

The background features a black field with several large, bright yellow geometric shapes. On the left, a yellow trapezoid is partially cut off by the edge. In the center, a vertical yellow bar runs from top to bottom. On the right, another yellow trapezoid is partially cut off. The overall composition is minimalist and modern.

Annual Results

12 April 2022

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No statement in this presentation should be construed as a profit forecast or relied upon as a guide to future performance.

TODAY'S PRESENTERS



Jakob Pfaudler
Group CEO



Tom Mackay
Group CFO

AGENDA

- ▶ **Introduction & Business Review**
Jakob Pfaudler
- ▶ **Financial Review**
Tom Mackay
- ▶ **Strategy Update**
Jakob Pfaudler
- ▶ **Q&A**
Jakob Pfaudler, Tom Mackay



FY22 GROUP HIGHLIGHTS

- ▶ New ownership as the AA was acquired by Warburg Pincus and TowerBrook Capital, enabling debt to be reduced by £361m and refinancing at more attractive and sustainable levels
- ▶ Growth in membership, revenue and Trading EBITDA across the Group
- ▶ Delivered unrivalled service for our members whilst focusing on restoring the business to growth and laying the foundations for the future

£989m

(+2%)

Revenue

£345m

(+1%)

Trading EBITDA

£378m

Equity injection

6.6x

(vs. 7.6x)

Group Leverage

3.2m

(+2%)

B2C personal members

8.8m

(+2%)

B2B Customers

1.9m

(-1%)

Total Insurance policies

3.1m

(+2%)

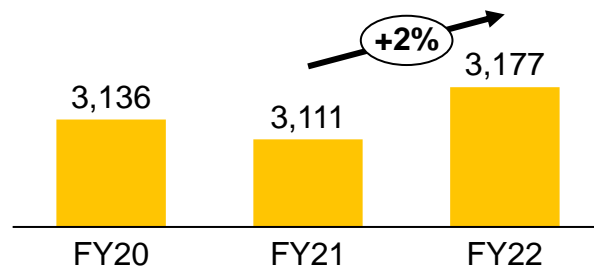
Breakdowns attended

ROADSIDE RETURN TO GROWTH IN FY22

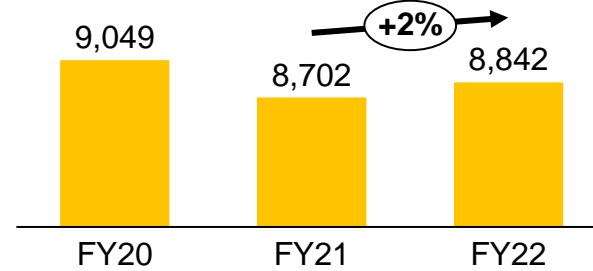


Membership, Revenue and Trading EBITDA growth

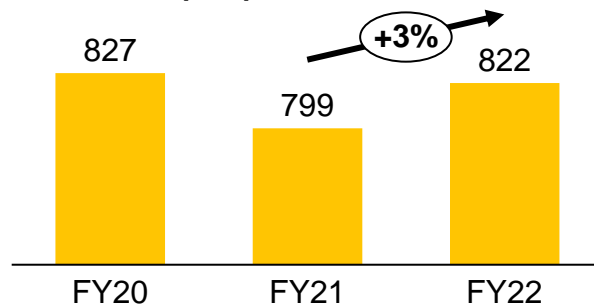
Paid personal members(000s)



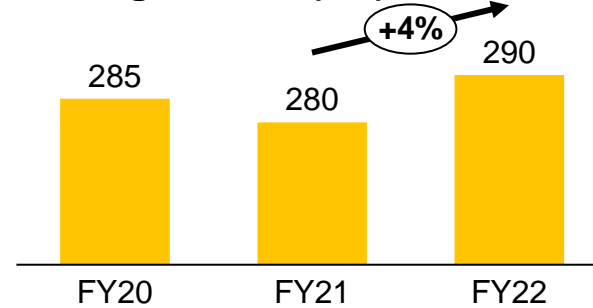
Business customers (000s)



Revenue (£m)



Trading EBITDA (£m)



Highlights

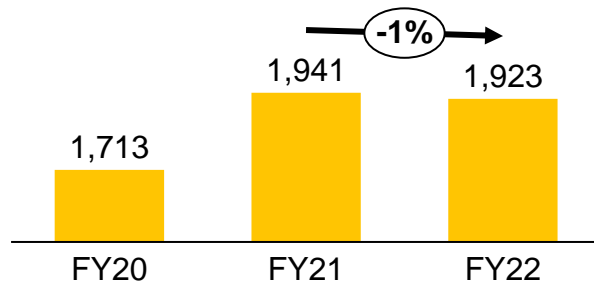
- ▶ **Which? Recommended Provider** for the fourth consecutive year
- ▶ **B2B growth** and contract wins, including Nationwide which has recently gone live
- ▶ **Grown network of EV Charging Point Operators** from 3 to 7
- ▶ **Strong cross-sell performance** from Roadside into Insurance
- ▶ **Developing Businesses growth:**
 - 79% growth in B2C Smart Care volume
 - 5% growth in B2B SMR volume
 - 10% growth in Driving School instructors

ROBUST INSURANCE RESULTS IN COMPETITIVE MARKET

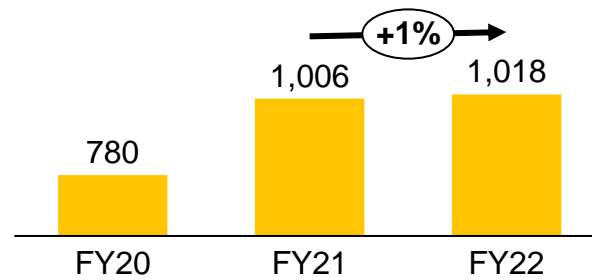


Strong revenue growth in H1 led to holding revenues flat over year

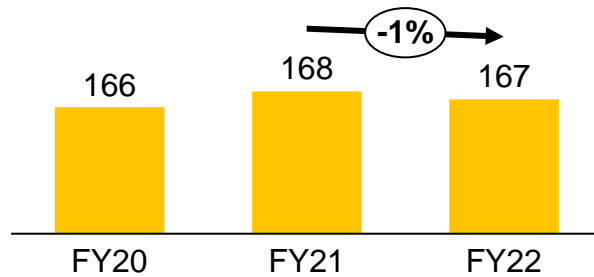
Insurance policies (000s)



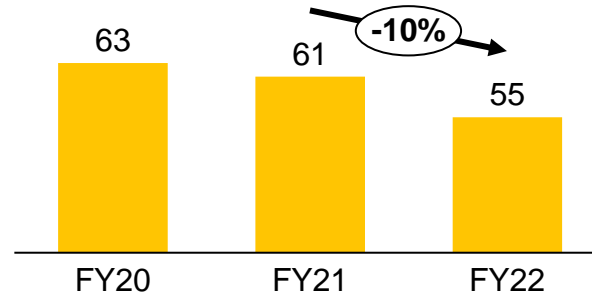
Underwritten Insurance policies(000s)



Revenue (£m)



Trading EBITDA (£m)



Highlights

- ▶ **Smooth transition to meet the General Insurance Pricing Practices regulation**, with retention increasing following implementation
- ▶ **AAUICL never-member footprint increased by 5ppts**
- ▶ **Strong cross-sell performance** from Insurance into Roadside
- ▶ **Developing Businesses growth:**
 - 50% growth in Accident Assist non-fault claims and launched at-fault claims handling
 - 34% increase in dealer subscription revenue in AA Cars, together with growth in vehicle inspections

CONTINUED PROGRESS WITH OUR ENABLERS



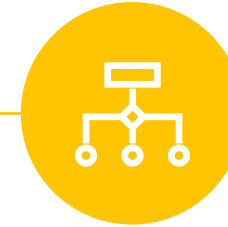
Infrastructure upgrades

- ▶ Increased proportion of roadside policies on new Roadside platform from 22% to 62%
- ▶ Roadside and Insurance retention rates increased by 0.5pp and 2.3pp respectively



Digital and Data Investment

- ▶ >25% of B2C breakdowns logged digitally
- ▶ Roadside digital customer journey enhancement, increasing conversion by 1.2ppts



Organisational Enhancement

- ▶ Strengthened breadth and depth of capability with 5 new GEC and >20 new senior leaders
- ▶ Recruited 272 new patrols
- ▶ Ran our first 'Driven Women' programme to accelerate career progression of women

AGENDA

- ▶ **Introduction & Business Review**

Jakob Pfaudler

- ▶ **Financial Review**

Tom Mackay

- ▶ **Strategy Update**

Jakob Pfaudler

- ▶ **Q&A**

Jakob Pfaudler, Tom Mackay



FY22 FINANCIAL HEADLINES

- ▶ **Return to revenue growth** despite the ongoing challenges from COVID-19
- ▶ **Increase in both overall membership and Trading EBITDA**, and positive operating cash flow generation
- ▶ The change in ownership of the Group enabled both a **reduction in leverage and a rebalanced capital structure** providing a long-term sustainable amount of leverage to support investment in our successful future

£989m

(+2%)

Revenue

£345m

(+1%)

Trading EBITDA

35%

(Flat)

Trading EBITDA margin

£119m

(-45%)

Operating profit

£64m

(+£8m)

Operating free cash flow before
adjusting operating items

£2,261m

(vs. £2,605m)

Net Debt

6.6x

(vs. 7.6x)

Group Leverage

£129m

(vs. £195m)

Available Liquidity

INCOME STATEMENT

£m	FY22 ²	FY21	YoY
Revenue	989	967	2%
Trading EBITDA¹	345	341	1%
Share-based payments	(5)	(4)	(25%)
Pension service charge adjustment	(4)	(5)	20%
Amortisation and depreciation	(99)	(93)	(6%)
Impairment of property, plant and equipment	(11)	-	-
Pension past service cost	(26)	-	-
Adjusting operating items	(81)	(21)	(286%)
Operating profit	119	218	(45%)
Net finance costs	(142)	(166)	14%
(Loss) / Profit before tax	(23)	52	(144%)
Tax expense	(4)	(12)	67%
(Loss) / Profit for the period	(27)	40	(168%)

- ▶ Group revenue up 2% at £989m despite the continued challenges of COVID-19
- ▶ Return to growth in Group Trading EBITDA. Recovery from COVID-19 partially offset by the tough economic environment in Insurance
- ▶ Impairment of property predominantly relates to two properties held for sale at year end
- ▶ Net finance costs reduced as a result of £378m equity contribution, of which £361m used to pay down debt

Notes:

1. Trading EBITDA is profit after tax on a continuing basis as reported, adjusted for depreciation, amortisation, adjusting operating items, share-based payments, pension service charge adjustments, pension past service costs, impairment of property, plant and equipment, net finance costs, and tax expense
2. Adjusting operating items includes £64m of transaction fees related to the acquisition

ROADSIDE AND INSURANCE PERFORMANCE REVIEW

Roadside performance review

	FY22	FY21	YoY
Revenue (£m)	822	799	3%
Trading EBITDA (£m)	290	280	4%
Trading EBITDA margin (%)	35.3%	35.0%	0.3%pts
Personal paid members (k) ⁴	3,177	3,111	2%
Average income per paid member (£) ¹	169	167	1%
Business customers (k)	8,842	8,702	2%
Average income per business customer (£)	23	23	-

Insurance performance review

	FY22	FY21	YoY
Revenue (£m)	167	168	(1%)
Trading EBITDA (£m)	55	61	(10%)
Trading EBITDA margin (%)	32.9%	36.3%	(3.4%pts)
Total insurance policies ² ('000s)	1,923	1,941	(1%)
Total policies underwritten ('000s)	1,018	1,006	1%
Total Motor policies ('000s)	1,027	1,052	(2%)
Total Home insurance policies ('000s)	896	889	1%
Average income per policy ³ (Motor and Home) (£)	78	78	-

Notes:

1. The average income per paid personal member as a proportion of the average paid personal membership holdings over the relevant period.
2. Motor and Home policies only.
3. Includes income from the in-house insurer and Accident Assist businesses.
4. Paid personal members has been revised to exclude ancillary holdings. Average income per paid member has also been updated to reflect this new basis

CASH FLOW

£m	FY22	FY21
Trading EBITDA	345	341
Working capital and provisions excluding adjusting operating items	(8)	(8)
Pension deficit reduction contributions	(27)	(25)
Other items	-	(1)
Cash flow from continuing operating activities before taxation, adjusting operating items and capital expenditure	310	307
Tax paid	(10)	(15)
Capital expenditure	(77)	(64)
Lease payments net of proceeds from sale of fixed assets	(25)	(29)
Operating free cash flow after capital expenditure	198	199
Interest on borrowings less interest receivable	(123)	(137)
Other investments	(10)	-
Acquisitions, disposals and investments in joint ventures	(1)	(4)
Acquisition of own shares	-	(2)
Operating free cash flow before adjusting operating items	64	56
Adjusting operating items	(86)	(16)
Free cash flow	(22)	40
Refinancing transactions	(429)	(14)
Equity contribution	378	-
Net cash movement	(73)	26

- ▶ Working capital remained stable. Outflow due to timing of cash receipts and lower insurance broker volumes around the year end
- ▶ Capex increased £13m as projects delayed in FY21 due to COVID-19 regained momentum in FY22
- ▶ Interest on borrowings reduced by £14m due to equity contribution including £261m reduction of Class B debt in March 2021
- ▶ Other investments outflow of £10m due to investment into bonds
- ▶ Adjusting operating items increased by £70m due to £68m of transaction fees
- ▶ Cash conversion remained high at 90% (FY21: 90%)

NET DEBT

£m	FY22	FY21
Total Net Debt per accounts	2,261	2,605
Less: lease adjustment for IFRS 16	(25)	(22)
Less: AA Limited group lease obligations	(3)	(3)
Add: bond buy-back	-	29
Add: AA Limited cash	45	66
Net Debt for covenant reporting	2,278	2,675

Key metrics	FY22	FY21
Net Debt/EBITDA ¹	6.6x	7.6x
WBS Senior Leverage Ratio	6.2x	6.5x
WBS Class B Leverage Ratio	7.1x	8.4x
Interest cover ²	2.7x	2.5x

Financial covenants	FY22	FY21
Class A FCF to DSCR ³ (covenant > 1.35x)	3.1x	2.5x

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.

- ▶ Cash and cash equivalents of £112m of which £45m is at AA Limited level
- ▶ Net Debt for covenant purposes is the net debt in the WBS, presented on a pre-IFRS 16 basis
- ▶ Significant covenant headroom available
- ▶ Class B FCF to DSCR covenant removed following repayment of Class B2 Notes
- ▶ Working capital facility: £56m of which £46m is available for cash drawings
- ▶ WBS cash: £67m
- ▶ AA Limited unrestricted cash: £16m

CAPITALISATION TABLE

	FY22		Ratings	Maturity/Tenor	Coupon	FY21	
	(£m)		(S&P)			(£m)	
Cash in WBS (Unrestricted)	(67)					(119)	
Senior Term Facility	150			Mar-26	S+3.03%	200	
Class A2 Notes	500		BBB-	Jul-25	6.269%	500	
Class A5 Notes	-		BBB-	Jan-22	2.875%	372	
Class A6 Notes	250		BBB-	Jul-23	2.750%	250	
Class A7 Notes	550		BBB-	Jul-24	4.875%	550	
Class A8 Notes	325		BBB-	Jul-27	5.500%	325	
Class A9 Notes	270		BBB-	Jul-28	3.250%	-	
Class A Gross Debt	2,045					2,197	
Net Class A Debt	1,978	6.2x				2,078	6.5x
Class B2 Notes	-		B+	Jul-22	5.50%	570	
Class B3 Notes	280		B+	Jan-26	6.50%	-	
Leases adjustment	20					27	
WBS Total Gross Debt	2,345					2,794	
WBS Net Debt	2,278	7.1x				2,675	8.4x
Lease Adjustments	28					25	
Class B2 Notes at AA Ltd	-		B+	Jul-22	5.50%	(29)	
AA Ltd Cash (Unrestricted)	(16)					(26)	
AA Ltd Cash (Restricted)	(29)					(40)	
Total Net Debt (Group)	2,261	6.6x				2,605	7.6x

FINANCIAL PERFORMANCE: SUMMARY

We delivered a strong set of financial results for FY22



Increase to 3.2m B2C members and 8.8m B2B customers



£989m Revenue (+2%)



£345m Trading EBITDA (+1%)



£344m Net Debt reduction

AGENDA

- ▶ **Introduction & Business Review**

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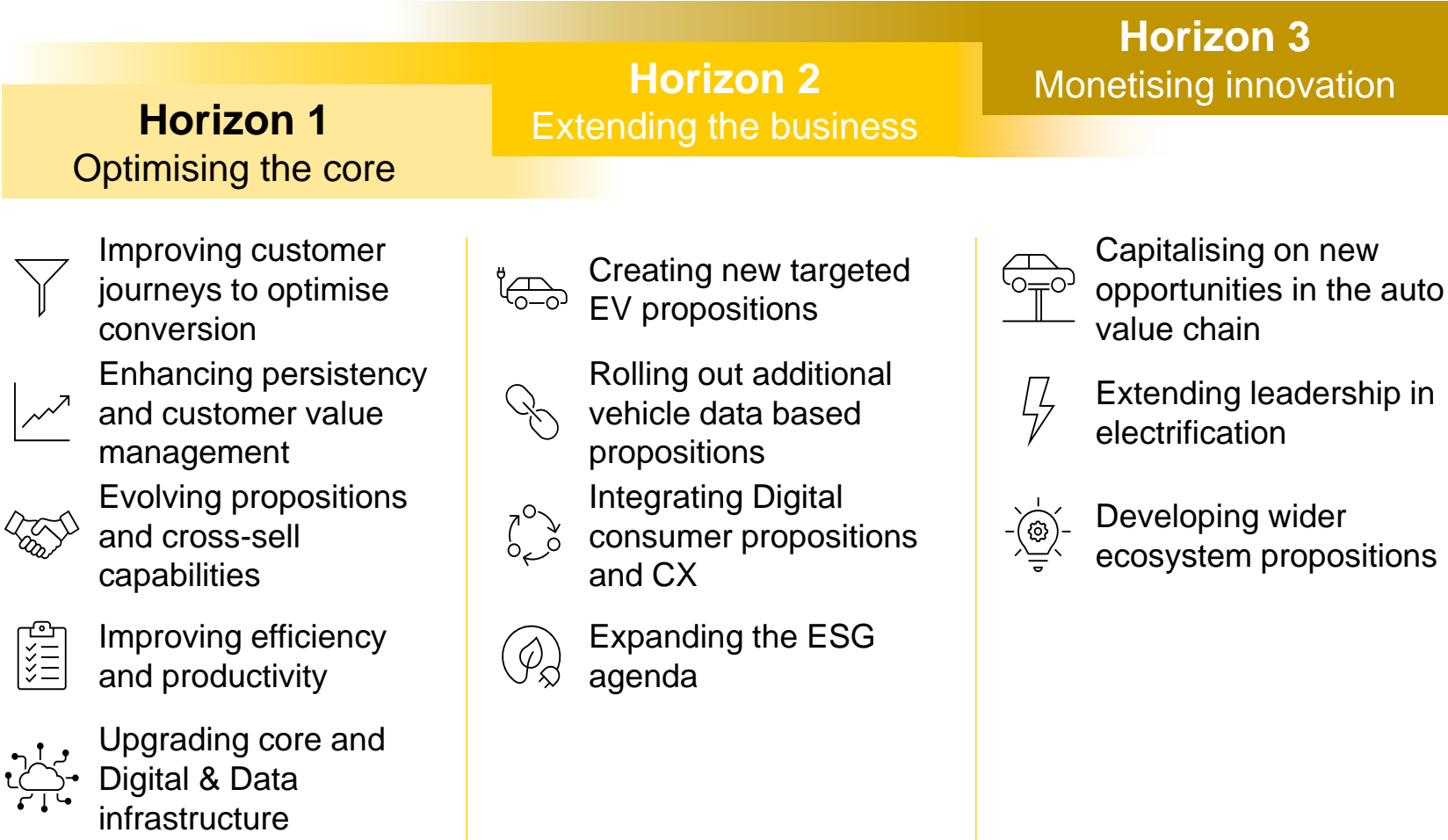
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THREE STRATEGY HORIZONS

Outlook

- ▶ Strong momentum in core Roadside business, however potential impact from cost of living crisis
- ▶ Dynamic and challenging insurance environment finding post-GIPP equilibrium
- ▶ Expected cost inflation with options to offset
- ▶ Strong progress with modernisation agenda



SUMMARY



Returning to growth

Membership, Revenue and Trading EBITDA growth



Enhancing financial health

Significantly reducing our leverage, increasing CAPEX investment and investing in capability



Evolving external environment

But we're well set up to face the challenges and many achievements to be proud of



Clear strategy

Tremendous opportunities for modernisation and growth

Q&A

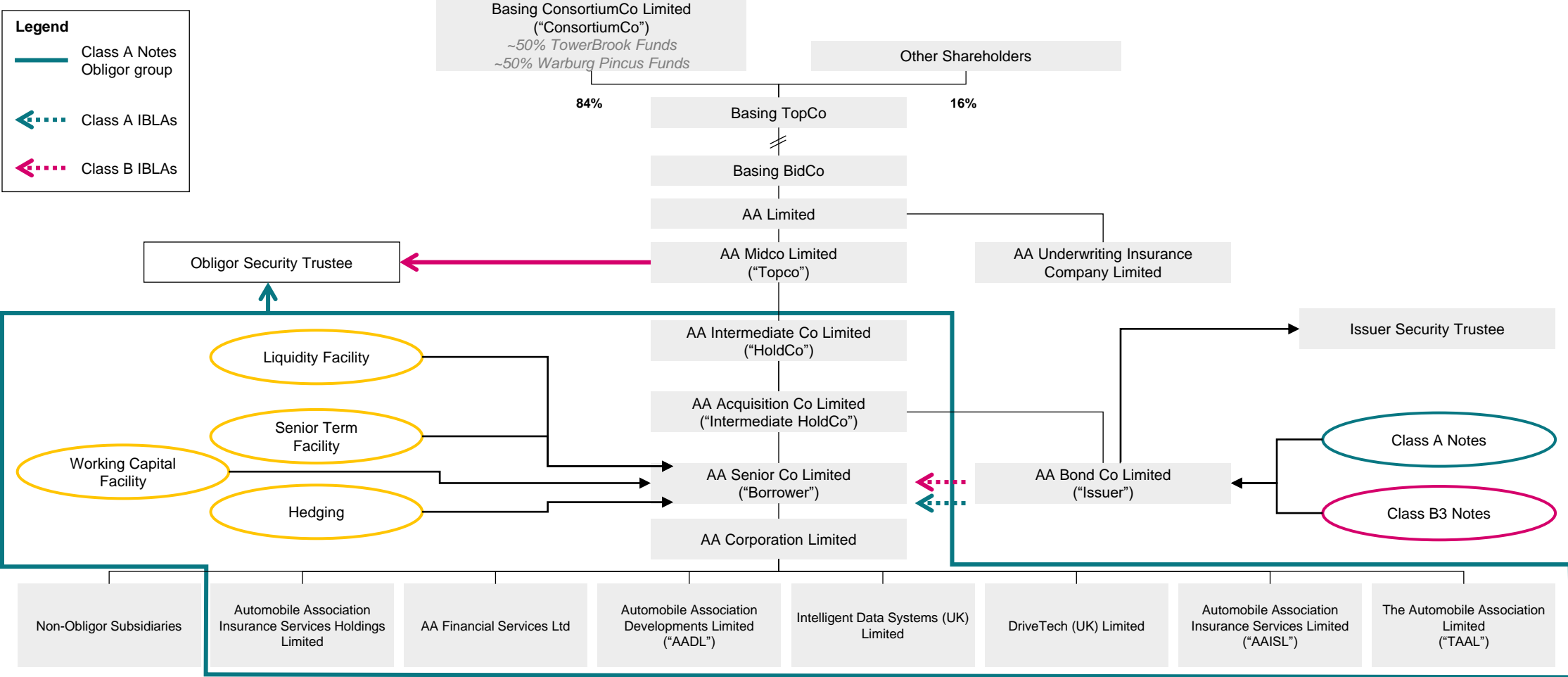


APPENDICES

- ▶ **Corporate Structure**
- ▶ **Key Financials bridge**
- ▶ **Liquidity**
- ▶ **Definitions**



CORPORATE STRUCTURE



- ▶ AA Limited and its subsidiary, AA Underwriting Insurance Company Limited, sit outside the WBS. Please note, the financial figures presented in these materials focus on the AA Limited Group, which are different from Holdco and its restricted subsidiaries ("Holdco Group") for debt purposes.
- ▶ The AA intends to report consolidated full year results for the AA Limited Group each year.
- ▶ Consolidated full year and interim results for the AA Intermediate Co Limited Group will be reported each year in line with the Common Terms Agreement for the WBS.

KEY FINANCIALS BRIDGE

£m	FY22		FY21	
	WBS (draft)	AA Ltd. Group	WBS	AA Ltd. Group
Revenue	940	989	927	967
Trading EBITDA per stat accounts ¹	324	345	322	341
Trading EBITDA for covenant reporting ²	321		319	
Net Debt ³	2,278	2,261	2,675	2,605
Leverage ⁴	7.1x	6.6x	8.4x	7.6x

Notes:

1.Trading EBITDA is profit after tax on a continuing basis as reported, adjusted for depreciation, amortisation, adjusting operating items, share-based payments, pension service charge adjustments, pension past service costs, impairment of property, plant and equipment, net finance costs, and tax expense

2.AA Intermediate Co Limited group Trading EBITDA including discontinued operations as required by the debt documents based on frozen GAAP

3.Net Debt for the WBS shown above represents the borrowings and cash balances within the WBS structure headed by AA Intermediate Co Limited. This includes the principal amounts of the Senior Term Facility, Class A Notes, Class B3 Notes and lease obligations for covenant reporting less AA Intermediate Co Limited group cash and cash equivalents

4.Ratio of net debt to Trading EBITDA. WBS measure uses Trading EBITDA for covenant purposes

LIQUIDITY

£m	FY22	FY21
WBS – available cash	67	119
Non WBS - available cash	16	26
Available working capital facility	46	50
Available liquidity	129	195
Non WBS – restricted cash	29	40

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, pension past service costs, impairment of property, plant and equipment 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
- ▶ Personal members and business customers: measured as the number at the year end

AA