



RAC Group Limited

RAC House, Brockhurst Crescent, Walsall, WS5 4AW



27 September 2017

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

General Overview

A summary of performance for the six months ended 30 June 2017 ("H1 2017") is set out below.

H1 2017 highlights

Solid financial performance in H1 2017:

- Revenue growth to £269m
- EBITDA growth to £89m
- Operating profit decreased to £33m
- Operating Cash flow growth to £92m
- Improved Operating cash conversion of 103%

Robust KPIs:

- Roadside Repair Rate of 80%
- Roadside Membership Retention Rate of 79%
- Net Promoter Score of 95

Outlook

The Group delivered a robust performance in the first six months of 2017 and has continued to do so going into the second half of the year. We were delighted by demand for the Class B1 Notes issued shortly after the period end, which highlighted investor confidence in the Group's performance and prospects.

Through our continued focus on the Group's business model of delivering excellent customer service to our Members, we remain well positioned to deliver long-term growth and future value for our shareholders.

rac.co.uk

RAC Group Limited Registered office RAC House, Brockhurst Crescent, Walsall, WS5 4AW. Registered in England 00229121

Regulatory and business update

Business Update

- No changes in RAC Bidco Ltd Group structure in H1 2017, with no acquisitions or disposals
- No change in "Permitted Business"
- Board changes:
 - Dave Hobday joined as CEO on 2 March 2017
- Senior management team changes:
 - Will Orr joined as Managing Director of Consumer Roadside, July 2017
 - Dan Rubel joined as Group Marketing & Innovation Director, August 2017

Regulatory/Legislative Update

No material regulatory or legislative changes. As set out in the previous Investor Report dated 3 March 2017, we are undertaking a correction programme in respect of customers who have enjoyed dual cover through holding an Individual Membership and roadside cover through an Added Value Bank Account or motor insurance policy, for whom the benefits of holding these separate covers are not clear.

Capital Expenditure

- Capital Investment on target with £26m invested in H1 2017 across Tangible and Intangible assets
- Of this amount, £13m relates to customer acquisition intangibles (e.g. includes commissions paid to third parties for sales)
- Capex investment of £13m comprising Investment and Maintenance Capex across a number of areas, including:
 - Mobile App development;
 - Payment gateway upgrade;
 - Implementation of new business, including the Mercedes-Benz Cars UK roadside contract which commenced on 31 March 2017;
 - Upgrade of IT systems supporting our Business Roadside division;
 - Telematics & connected car development; and
 - Rapidly deployable trailers and cab mounted docking stations
- Maintenance Capex of £8.0m for the twelve month period ended 30 June 2017.

Current Financing Position

The Group's financing facilities were unchanged during the six months ended 30 June 2017. There has been no change in the S&P Investment Grade BBB- (sf) Rating. Interest rate risk on the floating rate Senior Term Facility is 100% hedged through an interest rate swap and the hedge remains effective.

The table below sets out the current funding position as at 30 June 2017:

Facility	£m	Due	Coupon / Interest
Class A1 Notes	300	May 2023/46	4.565%
Class A2 Notes	600	May 2026/46	4.870%
Senior Term Facility	280	May 2021	2.75% + LIBOR*
Drawn debt	<u>1,180</u>		
<u>Additional committed facilities:</u>			
Working Capital Facility	50	May 2021	2.75% + LIBOR*
Liquidity Facility	90	Annual renewal	2.25% + LIBOR*

*Includes LIBOR floor

Subsequent to the period end, on 14 July 2017, RAC Bond Co plc issued £275 million of bonds under a Class B facility. Further details are set out in the Interim Report and Financial Statements of RAC Bidco Limited for the six months ended 30 June 2017 available from the RAC Corporate website.

Ratios

We confirm that in respect of this investor report dated 27 September 2017, 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 2.88; 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 below;

FCF has been calculated as:

	£'m
EBITDA per financial statements	183.5
Decrease in working capital	(11.4)
Minimum capital maintenance spend	(7.5)
TOTAL FREE CASH FLOW	164.6

Debt Service cost has been calculated as:

	£'m
Accrued interest	56.2
Commitment fees on WCF and LF	1.6
Interest received on cash equivalents	(0.6)
TOTAL DEBT SERVICE COST	57.2
Ratio Class A FCF DSCR	2.88

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 £19.5m; and
- (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



.....
Richard Fairman, Chief Financial Officer