



Mid-Year Update – AA Limited For the six months to 31 July 2022

Date: 29 September 2022

General overview

“AA continues to deliver for members and grow membership enabling positive revenue and cash generation.”

Highlights

- H1 23 Revenue increased 4.5% to £511m (H1 22: £489m) driven by growth in both paid personal membership and business customers
- H1 23 Trading EBITDA¹ was in-line with prior year at £172m despite significant inflationary pressures and artificially lower prior year costs during lockdown, demonstrating the continued success of the ongoing transformation programme
- In H1 23, Paid personal members increased 1.3% to 3.219m (H1 22: 3.158m², FY22: 3.177m), and total paid customers increased by 6.0% to 12.740m (H1 22: 12.103m², FY22: 12.019m) re-confirming us as the UK’s largest breakdown provider
- Inflationary cost pressures are evident in the business and we continue to adjust pricing in particular in Roadside to reflect materially increased cost to serve
- The AA continued to deliver best-in-class customer service and are pleased to again be “recommended provider” for breakdown cover in an assessment by independent consumer champion Which? for the fifth consecutive year. In the Which? manufacturer cover review, breakdown cover is provided by the AA for the top ten manufacturers in the table (out of 14 total). On the B2B side we also won the *What Van Award* for Best Customer Service 2022 and the *Green Fleet Award* for Industry Innovation 2022
- We launched BEAM, our new 4 star Defaqto rated motor insurance brand across all major UK price comparison websites
- Major new roadside assistance account win, further driving our holdings in H2
- We successfully refinanced £250m of A6 notes well ahead of their scheduled repayment and in line with ongoing maturity management programme
- We invested £39m of cash on capital expenditure in H1 (H1 22: £38m) to future proof the business and generate material benefits in future years

¹ Profit after tax adjusted for depreciation, amortisation, adjusting operating items, share-based payments, pension service charge adjustments, impairment of property, plant and equipment, impairment of intangible assets, net finance costs and tax expense.

² During the prior year, the basis of the paid personal membership holding was revised to exclude ancillary holdings. The paid personal membership figure for July 2021 has therefore been restated.

	Six months ended	Six months ended
	July 22 (H1 23)	July 21 (H1 22)
Revenue (£m)		
- Roadside	431	406
- Insurance	80	83
Trading EBITDA ¹ (£m)		
- Roadside	151	148
- Insurance	21	24
Operating profit (£m)	102	53
Membership		
- Paid personal members (B2C) (000s)	3,219	3,158 ²
- Business customers (B2B) (000s)	9,521	8,945
- Total Motor policies (000s)	1,041	1,058
- Total Motor policies underwritten (000s)	584	598
Retention rate B2C (%)	81	80
Free cash flow ³ (£m)	15	(47)
Cash and cash equivalents (£m)	135	92

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² During the prior year, the basis of the paid personal membership holding was revised to exclude ancillary holdings. The paid personal membership figure for July 2021 has therefore been restated in the table above.

³ Free cash flow is net movement in cash and cash equivalents before refinancing transactions.

Outlook

The AA Limited Group continues to show positive momentum despite the increasingly challenging economic and competitive environment. The Roadside business continues to deliver revenue growth from growth in B2C membership and the win of material new contracts in B2B. The Insurance business continues to operate in a dynamic and challenging environment following the implementation of the GIPP regulatory changes and we remain confident of the growth opportunity provided by the launch of our BEAM motor insurance brand.

Our transformation programme is progressing well against Horizon 1 (Optimising the core) and Horizon 2 (Extending the business), with key milestones delivered including the launch of our BEAM motor insurance brand, improvements in the digital customer journey, progressing the modernisation of our core Roadside and Insurance policy administration systems and new capability and data insight to creating exciting cross-sell opportunities across our business.

As we approach the second half of our financial year we remain focused on driving our modernisation agenda while pursuing targeted price increases in order to reflect cost inflation in a sustainable manner, and further deliver efficiency savings. Despite these challenges, The AA Limited Group remains well positioned to deliver EBITDA growth.

Capital expenditure

- Cash capital expenditure of £39m in H1 (H1 22: 38m) ensures we continue to be well invested as we deliver on Horizon 1 and Horizon 2, generating significant benefits
- This includes replacing core systems, new digital propositions and upgrades to our data and operational infrastructure

Financing position

The table below sets out the current funding position as at 31 July 2022:

	Expected maturity date	Interest rate %	Principal £m
Senior Term Facility	10 March 2026	3.49	150
Class A2 Notes	31 July 2025	6.27	500
Class A7 Notes	31 July 2024	4.88	550
Class A8 Notes	31 July 2027	5.50	325
Class A9 Notes	31 July 2028	3.25	270
Class A10 Notes	31 July 2029	7.38	250
Class B3 Notes	31 January 2026	6.50	280
Total loan notes			2,325

- Our AA Limited Group net debt ratio was 6.5x as at 31 July 2022 (7.0x as at 31 July 2021)
- The Class B Leverage Ratio was 7.1x as at 31 July 2022 (7.6x as at 31 July 2021)
- Class A FCF:DSCR ratio as at 31 July 2022 was 2.8x (2.9x as at 31 July 2021)
- The Group has fully hedged all its exposure to variable interest rates and 100% of its forecast diesel usage for the years ending 31 January 2023 and 31 January 2024



AA Intermediate Co Limited group

Condensed financial statements of AA Intermediate Co Limited and its subsidiary undertakings for the period ended 31 July 2022 have been published in line with the requirements of our debt documents and contain more detail on the trading performance of that group.

The whole business securitisation (WBS) financing structure applies to the AA Intermediate Co. group. The AA Limited group is larger than the AA Intermediate Co. group as it includes Insurance Underwriting activities. Other than these activities there are only immaterial differences between Trading Revenue and Trading EBITDA for the two groups. In addition, there are differences in the balance sheets due to intercompany, working capital and cash balances.

Jakob Pfaudler
Chief Executive Officer

Tom Mackay
Chief Financial Officer