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

26 August 2022

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

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 2022.

A summary of the Group's performance for the six months ended 30 June 2022 ("H1 2022") is set out below.

Highlights

- H1 EBITDA increased by £3 million to £125 million, +2% vs H1 2021 against a challenging backdrop, delivering continued and sustainable performance.
- H1 revenue of £332 million up 2% driven by growth in subscription revenue and higher pay-on-use revenue, partially offset by lower Insurance sales.
- Overall Membership Services members of 12.1 million stable in the first six months adding 20,000 net new members in Consumer since the year-end and retaining all our key partners in Business.
- Liquidity, cash flow and capital position remain strong.
- The Silver Lake transaction completed on 11 March 2022. Silver Lake bring exceptional technology expertise, skills and relationships to support us in our goal of further improving our digital capabilities, and leveraging our wealth of data to provide even more innovative products and services for RAC members and partners to accelerate growth.

Outlook

We remain on track to deliver our 11th consecutive year of sustainable growth, a performance we are very proud of given the headwinds experienced in the first half in relation to cost of living pressures for our members and supply chain costs in our industry. Despite the macro-economic challenges our subscription-based business model remains resilient, and we have strong momentum in our core business. Once again, our 4,000 colleagues have gone above and beyond to provide exceptional service to our members and, as we celebrate 125 years of RAC history, we express our gratitude to them for their part in building this great brand.

We have made significant progress in the first six months of the year in delivering our strategy against the backdrop of an increasingly tough economic environment, and our strong capital position allows continued investment to sustain our growth and accelerate our progress towards our vision of becoming the UK's #1 for Driving Services.

Regulatory and business update

Business Update

- No changes in RAC Bidco Ltd Group structure in H1 2022, with no acquisitions or disposals
- No change in "Permitted Business"
- In connection with the Silver Lake transaction, on 14 March 2022 M Boughton and A Levy resigned from the Company's Board of Directors ("Board"), and S Patterson and J Galore were appointed to the Board. On 1 July 2022 H Ormond resigned from the Board. A Levy was appointed to the Board on 1 July 2022.
- On 6 September 2021, it was announced the Silver Lake had entered into an agreement to become a co-shareholder alongside RAC's longstanding shareholders GIC and CVC Strategic Opportunities I, a longer-term investment fund managed by CVC Capital Partners ("CVC"). The transaction completed on 11 March 2022.

Regulatory/Legislative Update

RAC has recently successfully implemented a wide range of regulatory driven changes required as a result of the FCA's final report on its market study into the pricing of home and motor insurance which introduced a package of changes to enhance competition, ensure consumers will receive fair value, and increase trust in these markets. RAC expects that the scope of regulatory change will continue to be wide and to be introduced at pace by the regulators, notably the Consumer Duty which will come into force in July 2023. RAC has a well-progressed implementation plan for the Consumer Duty which will be finalised in advance of the end of October deadline.

The Group has planned accordingly and is well placed to respond to the continued regulatory change.

Capital Expenditure

- Capital Investment remained on target with £21 million invested (H1 2021: £22 million)
- Of this amount, £10 million (H1 2021: £13 million) relates to customer acquisition intangibles and contract costs (i.e. includes commissions paid to third parties for sales)
- £11 million (H1 2021: £9 million) relates to capex investment comprising investment and maintenance Capex across a number of areas, as we continue to invest and develop our differentiated products and services.

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 2022:

Facility	£million	Due	Coupon / Interest
Class A1 Notes	300	May 2023/46	4.565%
Class A2 Notes	600	May 2026/46	4.870%
Class B2 Notes	345	November 2027/46	5.25%
Senior Term Facility	161	January 2025	2.500% + SONIA + CAS
Senior Term Facility	170	July 2025	1.800% + SONIA
Senior Term Facility	95	July 2028	2.500% + SONIA
Drawn debt	**1,671**		
Additional committed facilities:			
Working Capital Facility	50	January 2025	2.500% + SONIA + CAS
Liquidity Facility	90	Annual renewal	2.250% + SONIA

On 1 January 2022, the Group transitioned its remaining LIBOR based debt to be SONIA based. No other changes were made to the debt instruments

Ratios

We confirm that in respect of this investor report dated 26 August 2022, 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 4.12; and

(b) the amount of Additional Financial Indebtedness raised since the date of the immediately preceding Investor Report was £345 million[1];

(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:

[1] As previously announced, RAC issued £345 million of Class B2 Notes in November 2021. The proceeds from this issuance were held in escrow as at 31 December 2021 and constitute Additional Financial Indebtedness in the period as they were released from escrow and on-lent under the Class B2 IBLA on 11 March 2022. For the avoidance of doubt, as these are Class B2 Notes their proceeds do not in any case constitute Class A Additional Financial Indebtedness (i.e. indebtedness under any Class A Authorised Credit Facility).

Class A FCF DSCR for the year ended 30 June 2022

Class A FCF has been calculated as:

	£m
EBITDA[2]	241.9
Cash tax paid	(21.3)
Increase in working capital	17.8
Minimum capital maintenance spend[3]	(7.5)
Increase in restricted cash	(0.0)
Class A FCF	**230.9**

Class A Total Debt Service Charges has been calculated as:

	£m
Accrued interest	54.5
Commitment fees on WCF and LF	1.6
Interest received on cash equivalents	(0.1)
Class A Total Debt Service Charges	**56.0**
Ratio Class A FCF DSCR at 30 June 2022	**4.12**

[2] EBITDA of £241.9m 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.

[3] In accordance with the Common Terms Agreement, and following the end of the Financial Year 2021, the Minimum Capital Maintenance Spend Amount is currently being reviewed and updated for the next 5-year period starting from 31 December 2021 (including by way of an independent 3rd party review of the new figure as a reasonable estimate of likely minimum capital expenditure requirements). Once this process is concluded, future Compliance Certificates will refer to the revised Minimum Capital Maintenance Spend Amount figure and that revised figure shall be the applicable figure used for all relevant purposes and calculations following 31 December 2021

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 £74.5 million;

(d) 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	Jo Baker, Chief Financial Officer

For and on behalf of
RAC Group Limited as Holdco Agent