

# AA Quarterly Report

Period Ended 31<sup>st</sup> October 2013



17<sup>th</sup> December 2013

# 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.

# Continued strong financial performance through the third quarter

- Trading EBITDA increased to £104.0m (up 8.2%) in the quarter and £307.8m (up 7.6%) in the year to date
- 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 42.6% (up 290 bps) in the quarter and 42.3% (up 250 bps) for the year to date
- Strong cash generation: operating cash flow £107.8m in the quarter and £324.8m in the year to date
- Cash conversion over 100% in the quarter and year to date; positive working capital contribution
- Continued deleveraging to 7.0x (Q1 pro forma 7.6x) and 5.3x (Q1 pro forma 5.9x) for total and senior net debt respectively (excludes impact of Senior PIK Toggle Note as outside WBS structure)
- Good liquidity with cash of £167.9m as at 31 October 2013

# Recent Developments

- As part of the refinancing transaction in July the Group undertook to make certain structural changes:
  - Complete triennial pension scheme valuation, delivering a deficit of c£200m **DELIVERED**
  - Implement Asset Backed Financing Scheme on the terms set out in the documentation, giving a 25 year recovery plan for this deficit **DELIVERED WITH ACCELERATED TAX LOSSES**
  - Transition Roadside Business from Jersey to UK company **LARGELY COMPLETE – TARGET COMPLETION Q1 2014**
  - Continue to grow Roadside Assistance **WON HYUNDAI, PORSCHE AND VOLKSWAGEN ACCOUNTS**

# Key business performance measures

	Q3 13	Q3 12	YTD Oct 13	YTD Oct 12
Turnover (£m)	244.0	242.0	728.1	718.9
Trading EBITDA (£m)	104.0	96.1	307.8	286.0
Trading EBITDA margin (%)	42.6%	39.7%	42.3%	39.8%
Available cash inflow from operating activities (£m)	107.8	125.1	324.8	298.7
Cash conversion (%)	103.7%	130.2%	105.5%	104.4%

## Key capital structure measures

	At 31 October 13	At 31 July 13
Net debt (£m)	2,896.6	2,965.5
Net senior secured debt (£m)	2,220.1	2,289.1
Net cash (£m)	167.9	110.9
Net debt to EBITDA ratio	7.0x	7.26x
Net senior secured debt to EBITDA ratio	5.3x	5.60x
	<b>Covenant</b>	
<i>Pro forma</i> Class A free cash flow : debt service	3.2x	1.1x
<i>Pro forma</i> Class B free cash flow : debt service	2.0x	1.0x

# Financing Transactions

- Issuance of £350m of unrated Senior PIK Toggle Notes, outside WBS security structure, on 7 November 2013
- Issuance of £500m of Class A3 7 year fixed rate secured Notes issued on 29 November 2013
- £913 million of Senior Term Facility debt remains outstanding with total post launch taps completed of £850 million and small £12 million cash repayment made

# Summing up.....

- Continued strong financial performance through the third quarter
  - Solid EBITDA growth and excellent cash generation
- Continued deleveraging against Q1 pro forma at time of financing
- Successful manufacturer wins – Hyundai, Porsche and VW
- Pension arrangements delivered with improved tax outcome
- Jersey migration largely complete
- Continued support demonstrated by investors for the AA in the recent Class A3 tap and PIK Toggle issuances