AA Intermediate Co Ltd - Investor Report

This is the Investor Report for the year ended 31 January 2025 (FY25) which we are required to deliver pursuant to paragraph 6 of Part A of Schedule 3 of the Common Terms Agreement.

All figures in the commentary below are as per the AA Intermediate Co Limited statutory accounts, post adoption of new IFRS accountings standards such as IFRS 17 and IFRS 16. We note that the ratios below and the commentary in respect of the Group's debt covenants are calculated after reversing the impact of such GAAP changes as required by the covenant documents.

General Overview

The business is focused on delivering the highest possible standards of customer service, quality products, stable and predictable revenue streams, strong operating margins and high cash generation. The Group continued to demonstrate all of these qualities in the financial year:

- FY25 has been a critical year for the AA, reinforcing our transition to a high performance culture and business, recording our fourth consecutive year of customer, revenue and EBITDA growth. We have further cemented our UK market leadership position with growth in total holdings to 16.3m (up from 16.0m) across our Roadside and Insurance divisions.

- Group revenue increased by 7% from £1,067m in 2024 to £1,142m in FY25 driven by increasing income paid per member in both business to-consumer (B2C) and business-to-business (B2B), continued expansion of our driving school and service maintenance and repair (SMR) businesses and acquisition of Key Care.

- Group Adjusted EBITDA improved by 4% to £397m (2024: £380m) resulting from growth in Roadside due to increased holdings, price increases in 2024 to address inflation earning through, improved operational efficiencies and the successful introduction of risk based pricing for new business allowing us to improve margins. This was partly offset by a reduction in Insurance from a deterioration in retention and therefore more marketing spend on new customers to maintain volume.

- Adjusted operating cashflow was £359m, an increase of £11m (2024: £348m).

- Total Class A Net Debt to EBITDA was 5.3x as at 31 January 2025 (2024: 5.7x).

Further information is available at www.theaacorporate.com.

Regulatory and Business Update

On 26 July 2024, we completed the transaction which saw Stonepeak invest into the AA Limited Group. As part of Stonepeak's overall £450m investment, £167m was injected into the AA Limited Group of which £158m was injected into AA intermediate Co Limited to fund the redemption of £155m notional Class B3 Notes at a redemption price of 101.625%. The remaining £9m is being held at AA Limited for initiatives supporting the next phase of our growth strategy.

There have been no other new significant regulatory and business developments (including any highly publicised incidents) other than as described in the Financial Statements.

There have been no other significant announcements/publications by the government relating to Permitted Business.

The Directors who held office during the year and up to the date of signing the financial statements were as follows:

Michael Wing, Director
Tom Mackay, Chief Financial Officer

Capital Expenditure

Capital Expenditure (excluding Maintenance Capital Expenditure) in the year to 31 January 2025 included growth capital expenditure of £33m.

There has been no other Capital Expenditure (excluding Maintenance Capital Expenditure) in an amount exceeding £5m (Indexed) during the period.

Financing

On 6 March 2024 the Group renewed its £200m Liquidity Facility. The facility remains undrawn.

On 22 May 2024 the Group issued £435m of Class A12 Notes with an interest rate of 6.85% and a maturity date of 31 July 2031. On 23 May 2024, £429m of the issue proceeds were used to settle a tender offer of Class A2 Notes. The remaining £6m of A12 proceeds were held in a Mandatory Prepayment Account.

On 31 July 2024 the outstanding £10m of A2 Notes were redeemed using the £6m of A12 proceeds in the Mandatory Prepayment Account and existing cash held.

On 31 July 2024 the Group redeemed £155m of Class B3 Notes at a redemption price of 101.625% using cash received as part of the Stonepeak investment into The AA.

On 25 October 2024 the Group redeemed a further £15m of Class B3 Notes at a redemption price of 101.625% using existing cash held.

Post year end financing:

On 10 February, the Group renewed its £200m liquidity facility with an effective date of 5 March 2025. The facility remains undrawn.

On 19 March, the Group successfully refinanced its £165m senior term facility and £56m working capital facility ahead of their 10 March 2026 maturity date.

The Group has entered into a new £95m senior term facility and a new £70m fixed rate private placement, both with maturity dates in March 2030. The new senior term facility has a margin of 2.50% above SONIA and has been hedged through an interest rate swap.

A new working capital facility for £56m has also been put in place at a margin of 2.50% above SONIA and is available until March 2030.

On 1 April 2025, the Group entered into a financing arrangement with Basing TopCo Limited, an indirect parent of AA Limited. Under this arrangement the Group may borrow up to £60m for the sole purpose of redeeming Class B3 Notes, to the extent any remaining outstanding on the 31 January 2026 maturity date.

On 14 April, the Group issued a conditional notice of redemption for £62m of Class B3 Notes, subject to satisfaction of the condition precedent set out in that notice.

Acquisitions or Disposals

Key Care Limited

On 1 February 2024, the Group completed the acquisition of Key Care Limited (KeyCare) for cash consideration of £10m. KeyCare is an insurance business offering insurance policies for lost and stolen keys operating in the UK and the Republic of Ireland. The acquisition enables the Group to expand its product base and increase its offerings for both business and consumer customers, enhancing its position in the market.

AA Media Limited

The Group previously held a 49% interest in AA Media Limited, which was recognised as an investment in a joint venture. On 29 October 2024, the Group acquired the remaining 51% of voting equity interest for cash consideration of £5m to establish AA Media as a 100%-owned subsidiary. AA Media is a publisher which rates hotels, restaurants and attractions across the UK. The acquisition enables the Group to explore further opportunities to promote The AA brand and the chance for AA Media's offerings to play a part in the broader AA membership proposition.

Current Hedge Position

The Holdco Group has interest rate swaps in place which are used to fully hedge its interest rate exposure in relation to its drawn Authorised Credit Facilities. The Group has currently hedged 100% of forecast diesel usage for the year ended 31 January 2026 and c.50% of forecast usage for the year ended 31 January 2027.

Ratios

We confirm that in respect of this investor report dated 16 April 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 3 (*Holdco Group Covenants*) of the Common Terms Agreement:

- the Class A FCF DSCR for the Test Period ending on 31 January 2025 is 2.7x, which is greater than the Trigger Event Ratio Level and Class A Default Ratio Level; we set out the calculation in the Appendix.
- the amount of Additional Financial Indebtedness raised since the date of the immediately preceding Investor report and included for the Test Period ending 31 January 2025 was £nil.
- the amount of Permitted Investor Payments made since the date of the immediately preceding Investor Report was £14.9m. This was the maximum Permitted Investor Payment

which could be made based on the calculations as set out in the preceding Investor Report dated 16 October 2024.

- The ratio of Total Class A Net Debt to EBITDA at the relevant Test Date (31 January 2025) is 5.32x,. This now allows a maximum Permitted Investor Payment of £63.0m to be made; we set out the calculation in the appendix.

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.

Confirmation statements

We confirm that:

- no CTA Default or Trigger Event has occurred and is continuing.
- the Holdco Group is in compliance with the Hedging Policy.
- the amount of Excess Cashflow is £45m. We set out the computation of Excess Cashflow for the preceding Financial Year (FY25) in the appendix.
- the amount of Retained Excess Cashflow as at the date of this Investor Report is £263m.
- we are in compliance with the Obligor Coverage Test.
- below is a list of the Material Companies as at 31 January 2025:
    - Automobile Association Developments Limited
    - Automobile Association Insurance Services Limited
    - AA Corporation Limited
- the statements set out in this Investor Report are accurate in all material respects.

Yours faithfully,

T. Mackay

Tom MacKay
Director
For and on behalf of Automobile Association Developments Limited as Holdco Group Agent
16 April 2025

Appendix

Class A FCF DSCR:

£m	12 months to 31 Jan 25
Operating profit before tax	64
Add back:	
Total debt service charges net of interest receivable	160
Exceptional items	2
Depreciation and amortisation	115
Pension adjustment	6
Share-based payments	3
Class A EBITDA	350
Less	
Cash tax paid	(20)
Change in working capital	37
Minimum capital maintenance spend	(44)
Class A Free cash flow	323
Class A total debt service charge	119
Class A FCF DSCR[1]	2.7

[1] *Calculated on an unrounded basis*

Total Class A Net Debt to EBITDA:

		12 months to 31 January 25 £m
Class A Debt:		
	STF	165
	Class A8	325
	Class A9	270
	Class A10	385
	Class A11	400
	Class A12	435
Less:	Cash and Cash Equivalent Investments	(117)
Total Class A Net Debt		**1,863**
Class A EBITDA		**350**
Ratio of Class A Net Debt to EBITDA[1]		**5.32**
Maximum amount of Permitted Investor Payments[1]		**63.0**

[1] *Calculated on an unrounded basis*

Excess Cashflow

	12 months to 31 January 25
Free Cash Flow	323
Less:	
Exceptional items	(15)
Capital expenditure net of Minimum capital maintenance spend	(28)
Cash consideration on permitted acquisitions and joint venture investment	(12)
Cash payable under pension deficit reduction programme	(29)
Voluntary and mandatory debt repayments	(609)
Proceeds from debt issued and equity contribution	608
Total debt service costs	(137)
Lease capital repayments	(41)
Debt issue fees	(3)
Amounts payable on a Debt Purchase Transaction	(9)
Share options	(3)
Excess cashflow	**45**