



HY25 Results

16 October 2024



KEY MESSAGES

**Strong trading
performance**



**Strengthened
balance sheet**



**Delivering for
our customers**



KEY MESSAGES

Strong trading performance

Growth in Group revenue of 14%, adjusted EBITDA of 9% and PBT of 70%

Growth in B2C membership, B2B customer holdings and insurance GWP

Focus on post-inflation value recovery with income per customer up 6% in roadside B2C and 9% in B2B

Reduction in breakdown frequency and call volumes

Note: All compared to H1 24

Strengthened balance sheet

Finalized Stonepeak transaction

Redeemed £155m of B Notes

Reduced Group leverage from 5.1x to 4.5x

Received credit rating upgrade on A Notes
from BBB- to BBB

Delivering for our customers

Continuing to deliver excellent service

Group Net Promoter Score +5ppts

★ Trustpilot +10%

Patrol FTEs +1%

Call-to-arrive time (avg) 10% quicker

Roadside repair rate +1%









Further strengthening our proposition

- Improved customer offer enabled by new Insurance platform
- Further optimisation of our Roadside digital journey
- Launched nationwide new connected car proposition and expanded Mobile Mechanics

Note: All compared to H1 24

KEY FINANCIAL HIGHLIGHTS

- Continued **Revenue and Adjusted EBITDA growth** despite ongoing macro-economic challenges
- Growing operating profit **up 32% to £127m**, reflecting strong underlying trading performance
- Positive **cash flow generation** and continued **improvement of the Group's capital** structure, including £155m redemption of B Notes

| Revenue | Adjusted EBITDA | Adjusted EBITDA % | Operating profit |
|---|---|--|---|
| £712m  | £225m  | 32%  | £127m  |
| +14% | +9% | -1ppts | +32% |
| Operating cash flow | Group net debt | Group leverage | Available liquidity |
| £190m  | £1,994m  | 4.5x  | £175m  |
| +9% | FY24: £2,174m | FY24: 5.1x | FY24: £143m |

INCOME STATEMENT

| £m | HY25 | HY24 | YOY % |
|--|------------|------|---------|
| Revenue | 712 | 625 | 14% |
| Adjusted EBITDA¹ | 225 | 206 | 9% |
| Amortisation of insurance acquisition cash flows | (33) | (32) | (3%) |
| Reported EBITDA² | 192 | 174 | 10% |
| Fulfilment finance costs (included within operating profit) | (1) | - | - |
| Share-based payments | - | (3) | 100% |
| Pension adjustment | (3) | (3) | - |
| Amortisation and depreciation | (57) | (54) | (6%) |
| Adjusting operating items | (4) | (18) | 78% |
| Operating profit | 127 | 96 | 32% |
| Ongoing finance costs | (81) | (81) | - |
| Net debt redemption costs | (10) | 4 | (>100%) |
| Interest income | 3 | 4 | (25%) |
| Net finance costs | (88) | (73) | (21%) |
| Profit before tax | 39 | 23 | 70% |
| Tax expense | (10) | (7) | (43%) |
| Profit for the period | 29 | 16 | 81% |

Notes:

- Adjusted EBITDA is profit after tax on a continuing basis as reported, adjusted for depreciation, amortisation of intangible assets, amortisation of insurance acquisition cash flows, adjusting operating items, share-based payments, pension adjustments, impairment of property, plant and equipment, impairment of intangible assets, net finance costs and tax expense.
- Reported EBITDA is defined as Adjusted EBITDA excluding the adjustment for amortisation of acquisition cash flows.

- Group revenue growth driven by:
 - Further growth in holdings
 - Lag effect of previous price increases due to annual renewal profile
 - Growth in motor insurance premiums and continued to focus on profitability
- Adjusted EBITDA growth driven by higher average revenue per customer and premiums, despite inflationary cost pressures
- Adjusting operating items from last year not repeated or reduced, e.g. cost of living payment, strategic projects
- No material change to underlying finance costs
- Increase in debt redemption costs from refinancing activity as part of our ongoing debt management strategy

KEY HIGHLIGHTS

Roadside

| | HY25 | HY24 | |
|---------------------------|--------|--------|---|
| Revenue (£m) | 497 | 460 | ▲ |
| Adjusted EBITDA (£m) | 195 | 178 | ▲ |
| Personal paid members (k) | 3,277 | 3,267 | ▲ |
| Business customers (k) | 11,117 | 10,666 | ▲ |

- Strong revenue and EBITDA growth in core business
- Growth in B2C and B2B holdings
 - Strong relationships with B2B customers, confident in retention of key accounts
- Launched risk-based pricing for new business in H1 – positive early results

Insurance

| | HY25 | HY24 | |
|----------------------|------|-------|---|
| Revenue (£m) | 215 | 165 | ▲ |
| Adjusted EBITDA (£m) | 30 | 28 | ▲ |
| Motor policies (k) | 949 | 1,010 | ▼ |

- Growth in revenue and stable profitability in Insurance
- Flexible model of broker, underwriter and Accident Assist supported us well in H1, positioned for growth in H2
- Continued growth in Home Insurance and Accident Assist businesses

CASH FLOW

| £m | HY25 | HY24 | YOY % |
|--|------------|------------|------------|
| Adjusted EBITDA | 225 | 206 | 9% |
| Amortisation of insurance acquisition cash flows | (33) | (32) | (3%) |
| Change in working capital | 12 | 15 | (20%) |
| Pension cash flows | (14) | (15) | 7% |
| Operating cash flows | 190 | 174 | 9% |
| Tax paid | (10) | (5) | (100%) |
| Capital expenditure | (34) | (47) | 28% |
| Proceeds from disposal of fixed assets | 5 | 3 | 67% |
| Payment of lease capital | (22) | (15) | 47% |
| Operating free cash flow after CAPEX | 129 | 110 | 17% |
| Net interest paid | (72) | (71) | (1%) |
| Operating free cash flow before adjusting operating items | 57 | 39 | 46% |
| Acquisition of subsidiary | (9) | - | - |
| JVs, associates and other investments | (2) | (1) | (100%) |
| Cash flows from adjusting operating items | (13) | (19) | 32% |
| Free cash flow | 33 | 19 | 74% |

- Increase in EBITDA flowing through to operating cash flow increase
- Growth in free cash flow from combination of:
 - Reduction in capex, reflecting completion of re-platforming, offsetting increased leasing capital from fleet renewal
 - Continuing positive working capital
 - Reduction in adjusting operating items
 - Select acquisition of Key Care in February for £9m, unlocking future growth in product base
- Significant improvement in free cash reflecting health of company

NET DEBT

| £m | HY25 | FY24 |
|---|--------------|--------------|
| Total Class A Notes | 1,815 | 1,819 |
| Senior Term Facility | 165 | 165 |
| Less: WBS cash | (111) | (87) |
| Net Senior Secured Debt | 1,869 | 1,897 |
| Class B Notes | 125 | 280 |
| Lease obligations for covenant reporting | 62 | 52 |
| Net WBS Debt | 2,056 | 2,229 |
| IFRS 16 lease adjustment for WBS | 19 | 20 |
| AA Limited lease obligations | 2 | 2 |
| Less: AA Limited cash | (83) | (77) |
| Total Group Net Debt | 1,994 | 2,174 |
| Key metrics | HY25 | FY24 |
| Net debt/EBITDA ¹ | 4.5x | 5.1x |
| WBS Senior Leverage Ratio ² | 5.46x | 5.66x |
| WBS Class B Leverage Ratio ³ | 6.0x | 6.7x |
| Interest cover ⁴ | 3.0x | 2.9x |
| Financial covenants | HY25 | FY24 |
| Class A FCF to DSCR ⁵ (covenant > 1.35x) | 2.7x | 2.7x |

- Improvement in net debt following partial redemption of B Notes using £155m from Stonepeak transaction and strong trading performance
- Group liquidity remains healthy:
 - £111m of cash and cash equivalents within the WBS structure
 - £83m of cash and cash equivalents at AA Limited level
 - £56m working capital facility, of which £46m is available for cash drawings
- Now the WBS senior leverage ratio is below 5.5x, we are working towards repayment of the remaining B Notes
 - Announced the redemption of a further £14m of B Notes

Notes

1. Total Group Net Debt to AA Limited Adjusted EBITDA for the last 12 months.
2. Ratio of Net Senior Secured Debt to Intermediate group Debt Covenant EBITDA for the last 12 months.
3. Ratio of Net WBS Debt to Intermediate group Debt Covenant EBITDA for the last 12 months.
4. Adjusted EBITDA for the last 12 months: AA Limited ongoing cash finance costs.
5. Ratio of last 12 months Intermediate group debt covenant free cash flow to proforma debt service relating to the Senior Term Facility and Class A Notes

SUMMARY

**Strengthening
our core whilst
expanding our
driver services**



**Focused on cash
generation and
debt reduction**



**Entering H2 with
strong
momentum**





Q&A

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CAPITALISATION

| £m | HY25 | FY24 | Ratings (S&P) ¹ | Expected Maturity Date | Coupon |
|---|--------------|--------------|-------------------------------|---------------------------|-----------------|
| Cash in WBS | (111) | (87) | | | |
| Senior Term Facility | 165 | 165 | | Mar-26 | 3.490% / 7.170% |
| Class A2 Notes ² | - | 439 | BBB | Jul-25 | 6.269% |
| Class A8 Notes | 325 | 325 | BBB | Jul-27 | 5.500% |
| Class A9 Notes | 270 | 270 | BBB | Jul-28 | 3.250% |
| Class A10 Notes | 385 | 385 | BBB | Jul-29 | 7.375% |
| Class A11 Notes | 400 | 400 | BBB | Jan-28 | 8.450% |
| Class A12 Notes ³ | 435 | - | BBB | Jul-31 | 6.850% |
| Class A Gross Debt | 1,980 | 1,984 | | | |
| Net Class A Debt | 1,869 | 1,897 | | | |
| Class B3 Notes ⁴ | 125 | 280 | B+ | Jan-26 | 6.500% |
| Leases adjustment | 62 | 52 | | | |
| WBS Total Gross Debt⁵ | 2,167 | 2,316 | | | |
| WBS Net Debt⁵ | 2,056 | 2,229 | | | |

Notes

1. On 22 May 2024, S&P Global Ratings upgraded the credit rating of the Group's Class A Notes from BBB- to BBB and reaffirmed the Class B3 Notes at B+.
2. £429m Class A2 Notes redeemed in May 2024 and £10m Class A2 Notes redeemed in July 2024.
3. £435m Class A12 notes issued in May 2024.
4. £155m B3 Notes redeemed at a redemption price of 101.625% in July 2024.
5. WBS debt as per covenant reporting requirements.

WBS RESULTS COMPARED TO GROUP REPORTING

| £m | HY25 | | | HY24 | | |
|--|---------|-----------------|-----------------|---------|-----------------|-----------------|
| | Revenue | Adjusted EBITDA | Reported EBITDA | Revenue | Adjusted EBITDA | Reported EBITDA |
| AA Limited Group | 712 | 225 | 192 | 625 | 206 | 174 |
| Underwriter and other trading ¹ | (154) | (10) | (10) | (104) | (4) | (4) |
| IFRS 17 adjustments ² | (2) | (17) | (3) | 3 | (11) | 2 |
| WBS Group | 556 | 198 | 179 | 524 | 191 | 172 |

Notes:

1. Includes Longacre, AA Technical Solutions and AA Limited parent company.
2. Includes amortisation of insurance acquisition cash flows for underwriter (HY25: £14m, HY24: £13m). At a WBS level Broker income and insurance acquisition cash flows are recognised up-front under IFRS 15. At an AA Ltd level balances connected to internally-underwritten policies are deferred over the life of the policy under IFRS 17.

WBS CASH FLOW

| £m | HY25 | HY24 | YOY % |
|--|------------|------------|------------|
| Adjusted EBITDA | 198 | 191 | 4% |
| Amortisation of insurance acquisition cash flows | (19) | (19) | - |
| Change in working capital | 23 | 16 | 44% |
| Pension cash flows | (14) | (15) | 7% |
| Operating cash flows | 188 | 173 | 9% |
| Tax paid | (9) | (4) | (>100%) |
| Capital expenditure | (34) | (47) | 28% |
| Proceeds from disposal of fixed assets | 5 | 3 | 67% |
| Payment of lease capital | (22) | (15) | (47%) |
| Operating free cash flow after CAPEX | 128 | 110 | 16% |
| Net interest paid | (72) | (71) | (1%) |
| Operating free cash flow before adjusting operating items | 56 | 39 | 44% |
| Acquisition of subsidiary | (9) | - | - |
| JVs, associates and other investments | - | 2 | (100%) |
| Cash flows from adjusting operating items | (10) | (19) | 47% |
| Free cash flow | 37 | 22 | 68% |

DEFINITIONS

The following definitions apply throughout:

- Adjusted EBITDA is defined as profit after tax on a continuing basis as reported, adjusted for depreciation, amortisation of intangible assets, amortisation of insurance acquisition cash flows, adjusting operating items, share-based payments, pension adjustments, impairment of property, plant and equipment, impairment of intangible assets, net finance costs and tax expense.
- Reported EBITDA is defined as Adjusted EBITDA excluding the adjustment for amortisation of insurance acquisition cash flows.
- Personal members and business customers: measured at the period end.
- Net WBS Debt represents the borrowings and cash balances within the WBS structure headed by the Company. This includes the principal amounts of the Senior Term Facility, Class A notes, Class B3 notes and lease obligations for covenant reporting less cash and cash equivalents.
- Available liquidity is available cash and the amounts available to borrow under the Working Capital Facility (WCF).