

# Interim Results

**Wednesday 28 July 2004**

**Peter Smith**  
Chairman

**Andy Harrison**  
Chief Executive

**Richard Pennycook**  
Finance Director

- J D Power : RAC is No.1 Roadside Assistance company
- Growth in Business Solutions
- Growth in Motoring Services
- LVL successfully implements Ford contract
- Hyundai achieves best ever market share
- Exit from Mechanical Handling and Isuzu completed

- Profit before tax\* up 4% from £43.1m to £44.9m
- EPS up 4% from 27.2p to 28.2p
- Net cashflow inflow £31m
- Debt reduced to £123m (December 2003, £154m)
- Dividend up 5.2% to 10.2p

\*before goodwill amortisation and exceptionals

# Underlying Profit Growth

£m	<u>H1 2003</u>	<u>H1 2004</u>	<u>%</u>
Reported PBET	43.1	44.9	4
Discontinued operations	2.4	0.1	
Continuing operations	45.5	45.0	
End of DAF contract	-3.8	-	
Additional Leyland margin	-6.7	-5.3	
<b>Underlying profit growth</b>	<b>35.0</b>	<b>39.7</b>	<b>13</b>

£m	<u>H1 2003</u>	<u>H1 2004</u>	<u>%</u>
Revenue			
- Roadside	96.6	101.6	5
- Motoring Services	28.1	33.5	19
- RAC Auto Windscreens	48.9	50.0	2
<b>Total Revenue</b>	<b>173.6</b>	<b>185.1</b>	<b>7</b>
<b>Profits</b>	<b>25.7</b>	<b>26.6</b>	<b>4</b>

	<u>H1</u> <u>2003</u>	<u>H1</u> <u>2004</u>	<u>%</u>
Revenue	£96.6m	£101.6m	5
Membership	2.19m	2.20m	1
Renewal Rate	83%	83%	-

## Continuing revenue growth

- strong renewal rate
- higher average revenues

## No. 1 in Roadside

- J D Power survey

## Legal Services

Sales: H1 2003 £4.9m      H1 2004 £6.8m

- Continuing strong sales growth - up 39%
- 13.1k personal injury claims handled (up 22%)
- 1.1m legal expense policies sold (up 7%)
- successful initiative with regional police forces

## Financial Services

Sales: H1 2003 £4.2m      H1 2004 £5.2m

- Revenues up 24%
- Strong renewal rates
- Key strategic opportunity

## BSM

Sales: H1 2003 £16.1m      H1 2004 £16.8m

- Sales growth: 4%
- Record number of instructors (3,040)

## RAC Auto Windscreens

Sales: H1 2003 £48.9m      H1 2004 £50.0m

- Revenues up 2% but lower margins
- More robust performance in recent months



- CCM systems bedding in
- Members buying >1 service, small increase to 13%
- Step up requires:
  - systems fully bedded in
  - growth in Financial Services
- Target 20% over 3 - 5 years

# Business Services - trading profit

£m	H1 <u>2003</u>	H1 <u>2004</u>	% <u>%</u>
RAC Business Solutions	0.8	2.3	188
Lex Vehicle Leasing	9.5	10.3	8
Manufacturer Support Services*	18.3	12.6	-31
<b>Business Services trading profit **</b>	<b>28.6</b>	<b>25.2</b>	<b>-12</b>
- end of DAF contract	-3.8	-	
- additional Leyland margin	-6.7	-5.3	
<b>Business Services - underlying</b>	<b>18.1</b>	<b>19.9</b>	<b>10</b>

\* Includes Transfleet

\*\* Continuing operations

£m	H1 <u>2003</u>	H1 <u>2004</u>	<u>%</u>
Revenue	78.7	85.0	8
Profit	0.8	2.3	188

- Improved roadside performance
- New contracts and services
  - customer management centre (Kia)
  - vehicle inspections (Vauxhall)
  - growth in France
    - accident management launched
    - warranty business extended

£m	H1 <u>2003</u>	H1 <u>2004</u>	<u>%</u>
Revenue*	102.5	118.7	16
Profit*	9.5	10.3	8
Fleet size (k)	98.9	125.0	26

- Strong organic fleet growth (10%)
- Ford integration successfully completed

\* RAC share

£m	H1* <u>2003</u>	H1 <u>2004</u>	<u>%</u>
Revenue	353.9	363.1	3
Profit	18.3	12.6	-31
- DAF	3.8	-	-
- Additional Leyland margin	6.7	5.3	-21

## Hyundai

– Registrations up 19% to 19.6k - record market share 1.4%

## Lex Auto Logistics

- Paccar profits in line with expectations
- Unity making progress but losses in H1
- Good contract potential in our target sectors

\* Includes Transfleet

£m	<u>H1</u> <u>2003</u>	<u>H1</u> <u>2004</u>	<u>%</u>
Revenue	35.2	37.3	6

- Contracts in place with life time revenues £375m\*
- Preferred bidder - contracts with lifetime revenues £300m\*
- Inventory management growth
- White Fleet growth potential from 14k to 20k vehicles over 5 years
- ASSP - decision likely 2005

\* RAC share

- Another half year of good growth
  - Growth in Motoring Services and Business Solutions
  - LVL successfully implemented its largest ever contract
  - Strong performance from Hyundai
  - Simplification following exit from Mechanical Handling and Isuzu
  - Good cash flow

# **Richard Pennycook**

**Finance Director**



# Revenue summary

£m	<u>H1 2003</u>	<u>H1 2004</u>	<u>%</u>
Consumer Services	173.6	185.1	7
Business Solutions	78.7	85.0	8
LVL	102.5	118.7	16
Manufacturer Support Services	353.9	363.1	3
Other	1.5	1.3	-
<b>Total – continuing operations</b>	<b>710.2</b>	<b>753.2</b>	<b>6</b>

# Operating Profit summary

£m	<u>H1 2003</u>	<u>H1 2004</u>	<u>%</u>
Consumer Services	25.7	26.6	
Business Solutions	0.8	2.3	
LVL	9.5	10.3	
Manufacturer Support Services	18.3	12.6	
Other	-3.5	-2.4	
Total continuing operations	50.8	49.4	-3
Discontinued operations	-2.4	-0.1	
<b>PBIET</b>	<b>48.4</b>	<b>49.3</b>	<b>2</b>
Interest	-5.3	-4.4	
<b>PBET</b>	<b>43.1</b>	<b>44.9</b>	<b>4</b>

£m	<u>H1 2003</u>	<u>H1 2004</u>	<u>%</u>
PBIET	48.4	49.3	2
Interest	-5.3	-4.4	17
<b>PBET</b>	<b>43.1</b>	<b>44.9</b>	<b>4</b>
Goodwill amortisation	-2.8	-2.8	
Operating exceptional - VAT	-	1.7	
Exceptional interest on VAT	-	2.0	
Exceptional items	-24.9	-11.9	
<b>PBT</b>	<b>15.4</b>	<b>33.9</b>	<b>120</b>
Taxation	-6.0	-12.1	
<b>PAT</b>	<b>9.4</b>	<b>21.8</b>	<b>132</b>

# Goodwill amortisation and exceptional items

£m	<u>H1 2003</u>	<u>H1 2004</u>
Exiting from Mechanical Handling	-24.9	-11.2
Exiting from Isuzu	-	-1.5
VAT refund	-	1.7
Interest on VAT refund	-	2.0
Profit on sale of fixed assets	-	0.8
Goodwill amortisation	-2.8	-2.8
	<b>-27.7</b>	<b>-11.0</b>

£m	<b><u>H1 2003</u></b>	<b><u>H1 2004</u></b>
Operating profit before goodwill	35.6	36.5
Interest paid	-5.9	-2.8
Tax paid	-3.2	-8.7
Working capital	10.4	21.4
Capital expenditure - net	0.7	4.3
Dividends from jvs and associates	8.9	8.0
LVL - Ford funding	-	-14.0
<b>Operational cash flow</b>	<b>46.5</b>	<b>44.7</b>

£m	<b>H1 2003</b>	<b>H1 2004</b>
Operational cash flow	46.5	44.7
Disposals/ (acquisitions)	95.8	12.3
Dividends paid	-15.7	-16.8
Purchase of own shares	-	-9.3
Other movements	2.1	0.6
<b>Net reduction in debt</b>	<b>128.7</b>	<b>31.5</b>
Closing debt	153.5	122.8
Average debt in period	263.2	146.6

£m	<u>Provision Made</u>	<u>Provision Utilised</u>	<u>Balance of Provision</u>
Cars returned H1 2004	3.0	-0.7	2.3
Cars to be returned	13.3	-	13.3
Total	16.3	-0.7	15.6

RAC Share (50%)

# Balance sheet

£m	<u>Dec 2003</u>	<u>June 2004</u>
Fleet assets	10	-
Goodwill	501	498
Other fixed assets/investments	222	236
Working capital/other	-180	-200
<b>Capital employed</b>	<b>553</b>	<b>534</b>
Net debt	-154	-123
<b>Shareholder' funds</b>	<b>399</b>	<b>411</b>

*Closing net debt is after offsetting £31m of ring fenced cash and investments*



	<b><u>H1</u></b> <b><u>2003</u></b>	<b><u>H1</u></b> <b><u>2004</u></b>
Interest cover	9.1	11.2
Net debt/EBITDA	1.3	1.1
Underlying tax rate	28%	28%
EPS (p) (pre exceptionals)	27.2p	28.2p
Dividend per share (p)	9.7p	10.2p
Dividend cover	2.8	2.8

- **Affecting RAC and UK plcs**

- Share options (IFRS 2) - executive and SAYE
- Pensions (IAS 19)
- Financial instruments (IAS 39)

- **Affecting LVL**

- Leases (IAS 17)
  - profit recognition towards end of contract
  - reduces short term earnings (timing difference only)
  - reduces RV impact

Cash flows unaffected

- Growing our 5 big branded businesses
- Delivering our new opportunities
- Maximising our brands and customer base
- Alive to reinvestment opportunities

Profit contribution up 12%

H1  
Revenue  
Growth

Roadside

8%

J D Power : No.1 in Roadside

BSM

4%

3000<sup>th</sup> instructor

Windscreens

2%

More robust in recent months

Legal

39%

Continuing steep trajectory

Fleet Solutions

14%

LVL fleet up 26%

## Consumer

- Financial Services
- Legal Services
- Big opportunity
- New channels promising, may increase revenue investment

## B2B

- Unity
- Claims Services
- Motorman outsourcing
- Slower than expected
- New TIG agreement
- Continuing to expand

- 5 target sectors

	<u>Annualised Sales (£m)</u>	<u>Target Market</u>
– Defence	80	200
– Insurance	105	600
– Vehicle manufacturers	80	300
– Airside	25	100
– Utilities	10	100
<b>Total</b>	<b>£300m*</b>	<b>£1.3bn</b>

- Delivering potential will be combination of:
  - business as usual
  - growing our big corporate relationships
  - bid wins

\* 300% growth since 2000

- Organic growth remains priority
- Reviewing possibilities
  - Financial Services
  - Legal Services
  - RAC “motoring services”
  - European roadside, warranties, accident mgmt
  - LVL opportunities
  - Home. Autumn trial
- Remain focused on sustained growth in revenue and shareholder value

- Another good set of results
  - growth, offsetting Paccar
- On track for our full year objectives
- RAC plc stronger and more focused



**Additional Material**

**Interim Announcement**

**28 July 2004**

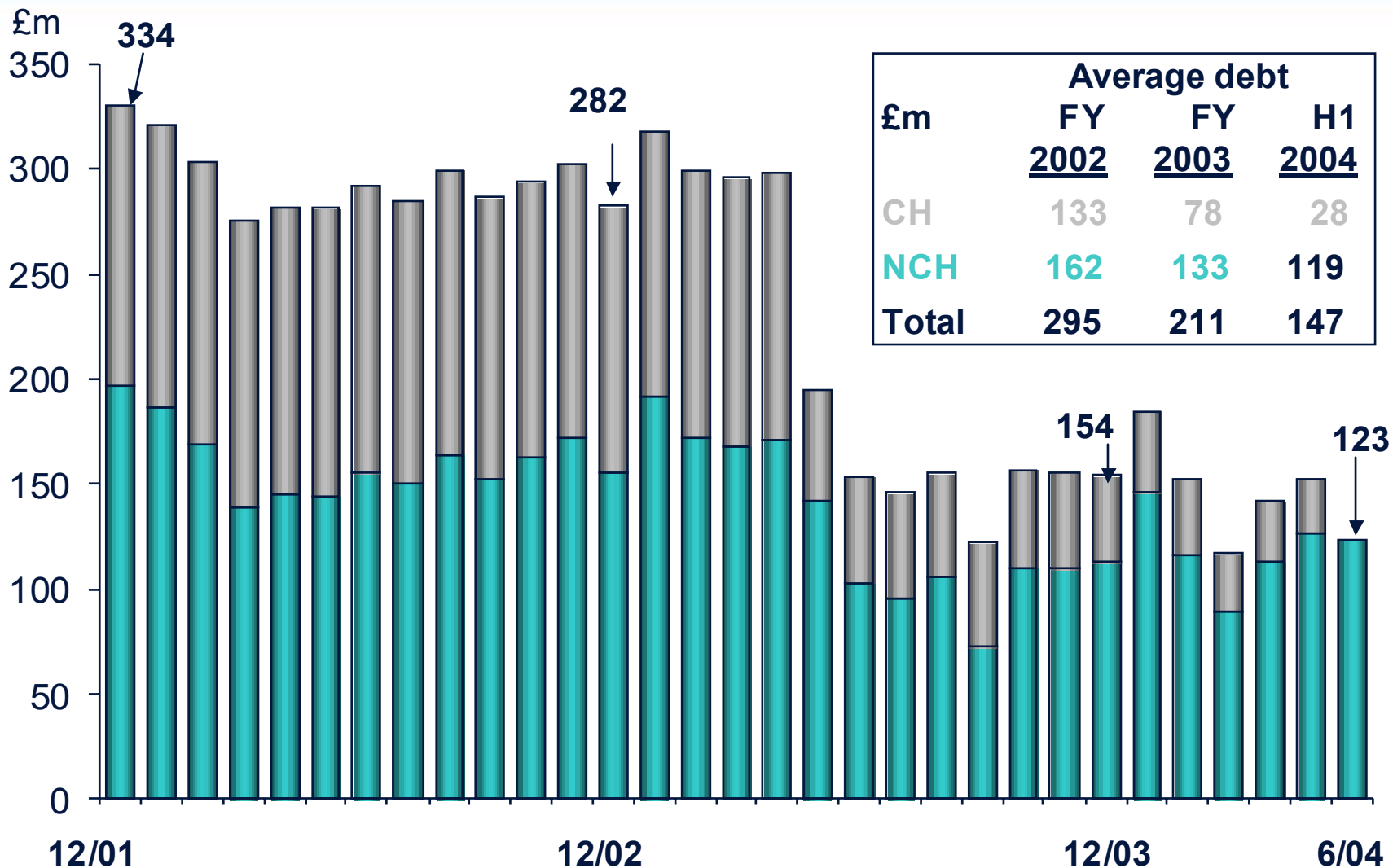
£m	Industrial Solutions	Manufacturer Support Services	Discontinued Operations
<b>Turnover</b>			
Reported H1 2003	103.2	327.4	-
Transfleet	-46.4	37.0	9.4
Mechanical Handling	-56.8	-	56.8
Isuzu	-	-10.5	10.5
<b>Restated H1 2003</b>	<b>-</b>	<b>353.9</b>	<b>76.7</b>
<b>Profit &amp; Loss</b>			
Reported H1 2003	-1.6	17.5	-
Transfleet	-0.6	0.8	-0.2
Mechanical Handling	2.2	-	-2.2
Isuzu	-	-	-
<b>Restated H1 2003</b>	<b>-</b>	<b>18.3</b>	<b>-2.4</b>

# Capital expenditure (1 of 2)

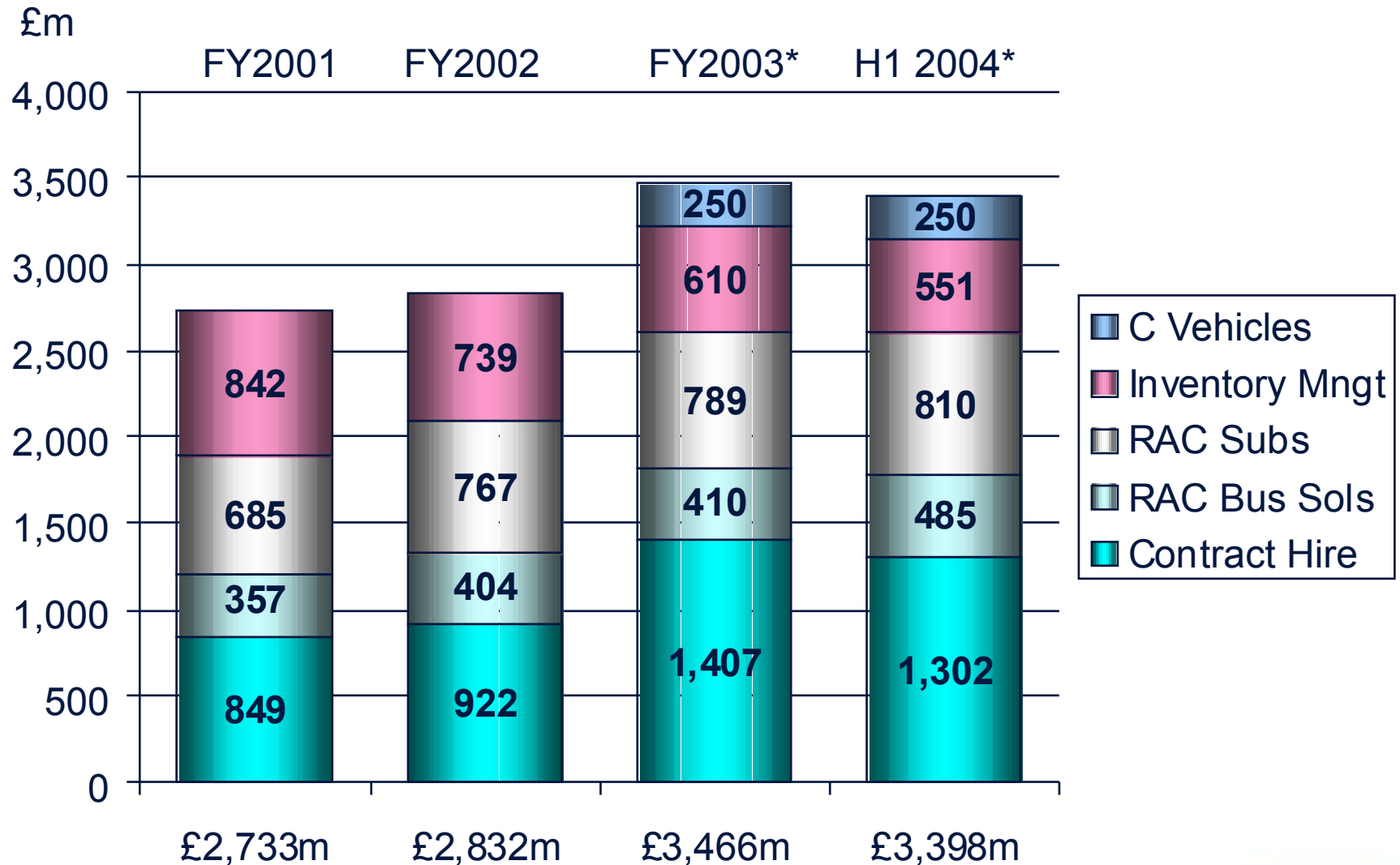
£m	<u>H1 2003</u>	<u>H2 2003</u>	<u>H1 2004</u>
<b>Mechanical Handling</b>			
Additions	-16.8	-2.4	-1.8
Disposals	3.6	1.5	1.8
Depreciation	16.6	35.7	3.4
(Profit) / loss on disposal	1.0	-1.5	-
<b>Net capital expenditure</b>	<b>4.4</b>	<b>33.3</b>	<b>3.4</b>
<b>BSM</b>			
Additions	-15.7	-17.4	-20.6
Disposals	13.6	17.1	16.8
Depreciation	0.2	0.5	0.3
(Profit) / loss on disposal	-	0.1	-
<b>Net capital expenditure</b>	<b>-1.9</b>	<b>0.3</b>	<b>-3.5</b>

# Capital expenditure (2 of 2)

£m	<u>H1 2003</u>	<u>H2 2003</u>	<u>H1 2004</u>
<b>Rest of Group</b>			
Additions	-21.1	-16.3	-12.2
Disposals	5.2	7.4	3.4
Depreciation	14.0	10.2	13.4
(Profit) / loss on disposal	0.1	0.7	-0.2
<b>Net capital expenditure</b>	<b>-1.8</b>	<b>2.0</b>	<b>4.6</b>
<b>Total</b>			
Additions	-53.6	-36.1	-34.6
Disposals	22.4	26.0	22.0
Depreciation	30.8	46.4	17.1
(Profit) / loss on disposal	1.1	-0.7	-0.2
<b>Net capital expenditure</b>	<b>0.7</b>	<b>35.6</b>	<b>4.3</b>



# Growing long term business

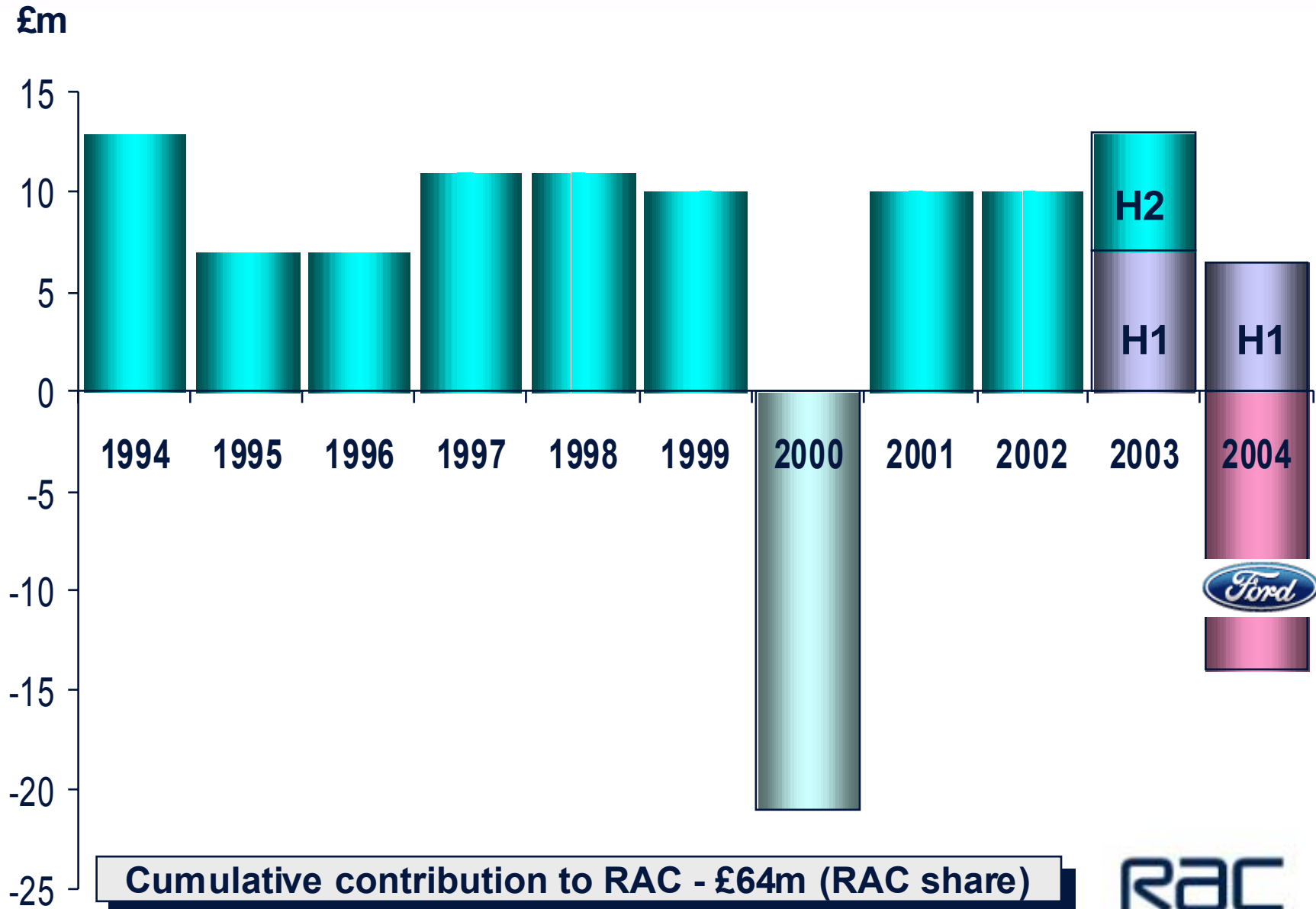


\* Includes C Vehicles - currently preferred bidder

## Joint ventures/associates - profile

£m	<b><u>H1</u></b> <b><u>2003</u></b>	<b><u>H2</u></b> <b><u>2003</u></b>	<b><u>H1</u></b> <b><u>2004</u></b>
RAC Equity			
Lex Vehicle Leasing	38.5	40.1	56.0
Transfleet	10.5	9.6	10.4
Hyundai Car Finance	6.0	5.9	5.7
Debt (RAC share)			
Lex Vehicle Leasing	306.8	321.4	397.3
Transfleet	51.8	53.4	46.5
Hyundai Car Finance	83.6	87.3	94.3

# Lex Vehicle Leasing - cash flow





# Annual % change in the CAP composite

