

# AA Quarterly Report

Period ended 31<sup>st</sup> July 2013



17<sup>th</sup> September 2013

**AA** Your 4<sup>th</sup>  
Emergency  
Service

# Forward looking statements

This document contains various forward-looking statements that reflect management's current views with respect to future events and anticipated financial and operational performance. Forward-looking statements as a general matter are all statements other than statements as to historical facts or present facts or circumstances. The words "aim," "anticipate," "assume," "believe," "contemplate," "continue," "could," "estimate," "expect," "forecast," "intend," "likely," "may," "might," "plan," "positioned," "potential," "predict," "project," "remain," "should," "will" or "would," or, in each case, their negative, or similar expressions, identify certain of these forward-looking statements. Other forward-looking statements can be identified in the context in which the statements are made.;

By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance and that the Company's actual financial condition, results of operations and cash flows, and the development of the industry in which it operates, may differ materially from (and be more negative than) those made in, or suggested by, the forward-looking statements contained in this document. In addition, even if its financial condition, results of operations and cash flows and the development of the industry in which we operate are consistent with the forward-looking statements contained in this document, those results or developments may not be indicative of results or developments in subsequent periods. Although the Company believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that they will materialise or prove to be correct. Because these forward-looking statements are based on assumptions or estimates and are subject to risks and uncertainties, the actual results or outcome could differ materially from those set out in the forward-looking statements.

These forward-looking statements speak only as of the date of this document. We expressly undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required by law or regulation. Accordingly, prospective investors are cautioned not to place undue reliance on any of the forward-looking statements herein. In addition, all subsequent written and oral forward-looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by the cautionary statements referred to above.

# Strong financial performance through the second quarter

- Trading EBITDA increased to £104.9m (up 7.9%) in the quarter and £203.8m (up 7.3%) in the first half
- Growth driven by Roadside Assistance, supported by cost efficiency plans implemented last year and profitable contribution from home emergency product
- Trading EBITDA margins increased to 42.7% (up 260 bps) in the quarter and 42.1% (up 230 bps) for the first half
- Strong cash generation: operating cash flow £109.9m in the quarter and £217.0m in the first half
- Cash conversion over 100% in the quarter and half year; positive working capital contribution
- Immediate deleveraging to 7.26x (Q1 pro forma 7.6x) and 5.6x (Q1 pro forma 5.9x) for total and senior net debt respectively
- Good liquidity with cash of £110.9m as at 31 July 2013

# The AA leadership in customer satisfaction reconfirmed

- The AA attended 1.8 million breakdowns in the six months ended 31 July 2013 and achieved the highest overall test score from Which? for a major breakdown provider for the sixth successive year;
- The Group's three primary insurance products (car insurance, home insurance and home emergency response) each achieved a Defaqto 5-star rating



AA Home Emergency Response with Central Heating Response Plus has a Defaqto 5 Star Rating.

# Key business performance measures

	Q2 13	Q2 12	H1 13	H1 12
Turnover (£m)	245.9	242.6	484.1	476.9
Trading EBITDA (£m)	104.9	97.2	203.8	189.9
Trading EBITDA margin (%)	42.7%	40.1%	42.1%	39.8%
Available cash inflow from operating activities (£m)	109.9	94.3	217.0	173.6
Cash conversion (%)	104.8%	97.0%	106.5%	91.4%

# Key capital structure measures

	At 31 July 13	
Net debt (£m)	2,965.5	
Net senior secured debt (£m)	2,289.1	
Net cash (£m)	110.9	
		<b>Q1 pro forma</b>
Net debt to EBITDA ratio	7.26x	7.6x
Net senior secured debt to EBITDA ratio	5.60x	5.9x
		<b>Covenant</b>
<i>Pro forma</i> Class A free cash flow : debt service	3.4x	1.1x
<i>Pro forma</i> Class B free cash flow : debt service	1.8x	1.0x

# Progress since the financing against key initiatives

- Successful 'tap' of 5-year and 12-year Class A notes in August with nominal issuance of £350m
- Good progress on pension deficit negotiation and asset-backed financing arrangements near completion
- Migration of The Automobile Association Limited (Jersey) into UK company underway:
  - Employees and pension scheme transferred
  - Customers, suppliers and property interests progressing well
- Will continue to monitor market conditions to assess when, and if, it is appropriate to issue further Class A notes

# Summing up.....

- Strong financial performance through the second quarter
  - Solid EBITDA growth and excellent cash generation
- Achieved immediate deleveraging against Q1 pro forma at time of financing
- Leadership position in customer satisfaction reconfirmed by Which? for sixth year running
- Continue to invest in high quality insurance products (Defaqto 5-star ratings)
- Good progress on Jersey migration and pension arrangements
- Support demonstrated by investors for the AA in the recent tap