



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

26 August 2020

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 2020. A summary of the Group's performance for the six months ended 30 June 2020 ("H1 2020") is set out below.

H1 2020 highlights

- EBITDA growth of £8m to £114m, an increase of +8% vs H1 2019, and operating profit of £57m an increase of £13m vs H1 2019
- Quick and decisive reaction to COVID-19 to protect the health and safety of our colleagues and members, maintain uninterrupted service, and provide extra support and free cover to NHS staff
- Revenue of £306m down 2% (2019: £313m) with continued core recurring subscription revenues growth offsetting COVID-19 related temporary closures of some business units and reduction in volume related revenues
- Overall Membership up 0.5m to 12.2m with Consumer Breakdown churn improved vs H1 2019 as our differentiated offering remained relevant for drivers through COVID-19
- Surpassed competition to become UK's #1 for Business Breakdown with the addition of more new Corporate Partners and all relationships retained
- Liquidity, cash flow and capital position remained strong, with continued investment in initiatives to drive efficiency and member growth
- Net cash flow from operations was £85m (75% conversion of EBITDA), in line with prior year

Outlook

As we look forward, our results confirm the resilience of our subscription-based business model. Combined with strong member service levels and record colleague engagement, we have the momentum to continue our growth into the future.

We remain well capitalised and will continue to invest in the business and our strategic initiatives, setting us up well for the rest of 2020, into 2021 and beyond.

We have already taken steps to address the challenges presented by COVID-19. And our relentless focus on our members, combined with our increasingly differentiated, unique and compelling propositions, ensures we are well positioned.

As always, everything is enabled by the hard work, commitment and member obsession of our loyal and skilled colleagues across RAC - our #OrangeHeroes – who deliver Complete Peace of Mind for all our 12.2m members.

Regulatory and Business update

Business Update

- No changes in the RAC Bidco Ltd Group structure in H1 2020, with no acquisitions or disposals
- No change in “Permitted Business”
- No Board changes
- Senior management team changes
 - Andy Baker appointed MD Consumer Roadside in January 2020

Regulatory/Legislative Update

No material regulatory or legislative changes.

Capital Expenditure

- Capital Investment on target with £25m invested in H1 2020 (H1 2019: £23m)
- Of this amount, £13m (H1 2019: £15m) relates to customer acquisition intangibles and contract costs (i.e. includes commissions paid to third parties for sales)
- Capex investment of £12m (H1 2019: £8m) comprising Investment and Maintenance Capex across a number of areas
- Maintenance Capex of £10.4m for the twelve-month period ended 30 June 2020 (H1 2019: £8m)

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 31 July 2020.

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 2020:

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	300	January 2025	2.500% + LIBOR*
Drawn debt	1,475		
<u>Additional committed undrawn facilities:</u>			
Working Capital Facility	50	January 2025	2.500% + LIBOR*
Liquidity Facility	90	Annual renewal	2.250% + LIBOR*

*Includes LIBOR floor

Ratios

We confirm that in respect of this Investor Report dated 26 August 2020, 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 3.33; 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 2020

Class A FCF has been calculated as:

	£m
LTM EBITDA ¹	220.4
Cash tax paid	(24.6)
Increase in working capital	0.4
Minimum capital maintenance spend	(7.5)
Decrease in restricted cash	0.1
Class A FCF	188.8

Class A Total Debt Service Charges has been calculated as:

	£m
Accrued interest	55.8
Commitment fees on WCF and LF	1.6
Interest received on cash equivalents	(0.7)
Class A Total Debt Service Charges	56.7

Ratio Class A FCF DSCR at 30 June 2020 **3.33**

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 £71.3m;
- (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 £188.8m 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.