



30 August 2023

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
Deutsche Bank AG, London as 2021 STF Facility Agent
RAC Bond Co PLC as Issuer
J.P. Morgan Securities plc and Banco Santander S.A. (London Branch) as Borrower Hedge Counterparties
Standard & Poor's Credit Market Services Europe Limited as Rating Agency

From: RAC Group Limited as Holdco Group Agent

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 2023.

A summary of the Group's performance for the six months ended 30 June 2023 ("H1 2023") is set out below.

Highlights

- Revenue up 7% to £347 million. EBITDA up 1% to £126 million continuing our track record of uninterrupted growth against a challenging UK macro-economic climate.
- Membership growth to 13.5 million:
 - Further reduction in churn rate to 14.8%
 - Added 68,000 Consumer members
 - Retained all our key Corporate Partners
 - Insurance membership up 65,000
- Progress on our strategic initiatives aligned to vision of becoming the UK's number one for Driving Services
 - National expansion of Service, Maintenance and Repair (SMR) mobile proposition
 - Accelerating the transformation of member's digital experience, with myRAC app re-launched
- Repaid £100 million of debt by successfully refinancing £300 million of 2023 Class A1 bonds with a new £200 million facility

Outlook

We remain on track for our 12th consecutive year of EBITDA growth in 2023. With over 125 years of history, RAC is a recognised and trusted brand and is well positioned to navigate the broader macro-economic challenges by continuing to focus on differentiation, investment and innovation to remain an essential service to all members. Our colleagues are extremely engaged and passionate and we thank them for their ongoing commitment, and for the outstanding service they provide to all our 13.5 million members.

Regulatory and business update

Business Update

- No changes in RAC Bidco Ltd Group structure in H1 2023, with no acquisitions or disposals
- No change in "Permitted Business"
- No changes to the Company's Board of Directors ("Board") during the period.

Regulatory/Legislative Update

During H1 2023, the Group has worked towards implementation of the FCA's Consumer Duty rules which came into force on 31 July 2023. Consumer Duty's central aim of setting higher standards and putting consumers' needs first is completely aligned with the purpose and philosophy of our business, which is built around providing members with Complete Peace of Mind. Consumer Duty has given us an additional framework and focus to review our strategic plans with a different lens, developing new and innovative solutions to provide even better member outcomes.

Capital Expenditure

- Capital Investment totalled £35 million during the period (H1 2022: £21 million)
- Of this amount, £19 million (H1 2022: £10 million) relates to customer acquisition intangibles and contract costs (i.e. includes commissions paid to third parties for sales)
- £16 million (H1 2022: £11 million) relates to investment in our strategic initiatives, digital offerings and improvements to service relates

Financing Position

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 2023:

Facility	£million	Due	Coupon / Interest
Class A2 Notes	600	May 2026/46	4.870%
Class B2 Notes	345	November 2027	5.25%
2020 Senior Term Facility	141	January 2025	2.500% + SONIA + CAS
2021 Senior Term Facility	170	June 2025	1.800% + SONIA
2021 Senior Term Facility	95	June 2028	2.500% + SONIA
Senior Term Facility	200	May 2025	1.500% + SONIA
Working Capital Facility	20	January 2025	2.500% + SONIA
Drawn debt	1,571		
<u>Additional committed facilities:</u>			
Working Capital Facility	30	January 2025	2.500% + SONIA + CAS
Liquidity Facility	99	Annual renewal	2.250% + SONIA

The Group repaid £120 million of debt including £20 million in relation to the 2020 Senior Term Facility. The Class A1 Notes of £300 million were redeemed by £100 million of available cash and drawing £200 million of the 2022 Senior Term Facility. The Group drew £20 million of the Working Capital Facility which was repaid in July. Interest paid was £46 million (2022: £44 million).

No other changes were made to the debt instruments.

Ratios

We confirm that in respect of this investor report dated 31 August 2023, 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 2.77; and
- (b) the amount of Additional Financial Indebtedness raised since the date of the immediately preceding Investor Report was £200 million^{1,2};

(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 below:

Class A FCF DSCR for the year ended 30 June 2023

Class A FCF has been calculated as:

	£m
EBITDA ³	234.4
Cash tax paid	(52.4)
Decrease in working capital	(16.1)
Minimum capital maintenance spend	(8.0)
Decrease in restricted cash	3.8
Class A FCF	161.7

Class A Total Debt Service Charges has been calculated as:

	£m
Accrued interest	57.6
Commitment fees on STF, WCF and LF	2.4
Interest received on cash equivalents	(1.7)
Class A Total Debt Service Charges	58.3

Ratio Class A FCF DSCR at 30 June 2023 2.77

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 £25.9 million;
- (d) the statements set out in this Investor Report are accurate in all material respects.

Yours faithfully



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



.....
Jo Baker, Chief Financial Officer

¹ All £200 million of Additional Financial Indebtedness constitutes refinancing Additional Financial Indebtedness being used, alongside held cash, to fully redeem £300 million of Class A1 notes.

² Additional Financial Indebtedness excludes £20 million of Working Capital Facility which was drawn as at the test period date of 30 June 2023, but repaid prior to the date of this investor report

³ EBITDA of £234.4m is stated 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.

