “Complete Peace of Mind” service will be increasingly digitally fulfilled
- › We will evolve from being the UK’s #1 for breakdown to the UK’s #1 driving services provider

# Delivering digitally in collaboration with Silver Lake

Silver Lake bring an incredible track record in growing strong businesses like ours

## Overview:

- Pioneer and market leader in scale technology and tech-enabled investing with over \$88 billion of assets under management
- Experienced team with over 100 investment and operating professionals located around the world
- Operating model provides hands-on support and extensive domain expertise to portfolio companies
- World-class network provides access to strategic insight and operational capability

## They will support us with our growth plans through:

- Accelerating our plans leveraging technology, digital and data, creating even better end to end service experiences
- Focusing on specific areas of growth opportunity including eCommerce and MyRAC
- Using technology to build even stronger member relationships (eg with personalisation and targeting)
- Further enabling our expansion into new adjacent markets (like Service, Maintenance and Repair)

### Market-Leading Franchises<sup>1</sup>

 <b>Alternative accommodations</b>	 <b>E-commerce platform</b>	 <b>Semiconductors</b>
 <b>End-to-end IT solutions</b>	 <b>Entertainment and media</b>	 <b>Autonomous driving</b>
 <b>Enterprise software</b>	 <b>Communications solutions</b>	 <b>Global platform for self-expression</b>
 <b>Veterinary</b>	 <b>Real Estate</b>	

# Financial Performance



# 2021 Performance Headlines

In challenging market conditions we delivered another year of robust financial performance, continuing our membership growth and delivery on key initiatives



## A decade of growth since separation from Aviva in 2011

- Strong financial performance with +5% EBITDA growth to £254m and 89% operating cash conversion
- Extremely challenging market conditions throughout 2021 - pandemic, staycation, lower RTA volumes and more - made for a tougher trading environment compared to 2020
- A resilient and fast thinking approach to the trading challenges, and using our learnings from our successes in battling Covid impacts through 2020 enabled us to be agile, make the most of opportunities and maintain momentum



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

- Consumer churn improved by 0.5% coupled with consumer ARPU growth from strong sales of Complete Breakdown
- Business retained its #1 ranking, successfully retaining all major accounts up for renewal alongside new contract wins
- Insurance profitably maintained its customer base, whilst also launching our new RAC broker platform



## We also optimised our balance sheet and funding position during the year, ahead of the Silver Lake transaction

- S&P rating upgrade to BBB
- £265m New Senior Term Loan raised with extended maturity date and reduction in overall financing cost
- £210m total balance of Class B1 bonds repurchased, and £139.5m of the 2020 STL debt repaid

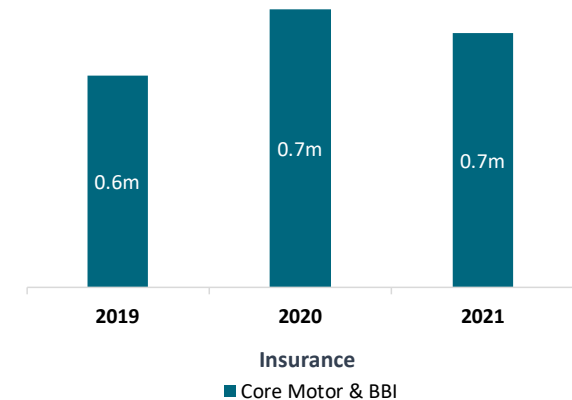
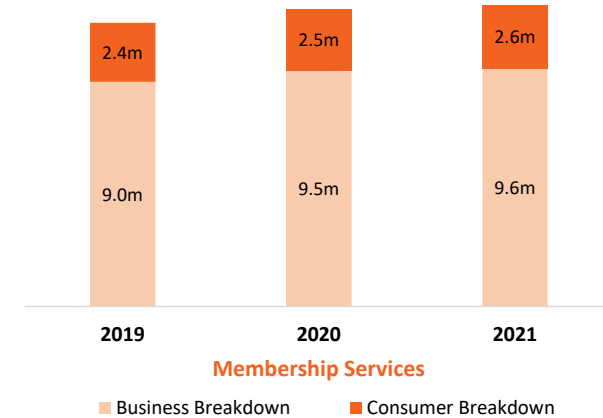
## Our performance once again demonstrates the underlying strength of our subscription-based business model

# Membership Growth

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

**Overall Membership grew by +0.2m to 12.9 million, driven by healthy new business flows in breakdown services and a record low consumer churn**

- **Became #1 in the UK for overall roadside assistance, expanding into new areas like electric vehicles and inspections**
  - Consumer member growth of +93k to 2.6 million, with lowest ever 14.5% churn rate (2020: 15.0%)
  - Business member growth of +80k to 9.6 million, testament to our compelling propositions
  - Over 1m inspections and recalls completed in 2021, demonstrating our ability to expand into new markets
- **Sustained our Insurance members with 704k policies in force**
  - Motor and black box insurance policies of 658k
  - #3 Motor Insurance broker in the UK
- **1.3 million members registered and engaging on MyRAC, representing over 50% of our consumer base**

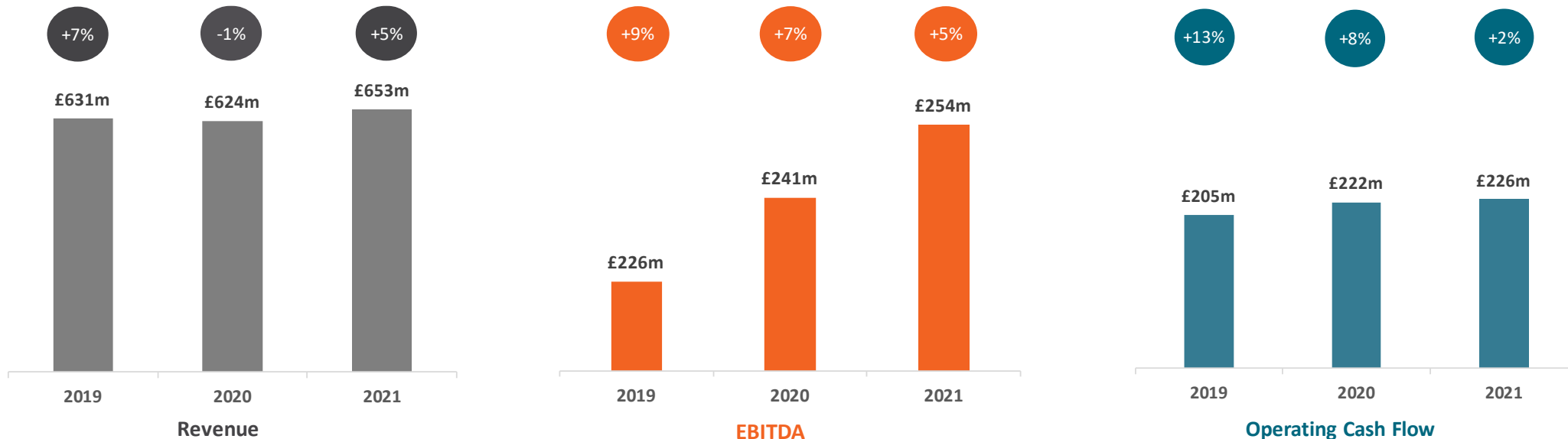




# Group Financial Performance

We delivered our 10th consecutive year of growth in 2021, across membership numbers, EBITDA and Operating cash conversion

- Group Revenue for the year of £653m saw a return to growth (+5%) following a Covid impacted 2020, underpinned by continued recurring subscription revenue growth, growth in members, and expansion into new products and services
- EBITDA increased by £13m (+5%) to £254m, driven by revenue performance, retention improvements, and ongoing operational cost initiatives
- Operating Cash flow remained healthy at £226m, up £4m (+2%) vs 2020, with strong Operating Cash conversion of 89% evidencing the resilience of our strong cash generative business model
- Capital investment of £49m (2020: £54m) remains in our target envelope and ensures we remain well invested for digital and data enabled growth

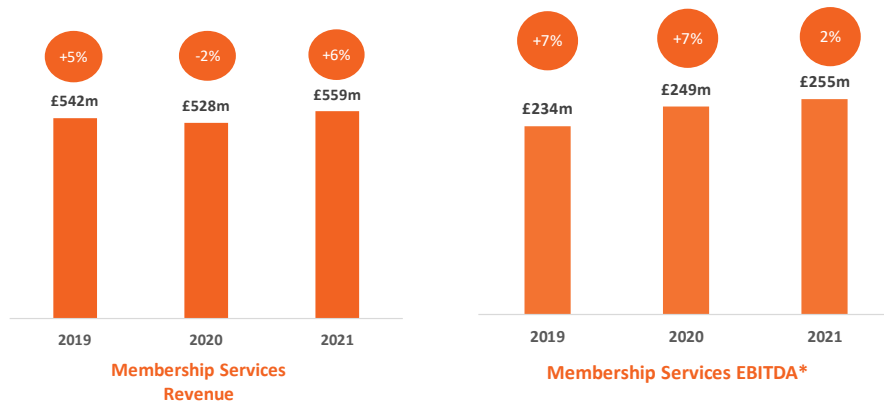


# Divisional Financial Performance

Balanced performance across the business divisions, with growing revenue and EBITDA in both

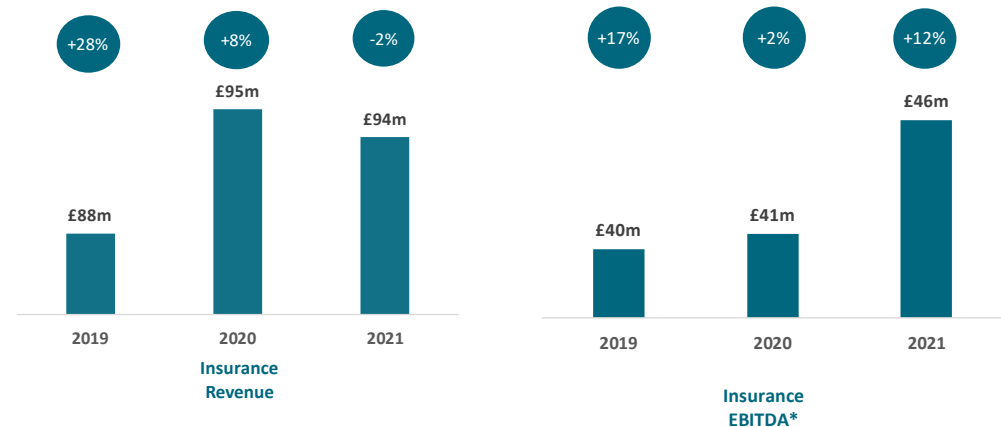
## Membership Services

- Membership Services Revenue growth of £31m (+6%) to £559m
- Recurring subscription revenues in Core consumer channels continued to grow, supporting positive outlook into 2022
- EBITDA growth slowed a little due to lower battery sales volumes compared to the peaks seen in 2020, and the combined impacts of absence and staycation travel through the summer months



## Insurance

- Insurance EBITDA of £46m (+12%) vs prior year
- In a market where competitors were heavily discounting to grow acquisition volumes, we focussed on maintaining the profitability of our book
- 2021 was a year of transformation for RAC Insurance with the delivery of several new capabilities that will continue to support the RAC's insurance broking business for the future.



\* Pre head office costs and exceptional items

# Financing Structure

Further optimisation of debt structure following S&P rating upgrade

Facility	Dec 2020	Dec 2021	Due	Coupon
Class A1 Notes	300	300	06/05/2023	4.565%
Class A2 Notes	600	600	06/05/2026	4.870%
Class B1 Notes	210	-	n/a	5.000%
Class B2 Notes	-	345	03/11/2028	5.250%
2020 Senior Term Loan	300	161	31/01/2025	SONIA + 2.500%
2021 Senior Term Loan Facility A	-	170	30/06/2025	SONIA + 1.800%
2021 Senior Term Loan Facility B	-	95	30/06/2028	SONIA + 2.500%
<b>Drawn Debt</b>	<b>1,410</b>	<b>1,671</b>		
Working Capital Facility	50	50	31/01/2025	SONIA + 2.500%
Liquidity Facility	90	90	Renewed annually - April	SONIA + 2.250%
<b>Undrawn Debt</b>	<b>140</b>	<b>140</b>		

- Following our rating uplift by S&P in June 2021, we successfully secured a new Senior Term Loan, with the proceeds of this loan used to redeem at par the outstanding £210m of Class B Notes in July 2021, reducing the Group's cost of borrowing, and along with some Excess Cash Flow, repaid £139.5m of the 2020 STF reducing the balance to £160.5m
- Following the announcement of the Silver Lake transaction, in November 2021 RAC issued £345m of Class B2 Notes

# Financing Structure

Further optimisation of debt structure, with medium term leverage target of 4.0-4.5x

Class A FCF DSCR	2020	2021 H1	2021
Actual	3.54	3.59	3.67
Trigger	1.35	1.35	1.35
Default	1.10	1.10	1.10

Class B FCF DSCR	2020	2021 H1	2021
Actual	2.88	2.87	3.17
Default	1.00	1.00	1.00

Leverage	2020	2021 H1	2021
<b>EBITDA LTM (£m)</b>	<b>241</b>	<b>249</b>	<b>254</b>
<b>Gross debt (£m)</b>	<b>1,410</b>	<b>1,410</b>	<b>1,671</b>
Cash* (£m)	(108)	(124)	(114)
IFRS 16 Lease Liability	67	64	64
<b>Net debt (£m)</b>	<b>1,369</b>	<b>1,350</b>	<b>1,621</b>
<b>Leverage</b>	<b>5.7x</b>	<b>5.4x</b>	<b>6.4x</b>

- Class A and Class B FCF DSCR covenants met with significant headroom
- High levels of resilient cash generation
- No pension funding deficit and no off balance sheet liabilities
- Following recent Class B raise, medium term net leverage target set at 4.0x to 4.5x



\* Includes cash held by the Employee Benefit Trust

# Financial Performance: Summary

Another consecutive year of growth with positive trends into 2022

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## We delivered another robust set of results for the business continuing our momentum

- +5% EBITDA growth
- Revenue +5% bouncing back post Covid impacted 2020
- Operating cash flow up by +2%

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

- Overall Membership up by +0.2m
- Best year ever for Consumer acquisition activity
- Another year of record breaking Consumer churn
- 100% retention of all major Business accounts
- Continued investment in, and delivery of key strategic initiatives



# Strategy Update



2022-2026 marks the next phase of RAC's growth journey...



**Phase 3: UK's #1 Driving Services Provider**  
2022 – 2026+

Accelerating growth with our expanded membership proposition to become the UK's #1 driving services provider, leveraging digital/tech/data to provide more products and services to our members



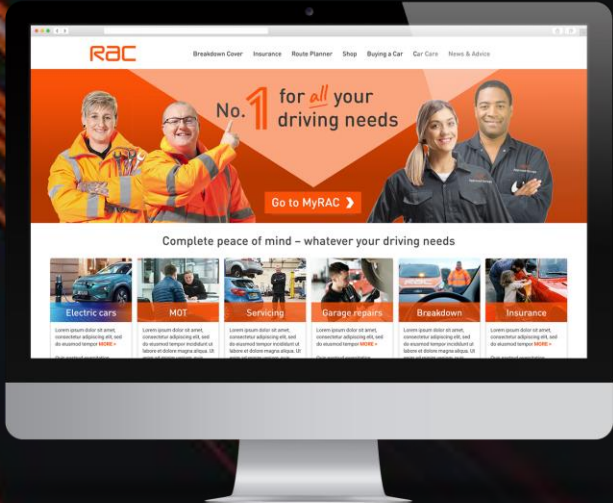
**Phase 2: Sustainable Growth**  
2017 – 2021

Driving sustainable and profitable membership growth by leveraging our core business to become the UK's #1 breakdown provider



**Phase 1: Re-establishing RAC**  
2011 – 2016

Delivering Aviva separation and focusing on right-sizing the RAC as a standalone business primed for membership-led growth



# RAC will be the UK's #1 for Driving Services for our members & partners



RAC membership means complete peace of mind for all your driving needs with a personalised and premium service delivered digitally through MyRAC

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## More RAC members, spending more and staying longer

- Accelerating the growth trajectory of our membership base through reduced churn and increased value from up-sell
- Developing new SMR products and services to cross-sell to members and create further member loyalty
- Investing in EV services to take advantage of rapid growth and reinforce our leadership credentials

## Engaging and personalised digital experiences

- Our seamless and secure digital membership platform will become a “one stop shop” app for car ownership across the lifecycle
- Unique data assets can be used to increase up and cross sell, drive more efficient acquisition and improve operational performance
- Target to get to 90%+ digital interactions, RescueMe use already at 25% and growing
- Ambitious digital strategy will deliver lower customer acquisition cost, higher LTV and stronger retention

## Unlocking improved service excellence

- Making it quicker and easier to log your breakdown through RescueMe and driving digital adoption and automation
- Using data led deployment to improve attendance times and drive more efficient operating procedures
- Improving our already market leading repair rate, through our 1600 patrols supported by 1200 RAC Approved Garages

## With our digital agenda now further underpinned by Silver Lake partnership



# Closing Remarks



## Closing Remarks

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

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### Strong financial and customer performance in 2021 with +5% EBITDA growth, 89% cash conversion and membership up to 12.9 million

- Strong and resilient performance in our core breakdown and insurance businesses, against a very challenging backdrop due to Covid-19
- Performance epitomised by increasingly loyal roadside membership base, taking us to the UK's #1 for breakdown by member numbers
- Our digital and data focus drives superior customer experience, combined with our increasingly differentiated, unique and compelling propositions

### As we celebrate our 125th anniversary macro trends in the industry are favourable with an increasing desire to own a car, and rely on it for everyday transport

- Brand, subscription base, data and digital position RAC to benefit from emerging trends and more complex world
- RAC is already #1 in EV driving services, an exponentially growing market for years to come

### We are uniquely positioned to grab the opportunities ahead of us

- Growing membership base, and an expanding range of products and services, all digitally enabled
- With our sustained growth trajectory, and now Silver Lake, we can continue investing for the future, to become the UK's #1 for Driving Services



Q&A



## Financial calendar

August 2022

- Half year results to 30 June 2022

## Key company contacts

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