FY21 RESULTS
April 2021

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Definitions

The following definitions apply throughout

- Trading EBITDA (earnings before net finance costs, tax, depreciation and amortisation): excludes share-based payments, pension service charge adjustment, contingent consideration remeasurement movements and adjusting operating items
- Cash conversion: net cash flow from continuing operating activities before tax, capital expenditure and adjusting operating items divided by Trading EBITDA
- Adjusted EPS: earnings per share adjusted for a number of one-offs of which the largest are adjusting operating items, share-based payments, pension service charge adjustment, contingent consideration remeasurement movements, the write-off of debt issue fees and premium on early repayment of debt
- Personal members and business customers: measured as the number at the year end

TODAY’S PRESENTERS

Simon Breakwell

Deputy Chairman

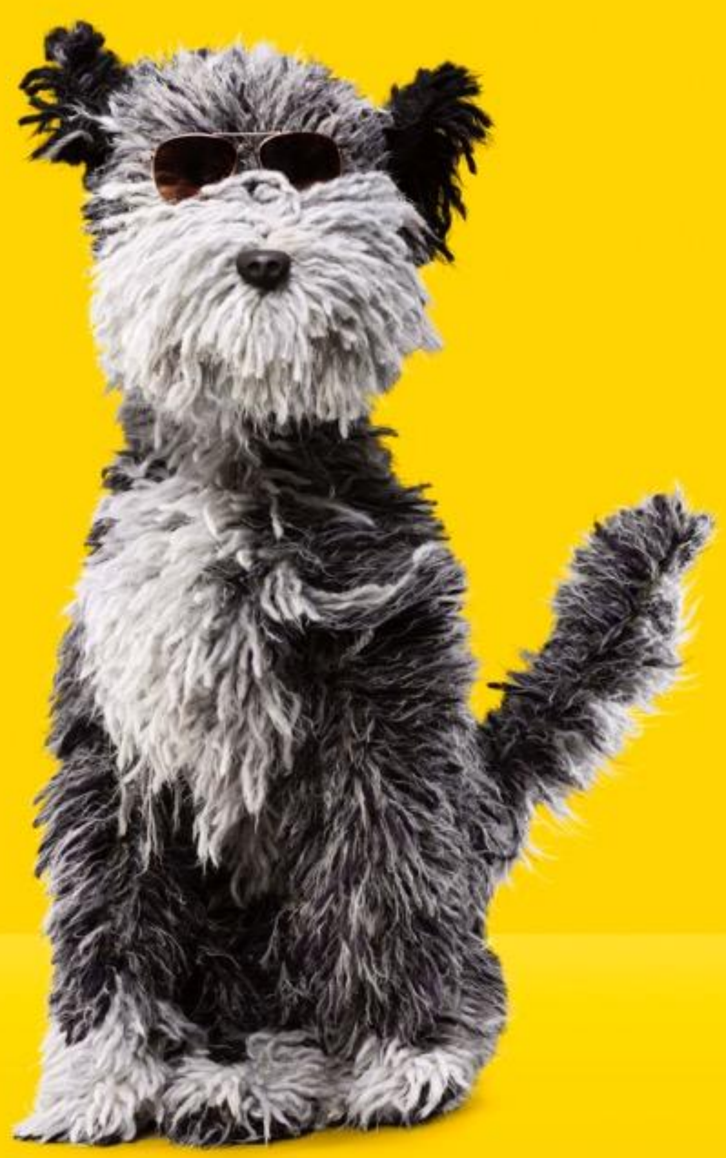
Outgoing CEO

Kevin Dangerfield

CFO

Agenda

- Introduction and business review
  Simon Breakwell
- Financial review
  Kevin Dangerfield
- Q&A
  Simon Breakwell, Kevin Dangerfield



FY21 GROUP HIGHLIGHTS

- Focused on protecting the health and wellbeing of our colleagues, members, customers and suppliers
- Resilient financial performance despite challenging operating conditions
- Positively rebalanced capital structure puts us on a firm path to sustainable deleveraging
  - Successful refinancing of B2 notes and STF completed in March 2021
  - Leverage post £261m equity injection at 6.9x (FY21: 7.6x)

£967m	£341m	£218m	£52m	£40m
Revenue	Trading EBITDA	Operating profit	PBT	FCF

3.2m	8.7m	1.9m	**COVID response**	**Reinvigorated ESG focus**
B2C personal members	B2B customers	Total insurance policies		

FY21 Roadside highlights

Consumer

New Business: Sales recovered strongly in H2 as the AA led the nation back onto the Road again with our award winning 'Tukker' campaign supported by a number of successful sales promotions.

Retention: Rate remained stable, showing resilience against the economic impact of COVID-19. Service levels were maintained and propositions adapted to meet customer needs.

Membership Base: An improving performance with new business recovery and stable retention rates, however the base remains slightly down from FY20 year end (-1.5%) reflecting the overall impact of the initial lockdown.

Smart Breakdown: Rollout impacted by lockdown; despite this over 11,000 members are now using Smart Breakdown to predict and prevent breakdowns.

Community Support: Free breakdown cover provided to NHS staff during the first national lockdown and free signage provided to Vaccination Centres in the most recent lockdown.

Business Services

New Business: The AA won a 5 year, c. £14m per annum contract to provide Roadside Assistance to 'FlexPlus' customers for Nationwide Building Society. The contract will start in March 2022.

Key contracts: A number of contracts were retained or extended, including Volkswagen Group, JLR, Admiral, Porsche, Honda and Alphabet.

New Car Sales: Lockdown adversely impacted new car sales with overall market in 2020 down by 29% year on year, impacting holdings for OEMs.

Beyond Roadside: Strong performance in developing new revenue streams such as recalls (over 10k repairs) and campaign work, including supporting OEM dealers during lockdown.

Customer Service and Operations

Workload: Breakdown volumes were down by 12% year on year reflecting lockdown impact and leading to lower garaging and patrol related costs. Our teams showed resilience and flexibility to adapt to unusual demand patterns 'in day' as well as across the year.

COVID-19 Response: We adapted quickly to restrictions, developing Safe Systems of Work and deploying them rapidly to keep our colleagues and customers safe.

Service Levels: Call-to-arrive under 46 minutes; repair rates and repair times improved on last year, reflecting lockdown workload mix and strong performance management from our teams.

Digital Reporting: Digital breakdown capability continues to expand, with the roll-out of Digital Report a Breakdown to our 2.2m Lloyds Banking Group customers.

London Ambulance: We provided 200 patrols to London Ambulance to help keep more than 500 ambulances on the road during lockdowns.

AA Prestige (Service, Maintenance and Repair)

B2C Channel: We launched our 'SmartCare' product, providing cost transparency and the assurance of our AA accredited garage network. Volumes increased significantly in H2 on the back of pent-up MOT demand.

B2B Channel: Business SMR volumes have remained stable and despite the challenge of remote working several new accounts have been established.

AA Driving Schools

Partner Support: Driving Instruction was suspended for several months of the year; we supported our franchise partners by waiving or deferring fees, reducing short-term revenue, but benefiting long-term retention.

FY21 Insurance highlights

Insurance and Financial Services

The Insurance division continues to show significant growth and demonstrated strong resilience

- Motor policies grew strongly 21.1% year on year
- Successful growth of the in-house underwriter with 33.9% growth in motor policies to 600k and 22.3% growth in home policies to 406k
- Continued strong cross-sell conversion rates of 34% into our Roadside business
- Customers were put at the centre of all COVID-19 responses with over 100 amendments to processes and communications
- Our recently launched in-house claims management proposition – Accident Assist – is performing strongly, with new system capability operational and proposition expansion to our member base in December
- Successful delivery of a new motor claims platform and full migration completed

Successful launch of Smart Insurance (young driver telematics product proposition) and Smart Lease (innovative car leasing solution)

Financial services partnership with the Bank of Ireland extended to at least 2028

FCA final report and consultation paper on General Insurance Pricing Practices published on 22 September 2020

- AA committed to delivering good customer outcomes
- The AA responded to the FCA's consultation and is on-track to deliver the required changes to pricing and processes subject to final FCA rules due to be published in Q2

Realising our potential with a rebalanced capital structure

1 **Expansion of our addressable market**
Drive daily utility through broader range of products and services to cover all of Britain's drivers

2 **Increased awareness of our products**
Increases products per customer enabling access and making driving life better

3 **Keeping customers for longer**
Offers better and more regular engagement and overall customer experience

4 **Reduction to the cost of customer acquisition**
Customers that interact across multiple product areas have a lower acquisition cost per product

5 **Optimised cost to service customers**
Ensures digital end-to-end journeys and self service central to product development

Cleaner, safer, smarter – our reinvigorated approach to ESG

We're at the heart of the UK's driving future, embracing technology and the race to net zero emissions while helping people to remain safe on the road.

Pillar 1: CLEANER

- Become leading experts and provide thought leadership to help achieve UK goal of zero emissions by 2050
- Encourage drivers, manufacturers & Government to help transition to zero emission new cars by 2030
- Show the AA's transition to a greener fleet and patrols' expertise on zero emission vehicles
- Support active travel and micro mobility choices

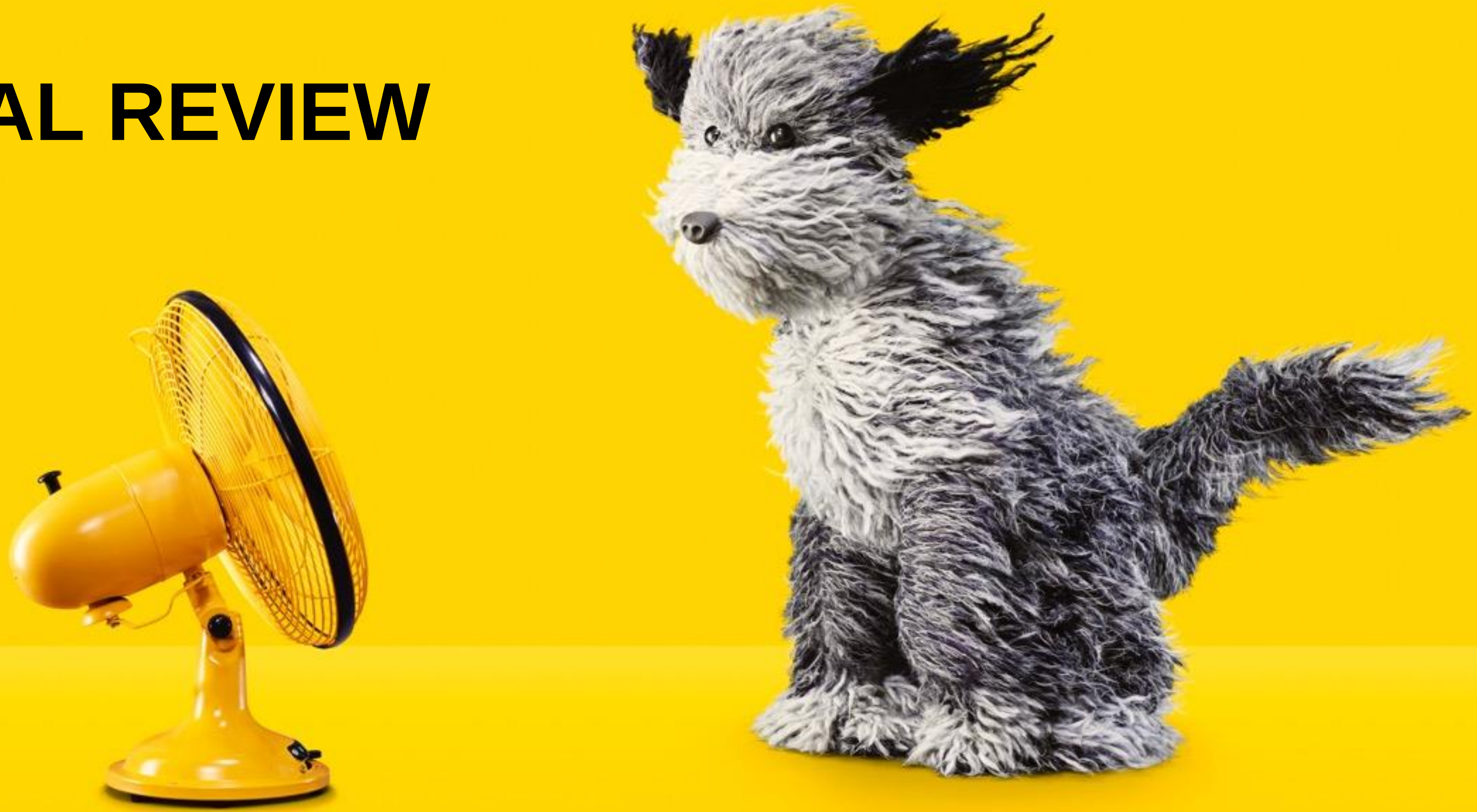
Pillar 2: SAFER

- Support vision zero of no road deaths. No loss of life on roads is acceptable
- AA Trust promotes campaigns i.e. young rural drivers, Think Bikes!, drink/drug, AADS and AADT driver training
- Promote AA patrol safety via SURVIVE, slow down & move over, red flashing lights, smart motorways
- Aim to radically reduce preventable breakdowns via advice and technology

Foundation: SMARTER:

The foundation which underpins the pillars above is being smarter.
We're driven by technology that makes British motoring cleaner and safer.
Data and innovation are at the centre of everything we do backed by Smart Breakdown, AA App and embracing connected, electric and driverless technology.

FINANCIAL REVIEW



FY21 Financial headlines

- Revenue down 2.6% at £967m (FY20: £993[1]m)
- Trading EBITDA in line with expectations at £341m (FY20: £348[1]m) and Trading EBITDA margin improved to 35.3% (FY20: 35.0%)
- Operating profit down 14.5% to £218m (FY20: £255[1]m)
- Free cash flow generation of £40m (FY20: £83m) due to the working capital outflow, higher tax payments, and higher finance costs
- Net Debt post IFRS 16 of £2,605m (FY20: £2,645m)
    - £185m cash and cash equivalents (FY20: £159m)
    - Substantial headroom over financial covenants
    - Net Debt: Trading EBITDA 7.6x (FY20: 7.6x)
- Adjusting for £261m equity injection, net debt significantly reduced to £2,344m, Net Debt: Trading EBITDA 6.9x
- S&P ratings affirmation on A and B Notes

Notes:
1. Revenue, Trading EBITDA and operating profit for the year ended 31 January 2020 have been restated, see note 19 of the annual report and accounts.

Income statement

£m	FY21	FY20[2]	YoY
Revenue	**967**	993	*(2.6%)*
Trading EBITDA	**341**	348	*(2.0%)*
Share-based payments	(4)	(5)	*20.0%*
Pension service charge adjustment	(5)	(4)	*(25.0%)*
Contingent consideration remeasurement gain	-	9	*(100.0%)*
Amortisation and depreciation	(93)	(89)	*(4.5%)*
Adjusting operating items	(21)	(4)	*(425.0%)*
Operating profit	**218**	255	*(14.5%)*
Net finance costs	(166)	(150)	*(10.7%)*
Profit before tax	**52**	105	*(50.5%)*
Tax expense	(12)	(20)	*40.0%*
Profit for the period	**40**	85	*(52.9%)*
Basic EPS (p)	**6.5**	13.8	*(52.9%)*
Adjusted Basic EPS[1] (p)	**13.6**	13.8	*(1.4%)*

Notes:
1. Adjusted for adjusting operating items, share-based payments, pension service charge adjustment, contingent consideration remeasurement movements, premium on early repayment of debt, write-off of debt issue fees following refinancing and tax expense.
2. Revenue, Trading EBITDA, operating profit, profit before tax, profit for the year and earnings per share for the year ended 31 January 2020 have been restated, see note 19 of the annual report and accounts.

- Core Roadside and Insurance businesses performed resiliently
- Trading EBITDA in line with expectations
- Adjusting operating items – includes £16m transaction fees related to the Acquisition and £7m income from government furlough support
- Net finance cost £16m higher due to £6m exchange premium, write-off of £5m transaction fees and write-off of unamortised issue fees totalling £9m related to the February 2020 refinancing
- Effective tax rate of 23.1% reflecting one-off disallowable costs incurred in respect of the Acquisition of the Group’s shares

Roadside and insurance performance review

Roadside performance review

	FY21	FY20	YoY
Revenue (£m)[2]	**799**	827[1]	*(3.4%)*
Trading EBITDA (£m)[2]	**280**	285[1]	*(1.8%)*
Trading EBITDA margin (%)[2]	**35.0**	34.5	*1.4%*
Personal paid members (k)	**3,168**	3,215	*(1.5%)*
Average income per paid member (£)[3]	**163**	165	*(1.2%)*
Business customers (k)	**8,702**	9,049	*(3.8%)*
Average income per business customer (£)	**23**	22	*4.5%*

Insurance performance review

	FY21	FY20	YoY
Revenue (£m)[2]	**168**	166	*1.2%*
Trading EBITDA (£m)[2]	**61**	63	*(3.2%)*
Trading EBITDA margin (%)[2]	**36.3**	38.0	*(4.5%)*
Total insurance policies[4] ('000s)	**1,941**	1,713	*13.3%*
Total Motor policies ('000s)	**1,052**	869	*21.1%*
Motor policies underwritten ('000s)	**600**	448	*33.9%*
Total Home insurance policies ('000s)	**889**	844	*5.3%*
Home policies underwritten ('000s)	**406**	332	*22.3%*
Average income per policy[5] (Motor and Home) (£)	**78**	84	*(7.1%)*

Notes:
1. Revenue and Trading EBITDA for the year ended 31 January 2020 have been restated, see note 19 of the annual report and accounts.
2. FY20 restated for transfer of AA Cars business from Roadside to Insurance.
3. The average income per paid personal member under the new basis is represented as a proportion of the average paid personal membership holdings over the relevant period.
4. Motor and Home policies only.
5. Includes income from the in-house insurer and Accident Assist businesses.

Cash flow

£m	FY21	FY20
Trading EBITDA	**341**	348
Working capital and provisions excluding adjusting operating items	**(8)**	19
Difference between pension charge and cash contributions	**(25)**	(26)
Other items	**(1)**	(4)
Cash flow from continuing operating activities before taxation, adjusting operating items and capital expenditure	**307**	337
Tax paid	**(15)**	(11)
Capital expenditure	**(64)**	(69)
Lease payments net of proceeds from sale of fixed assets	**(29)**	(29)
Operating free cash flow after capital expenditure	**199**	228
Interest on borrowings less interest receivable	**(137)**	(128)
Operating free cash flow before adjusting operating items	**62**	100
Acquisitions and disposals	**(4)**	(8)
Acquisition of own shares	**(2)**	-
Adjusting operating items	**(16)**	(9)
Free cash flow	**40**	83
Refinancing transactions	**(14)**	(28)
Dividends	**-**	(12)
Net cash movement	**26**	43

- Working capital and provisions movement excluding adjusting operating items mainly due to the impact of COVID-19 on cash receipts and also included a payment made in respect of the extension of our contract with the Bank of Ireland
- Capex down in line with expectations
- Debt interest higher reflecting higher interest cost following February 2020 refinancing
- Positive free cash flow generation of £40m in line with expectations
- Refinancing transactions of £14m in FY21 related to the A5 refinancing in February 2020

Leverage significantly reduced following equity injection

£m	FY21 ADJ[4]	FY21	FY20
Total Net Debt per accounts	**2,344**	**2,605**	2,645
Less: lease adjustment for IFRS 16	**(22)**	**(22)**	(24)
Less: AA Limited group lease obligations	**(3)**	**(3)**	(3)
Add: bond buy-back	**-**	**29**	29
Add: AA Limited cash	**66**	**66**	57
Net Debt for covenant reporting	**2,385**	**2,675**	2,704

Key metrics	FY21 ADJ[4]	FY21	FY20
Net Debt/EBITDA[1]	**6.9x**	**7.6x**	7.6x
Interest cover[2]	**2.5x**	**2.5x**	2.6x

Financial covenants	FY21 ADJ[4]	FY21	FY20
Class A FCF to DSCR[3] (covenant > 1.35x)	**2.5x**	**2.5x**	3.4x

Notes
1. Total Net Debt to AA Limited Trading EBITDA for the last 12 months.
2. Run rate cash interest: Trading EBITDA.
3. Free cash flow: debt service cover ratio.
4. FY21 adjusted for £261m equity injection.

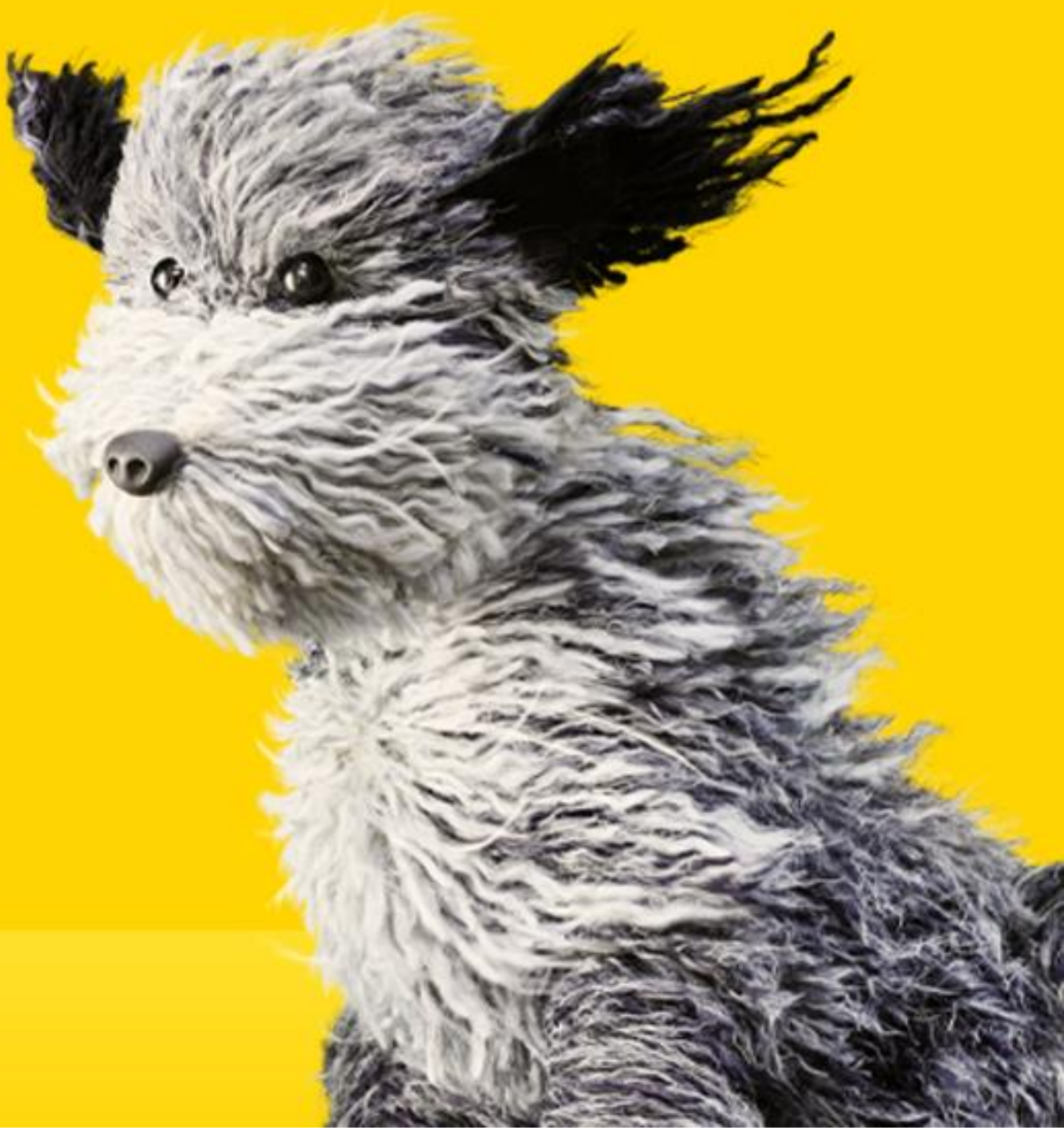
- Cash and cash equivalents of £185m of which £66m is at AA Limited level
- Net Debt for covenant purposes is the net debt in the WBS, presented on a pre-IFRS 16 basis
  - Lease adjustment is required to reconcile balance sheet Net Debt to Net Debt for covenant reporting
- Significant covenant headroom available
  - £160m liquidity facility
  - £56m working capital facility
- Class B FCF to DSCR covenant removed following repayment of Class B2 Notes

Resilient performance in challenging operating conditions

- Roadside membership returned to growth in H2
- All B2B contracts retained or extended
  - Significant new contract win with Nationwide
- Insurance delivered strong rates of policy growth
- Smaller businesses (Accident Assist, SMR, Driving Schools) continuing their positive development despite the economic conditions
- Reinvigorated focus towards ESG and move towards best-in-class sustainability reporting

Putting service, innovation and data at the heart of the AA

Q&A



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