RAC Group Limited
RAC House, Brockhurst Crescent, Bescot, Walsall WS5 4AW

18 March 2025

INVESTOR REPORT

To: Deutsche Trustee Company Limited as Obligor Security Trustee, Issuer Security Trustee and Class A Note Trustee
Deutsche Bank AG, London as 2021 STF Facility Agent, Initial STF Agent and WCF Agent
RAC Bond Co PLC as Issuer
J.P. Morgan Securities plc, Banco Santander S.A. (London Branch) and Barclays Bank PLC London 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 consolidated audited results of RAC Bidco Limited ("Group") for the year ended 31 December 2024.

A summary of the Group's performance for the year ended 31 December 2024 ("FY 2024") is set out below.

Highlights

- 13th consecutive year of EBITDA growth, up £23 million or 8% to £295 million.
- EBITDA growth in both segments - Membership Services up 9% and Insurance up 5%
- Revenue of £783 million increased by £63 million or 9%
- Strong adjusted net cash flows from operating activities of £276 million (2023: £249 million) resulting in cash conversion of 94% (2023: 92%)
- Successfully refinanced 2020 Senior Term Facility and repurchased £115 million of 2026 Class A2 Notes. Total debt reduced by £50 million and leverage reduced to 5.0x (2023: 5.7x)

Outlook

The RAC is a strong recognisable brand. As the UK's authority on motoring, we are positioned at the heart of the driving ecosystem as the single, trusted partner in an ever more complex and challenging motoring world. Our strategy, coupled with our recurring membership model creates strong and predictable results supporting the delivery of sustainable earnings and cash generation. We remain confident about RAC's outlook for 2025 and beyond as we take another step toward becoming the UK's number one for driving services; growing our core businesses, further expanding our SMR proposition and accelerating the benefits of our unique data and myRAC digital member platform.

Regulatory and business update

Business Update

- No changes in RAC Bidco Ltd Group structure in FY2024, with no acquisitions or disposals
- No change in "Permitted Business"
- On 27 February 2024, Jonathan Galore resigned from the Board of Directors of RAC Bidco Limited, and Ahmed Khairat was appointed. There have been no other changes to the Board of Directors in the period.

Regulatory/Legislative Update

The Regulated Entities Boards have approved the Group's first annual Board self-assessment under the FCA's Consumer Duty principles. The report confirmed compliance with the Consumer Duty and demonstrated improvements in a range of customer outcomes our members receive as a result of proactive initiatives we have driven across the Group. Additional improvement opportunities identified within the report through enhanced outcomes monitoring capabilities have been delivered or are on track for delivery, as part of an ongoing programme of continuous improvement. The Group is finalising the delivery and enhancements of its Operational Resilience capability and is on track for being able to demonstrate operation within impact tolerance thresholds in line with the FCA and PRA's March 2025 deadline.

Capital Expenditure

- Capital Investment totalled £84 million during the period (2023: £82 million)
- £45 million (2023: £43 million) of spend is in respect of insurance acquisition cash flows and contract costs as a result of new business sales.
- £9 million (2023: £11 million) relates to Property, Plant and Equipment, which includes investment in equipment to support the continued development of the Service, Maintenance and Repair offering and improvements to the equipment used by our roadside patrols, as well as investment in our premises.
- The remaining £30 million (2023: £28 million) relates to our continued investment in the systems underpinning our business and our enhanced digital capabilities

Financing Position

Interest rate risk on the floating rate Senior Term Facilities 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 31 December 2024:

Facility	£million	Due	Coupon / Interest
Class A2 Notes	485	May 2026/46	4.870%
Class A3 Notes	250	November 2028/ May 46	8.250%
Class B2 Notes	345	November 2027/ May 46	5.250%
2021 Senior Term Facility	170	June 2025	1.800% + SONIA
2021 Senior Term Facility	95	June 2028	2.500% + SONIA
2024 Senior Term Facility	205	January 2029	3.000% + SONIA
Drawn debt	**1,550**		
Additional committed facilities:			
Working Capital Facility	50	January 2029	3.000% + SONIA
Liquidity Facility	100	Annual renewal	2.250% + SONIA

The Group repaid £50 million of debt in the period, repurchasing £115 million of 2026 Class A2 Notes and replacing the £141 million 2020 Senior Term Facility with a new £205 million 2024 Senior Term Facility. Interest paid was £91 million (2023: £87 million).

In January 2025, the Group successfully executed a £50 million private placement which will be issued in June 2025. In February 2025, the Group successfully executed a £40m Senior Term Facility which will be drawn in June 2025. These two new facilities will be used to partly refinance the £170m 2021 Senior Term Facility. The balance of £80m is expected to be repaid using the Group's own funds.

No other changes were made to the debt instruments.

Ratios

We confirm that in respect of this investor report dated 18 March 2025, 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 3.84; 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:

<u>Class A FCF DSCR for the year ended 31 December 2024</u>

Class A FCF has been calculated as:

	£m
EBITDA[1]	274.0
Cash tax paid	(31.5)
Decrease in working capital	12.1
Minimum capital maintenance spend	(8.0)
Increase in restricted cash	(0.4)
Class A FCF	246.2

Class A Total Debt Service Charges has been calculated as:

	£m
Accrued interest	67.0
Commitment fees on STF, WCF and LF	1.6
Interest received on cash equivalents	(4.5)
Class A Total Debt Service Charges	64.1
Ratio Class A FCF DSCR at 31 December 2024	3.84

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;

[1] EBITDA of £274m 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.

(c) the amount of Excess Cashflow for the preceding financial year is £82.5 million.

	£m
Free cash flow calculated as above	246.2
Cash payments relating to one-off items	(3.2)
Excess capex above minimum maintenance spend	(78.3)
Debt service costs	(82.2)
Total Excess Cashflow	82.5

(d) the amount of Retained Excess Cashflow as at the date of this Investor Report is £194.6 million;
(e) we are in compliance with the Obligor Coverage Tests;
(f) below is a list of the Material Companies:
1. RAC Motoring Services (registered number 01424399);
2. RAC Financial Services Limited (registered number 05171817);
3. RAC Brand Enterprises LLP (registered number OC377385)

(g) the statements set out in this Investor Report are accurate in all material respects.

Yours faithfully

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

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Jo Baker, Chief Financial Officer