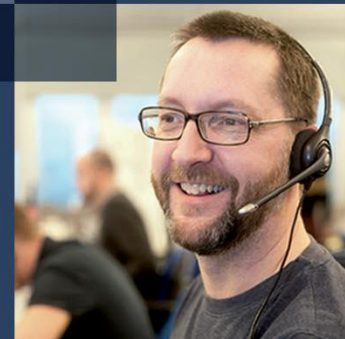
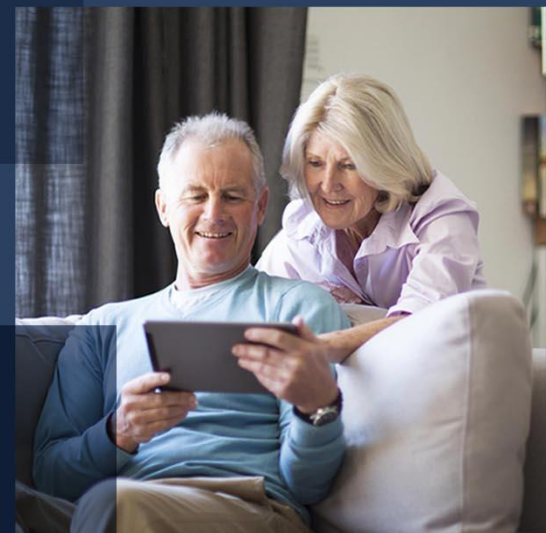
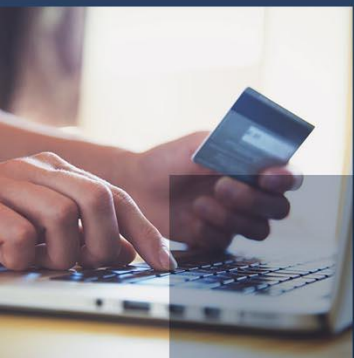




# Results Presentation

Interim Results for the 6 months ended 31 July 2016



# Lance Batchelor Chief Executive Officer



## Today's Agenda

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**Lance Batchelor**  
CEO

**Overview and strategy**

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**Jonathan Hill**  
CFO

**Financials**

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**Lance Batchelor**  
CEO

**Summary**

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**Q&A**

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# Overview

Strong financial results

## Consistent financial performance and significant increase in dividend

- Growth in Trading Profit from core insurance and travel businesses
- Continued strong cash generation = further deleveraging and increased dividend
- Performance supports strength of Saga's flexible business model

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Profit Before Tax

**£109.9m**

**+8.5%**

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Debt Ratio

**2.2x**

**(2.4x at HY  
2015)**

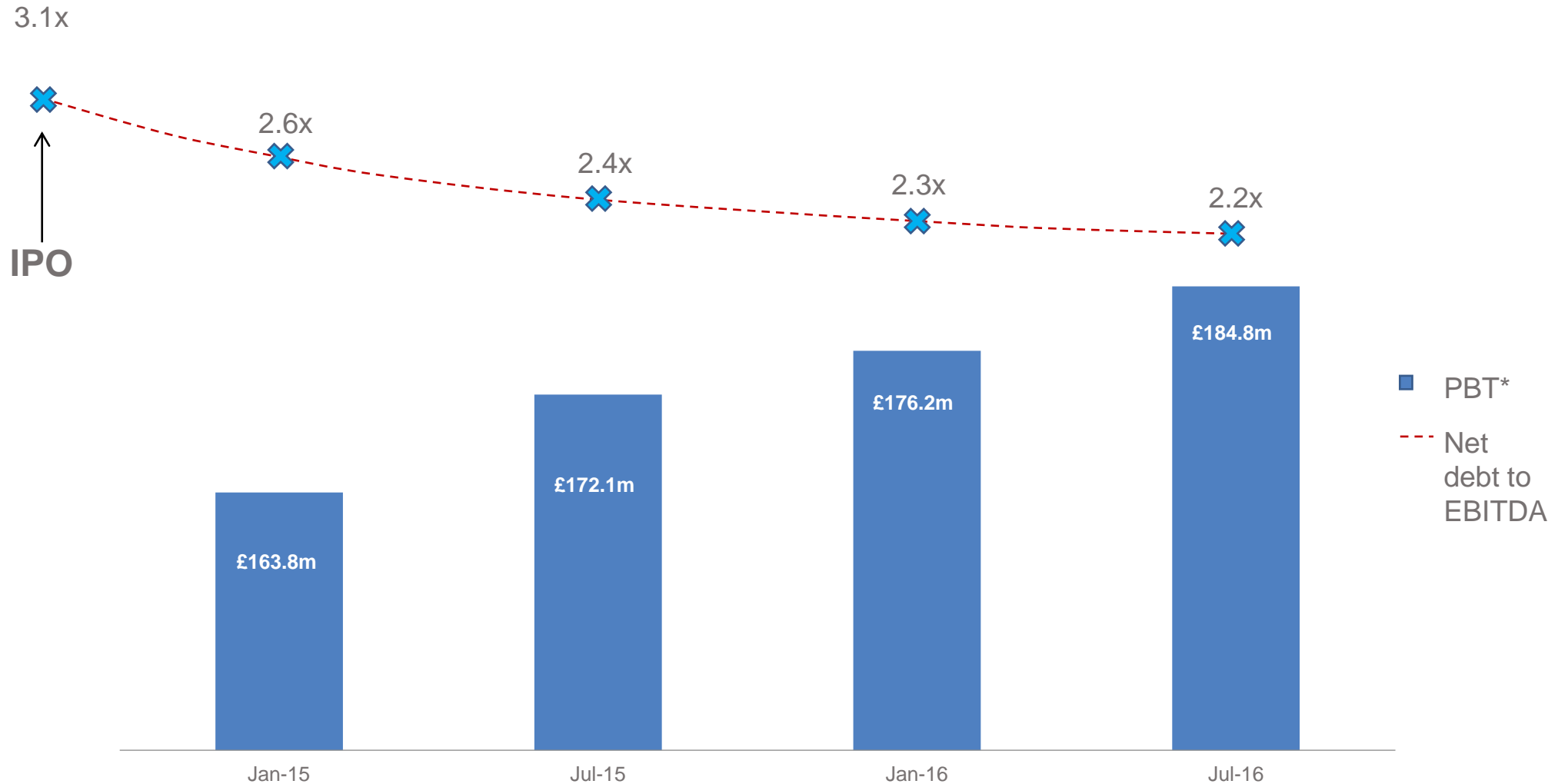
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Interim dividend

**2.7p**

**+23%**

# Consistently growing profit and reducing debt



# Growing the core businesses

Insurance: strong performance in competitive environment

- UK motor and home insurance markets remain competitive
- Retail broking model continues to provide flexibility
- Motor panel performing effectively
  - around a quarter of net premium on renewals
  - 5 underwriters currently, intend to add more this year
  - efficiency increases as more join
- Solvency II position increased
- Home panel approaching full efficiency
- Other insurance driven by strong performance of PMI and travel insurance

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Retail broking model continues to provide flexibility

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Motor panel performing as expected

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# Growing the core businesses

Travel: robust trading performance and visibility

- Tour operating businesses:
  - increase in revenue and profit
  - positive shift in mix to longer-haul, higher value products
  - benefit of differentiated model without need for volume commitments
  - continuing to broaden and target our offering
- Cruise business:
  - improvements in yield year on year
  - performance impacted by Saga Sapphire maintenance
  - focused on high levels of customer experience and satisfaction
- Current trading: substantial majority of CY sales targets already met and ahead of prior year for departures in 2017/2018.

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<1% of customers polled said travel plans impacted by Brexit

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No discernible business impact post Brexit

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# The future

Significant work to enhance customer understanding

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- Segmentation of the customer base:
  - cohort of high value customers identified
  - insight allows for evolution of proposition and customer journey
  
- Implementation of new marketing software to personalise communications and focus marketing resources
  
- Deeper understanding will
  - help reduce wasted marketing spend, improve targeted acquisition
  - improve offering for high value customers
  
- Compelling future opportunity

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Continued  
segmentation of  
database

---

Deeper customer  
understanding  
enables focused  
marketing spend and  
improved proposition

---



# Jonathan Hill Chief Financial Officer



# Financial Highlights

Solid first six months

From continuing operations

vs. HY 2015

<b>Profit before tax</b>	<b>£109.9m</b>	<b>8.5 %</b>	<b>↑</b>
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- Continued strong cash generation led to further reduction in debt ratio

<b>Profit before tax (excl. derivatives)</b>	<b>£104.5m</b>	<b>3.9 %</b>	<b>↑</b>
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- Strong Solvency II position

<b>Debt ratio</b>	<b>2.2x</b>	<b>(0.2)x</b>	<b>↓</b>
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<b>Proposed interim dividend</b>	<b>2.7p</b>	<b>22.7 %</b>	<b>↑</b>
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- Profit performance and deleveraging support increased dividend

# Group Results

	HY 2015	HY 2016			
Revenue	£478.3m	£437.2m	(8.6)%	↓	<ul style="list-style-type: none"> <li>Revenue decrease reflects impact of quota share arrangement</li> </ul>
Trading Profit	£117.5m	£117.6m	0.1%	↑	<ul style="list-style-type: none"> <li>Trading Profit reflects impact of Saga Sapphire and investment in emerging businesses</li> </ul>
Profit before tax	£101.3m	£109.9m	8.5%	↑	
Profit after tax	£77.9m	£87.9m	12.8%	↑	<ul style="list-style-type: none"> <li>Lower finance cost supports increased PBT</li> </ul>
Basic EPS*	7.3p	7.9p	8.2%	↑	

# Growth in core businesses

Increased profit from core businesses

## Trading Profit

HY 2015

HY2016



Motor Insurance

£65.6m

£72.1m 9.9%



Home Insurance

£34.4m

£30.4m (11.6)%



Other Insurance

£14.3m

£16.0m 11.9%



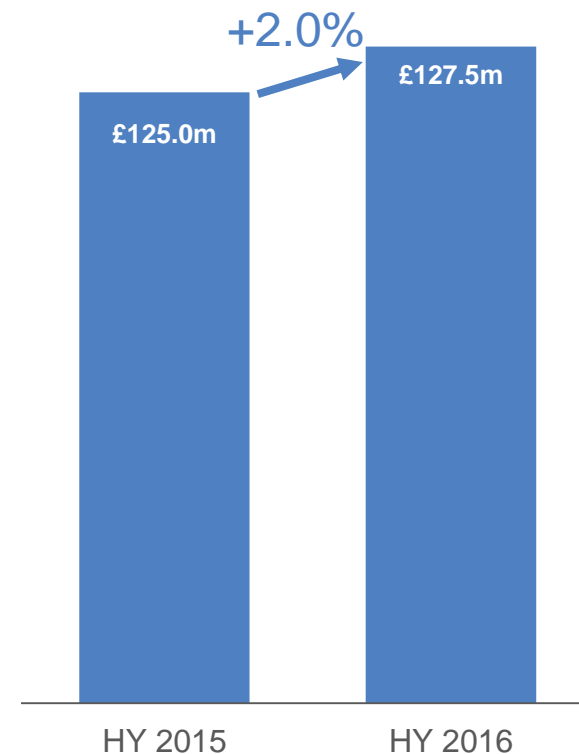
Travel

£10.7m

£9.0m (15.9)%



## Trading Profit growth from core business

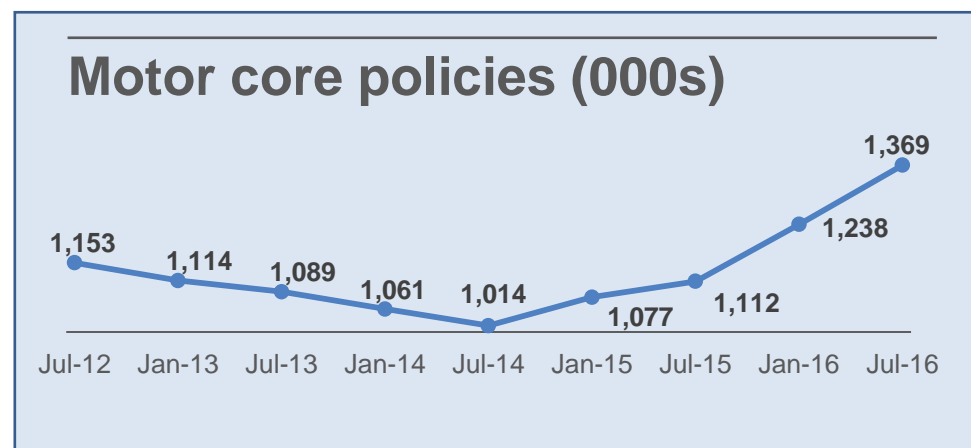


# Motor Insurance

Solid profit growth

- Trading Profit growth driven by:
  - positive claims experience
  - introduction of motor panel
  - impact of Bennetts
- Revenue decreased with introduction of quota share
- Core policy increase due to new business sales and inclusion of Bennetts
- Motor market remains competitive

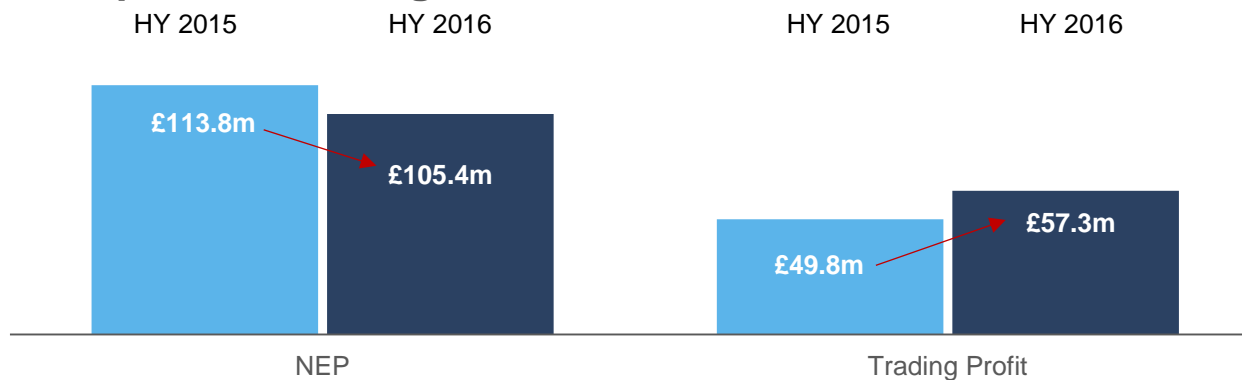
	HY 2015	HY 2016	
Revenue	£157.2m	£120.4m	<b>(23.4)%</b>
Trading Profit	£65.6m	£72.1m	<b>9.9%</b>
Core Policy numbers	1,112k	1,369k	<b>23.1%</b>



# Motor Underwriting

Strong underwriting result

## Comparable Trading Profit and Net Earned Premiums

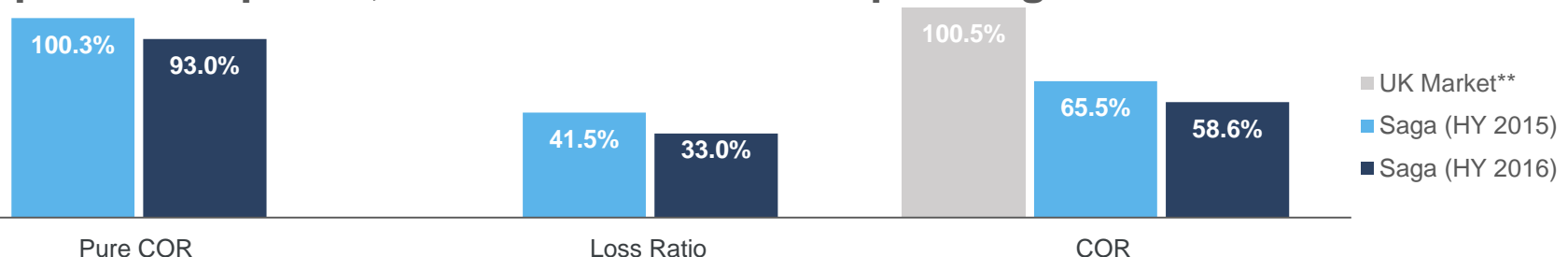


– Profitability of motor underwriting has improved, driven by:

– improved risk index for AICL policies and an earned to written benefit of arrangement fee

– motor panel meaning more higher-premium policies placed with third-party underwriters – reduction in claims costs

## Comparable Expense, Loss and Combined Operating Ratios\*



Saga plc Interim Results for the 6 months ended 31 July 2016

\*2016 figures exclude the impact of the new quota share arrangement to ensure a like-for-like comparison

\*\*EY Statistics to end of December 2015

## Impact of quota share

Motor Core Underwriting P&L	6m to Jul 2015	Growth	Underlying	Quota Share	6m to Jul 2016
Revenue	£118.3m	0.3%	£118.7m	(£48.0m)	£70.7m
Gross profit	£60.8m	16.1%	£70.6m	£1.9m	£72.5m
Trading Profit	£49.8m	15.1%	£57.3m	(£0.9m)	£56.4m
Reported COR	65.5%	(6.9%)	58.6%		25.3%
Pure COR	100.3%	(7.3%)	93.0%		83.8%

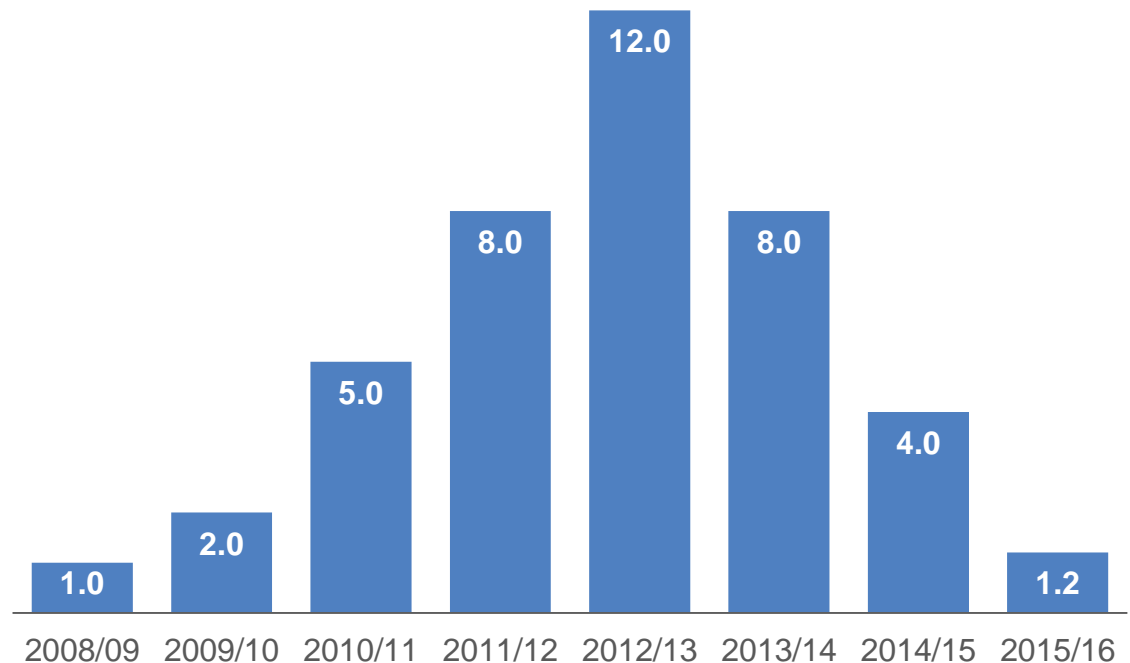
- Quota share is on a funds withheld basis
- Arrangement resulted in reduction in revenue and some cost lines, with a limited impact on Trading Profit

# Reserve releases

Consistent year on year

- Consistent level of reserve releases with no deterioration in reserve margin
- Releases in H2 expected to be lower YoY
- 2015/16 releases originate from Other Insurance
- Releases are expected to reduce over time
  - impact of motor panel
  - more efficient pricing in AICL

**HY 2016 Total Group Reserve Releases by Accident Year (£m)\***



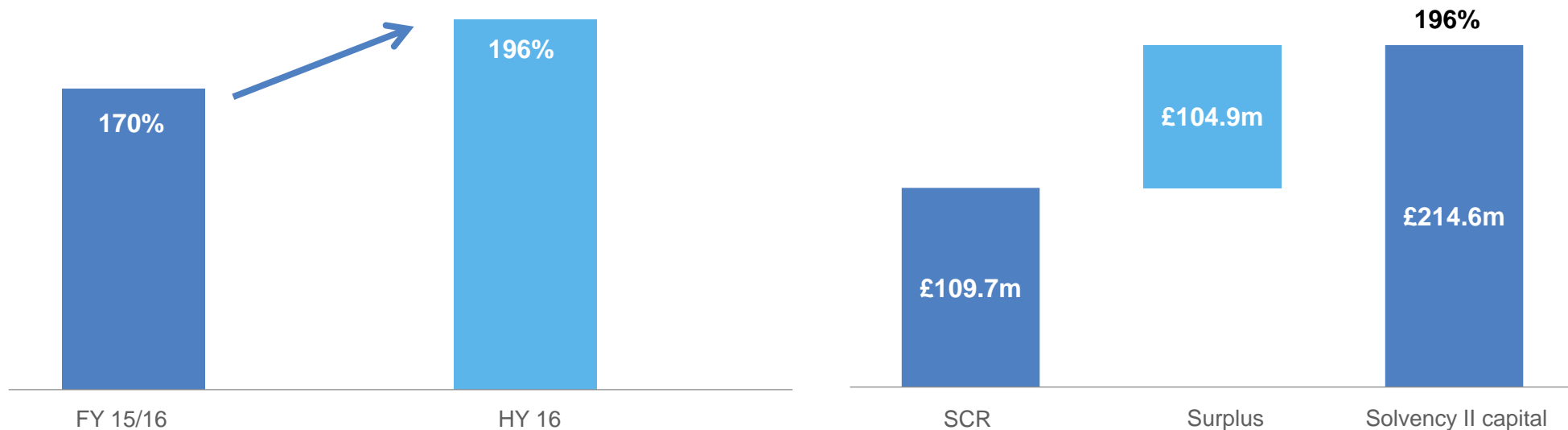
\*Origin of releases: £40m from Motor Insurance, £1.2m from Other Insurance



# Solvency II

Robust position

## Solvency II coverage



- Group's Solvency II position improved as quota share arrangement taken into account
- Coverage ratio of 196% supports further deleveraging in H2

# Home Insurance

Continued competitive environment

- Continued competitive environment, no premium inflation

- Revenue decreased due to a reduction in profit share and a limited fall in average premiums

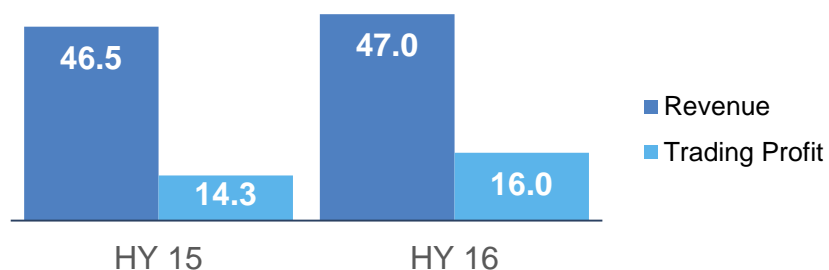
- Panel close to full efficiency, future margin improvements expected to be more in line with wider market rate rises

	HY 2015	HY 2016	
Revenue	£50.6m	£47.5m	(6.1)% ↓
Trading Profit	£34.4m	£30.4m	(11.6)% ↓
Core policy numbers	1,258k	1,283k	2.0% ↑

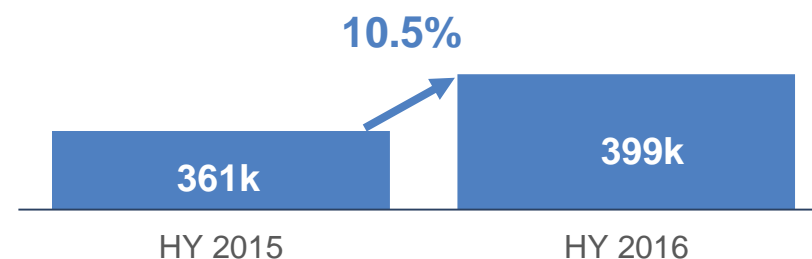
# Other Insurance

Strong profit growth

Trading Profit and Revenue (£m)



Core policy numbers (000s)



- Revenue growth driven by:
  - increase in travel insurance volumes
  - lower net rates on private medical insurance due to supply chain improvements and strong retention
- Trading Profit growth driven by:
  - increase in profit on private medical insurance
  - marketing spend on Saga Legal Services in prior year

# Travel

Continued demand

- Tour operating
  - 2.2% increase in revenues and 2.4% increase in Trading Profit
  - positive shift in product mix to more long haul and third-party cruise products

- Cruising
  - scheduled maintenance impacted Revenue and Trading Profit
  - Revenue and Trading Profit comparably ahead, reflecting improved yields

	HY 2015	HY 2016	
Revenue	£209.7m	£208.0m	(0.8)%
Trading Profit	£10.7m	£9.0m	(15.9)%
Number of holidays passengers	96k	95k	(1.0)%
Number of ship days	171k	135k	(21.1)%

# Emerging Businesses & Central Costs

Investment in future growth areas



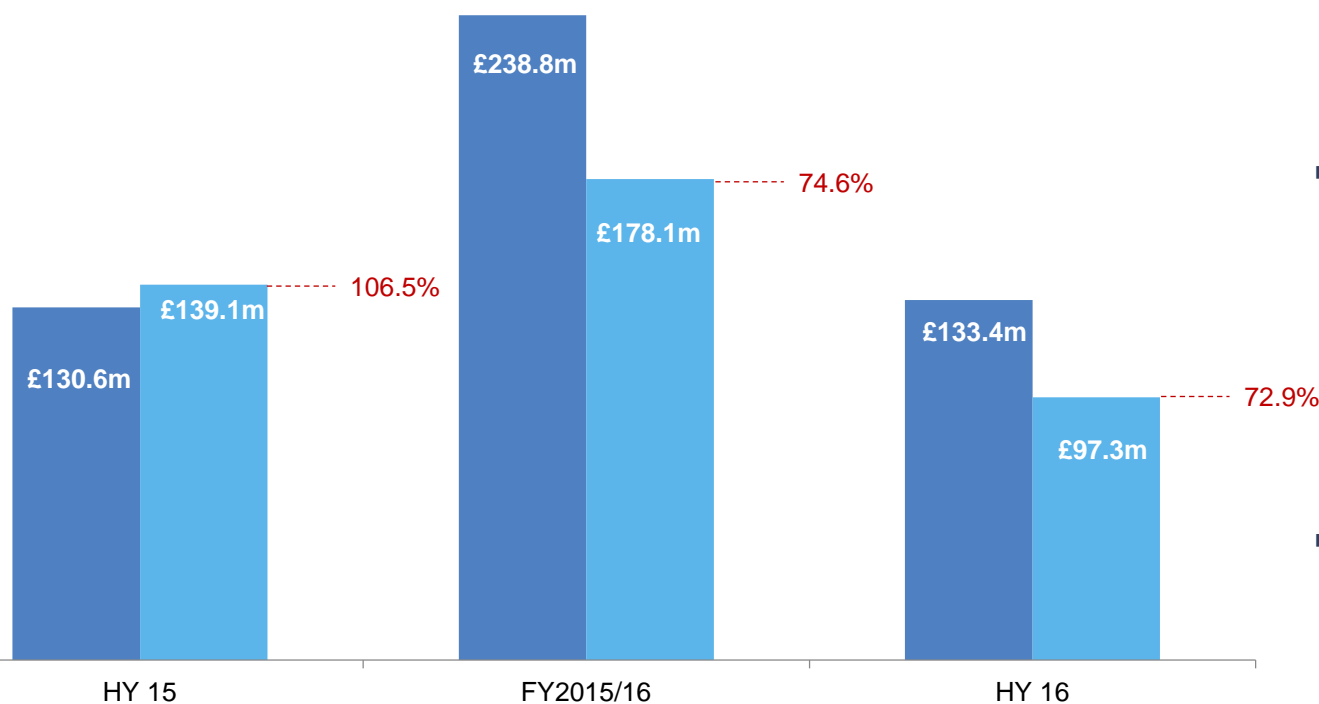
	HY 2015	HY 2016
Revenue	£14.3m	£14.3m
Trading Loss	£(7.5m)	£(9.9m)

- Revenue consistent with the previous year
- Increase in Trading Loss driven by investment in the Saga Investment Services and healthcare businesses

# Cash Generation

Sustained cash generation

■ Trading EBITDA ■ Available operating cash flow\* - - - - Available operating cash flow %



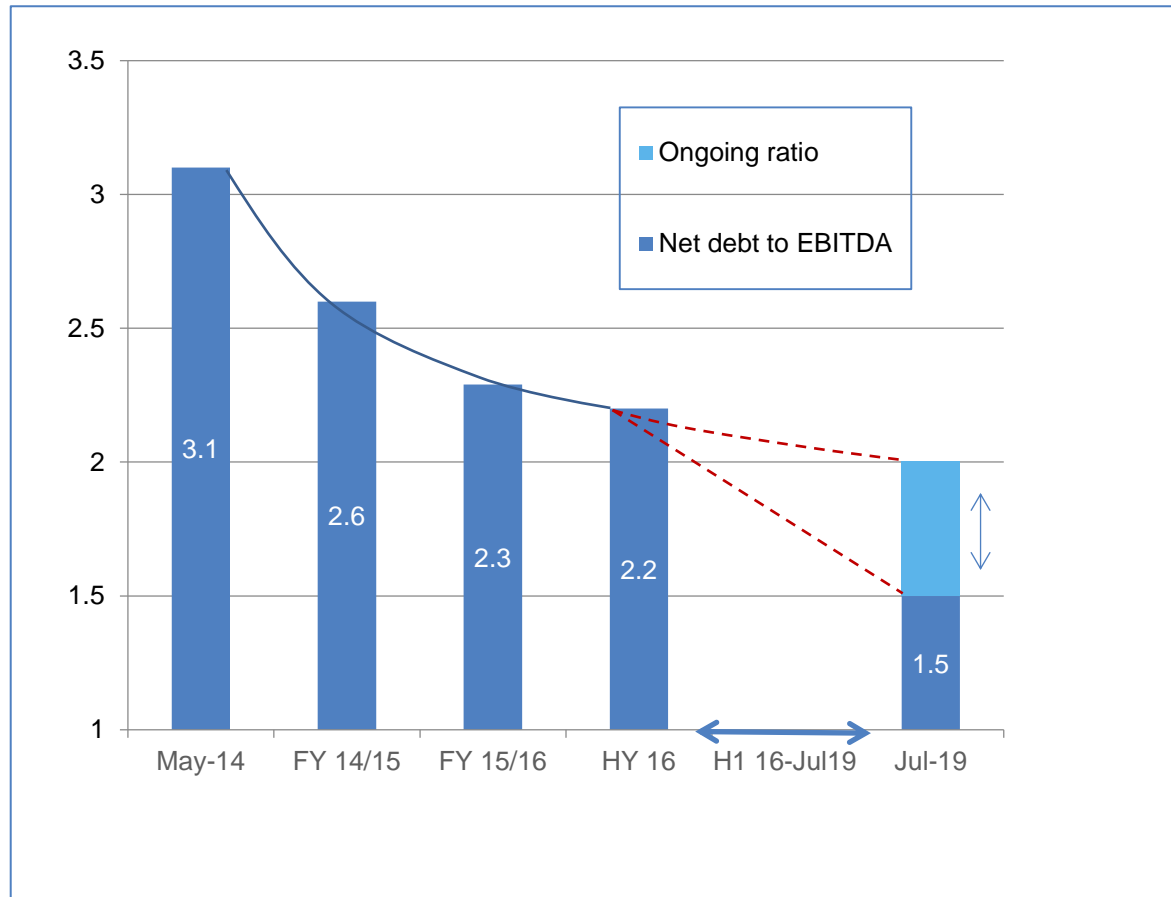
\*Net cash flow from operating activities after capital expenditure but before tax and interest paid and non-trading items.

- Continued to generate high levels of cash flow
- Available operating cash flow % in H1 2016 consistent with expected full-year cash flow outturn
- Decrease from HY 2015 driven by:
  - lower payout from the restricted businesses
  - normalisation of working capital in line with the full year
- Working capital movement in CY includes one-off payment of £7.6m to Acromas reflecting tax losses purchased – recognised in previous year's tax expense

# Capital structure

On track to reach target debt ratio

Net debt to Trading EBITDA



- Debt ratio further reduced to 2.2x
- Medium-term debt target maintained at 1.5x-2.0x
- New ship delivered in mid-2019

# Maintaining our efficient operating model

Increase efficiency and future proof systems

- Modernising of insurance sales and administration platform over next 3 years
- Introduction of new claims handling system
- Remodelling travel back office to increase efficiency and cut costs
- Introduction of enhanced Group procurement function



# Financial outlook and guidance

- Targeting ongoing growth in the profitability of the core businesses
- Given cash generation and enhanced solvency position, confident in delivering on progressive dividend policy
- Deleveraging to continue

***On track to deliver PBT growth of between 5% and 7% for the full year***

# Lance Batchelor Chief Executive Officer



# Summary

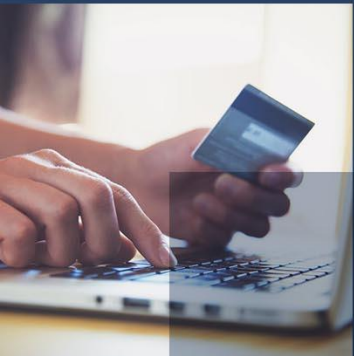
1. Consistent financial performance
  2. Further deleveraging and increased dividend
  3. Continued core business growth
  4. Progress on customer understanding
  5. On track to meet targets for the full year
- = Resilient earnings and progressive dividends**

# Q&A





# Appendix



## Saga Plc consolidated P&L

£m	6m to Jul 2016	% Growth	6m to Jul 2015
<b>Revenue</b>	£437.2m	(8.6%)	£478.3m
<b>Trading Profit</b>	£117.6m	0.1%	£117.5
Non-trading items (incl. IPO expenses)	(£0.6m)		(£0.4m)
Amortisation of acquired intangibles	(£3.5m)		(£2.4m)
Net finance costs	(£9.0m)		(£14.1m)
Net fair value gains on derivatives	£5.4m		£0.7m
<b>Profit before tax from continuing operations</b>	£109.9m	8.5%	£101.3m
Tax expense	(£22.0m)	8.9%	(£20.2m)
Loss after tax for the year from discontinued operations	-		(£3.2m)
<b>Profit after tax</b>	£87.9m	12.8%	£77.9m
<b>Basic earnings per share:</b>			
Earnings per share from continuing operations	7.9p	8.2%	7.3p

# Motor Insurance P&L

£m	6m to Jul 2016				Growth	6m to Jul 2015			
	Core UW	Ancillary	Broking / Other	Total Motor		Core UW	Ancillary	Broking / Other	Total Motor
<b>Revenue</b>	£70.7m	£16.9m	£32.8m	£120.4m	(23.4%)	£118.3m	£17.3m	£21.6m	£157.2m
<b>Trading Profit</b>	£56.4m	£8.8m	£6.9m	£72.1m	9.9%	£49.8m	£10.5m	£5.3m	£65.6m
Number of policies sold:									
- core	892k	26k	451k	1,369k	23.1%	956k	23k	133k	1,112k
- add-ons	n/a	1,146k	477k	1,623k	22.8%	n/a	1,193k	129k	1,322k
	892k	1,172k	928k	2,992k	22.9%	956k	1,216k	262k	2,434k
Gross written premiums	£97.8m	£16.3m	£57.7m	£171.8m	7.1%	£122.2m	£18.0m	£20.2m	£160.4m

# Motor Underwriting P&L

Motor Core Underwriting P&L		6m to Jul 2016	Quota Share	Underlying	Growth	6m to Jul 2015
Net earned premium	A	£54.4m	(£51.0m)	£105.4m	(7.4%)	£113.8m
Instalment income		£2.3m	-	£2.3m	21.1%	£1.9m
Other income	B	£14.0m	£3.0m	£11.0m	323.1%	£2.6m
<b>Revenue</b>		<b>£70.7m</b>	<b>(£48.0m)</b>	<b>£118.7m</b>	<b>0.3%</b>	<b>£118.3m</b>
Claims costs	C	(£34.2m)	£44.2m	(£78.4m)	(11.7%)	(£88.8m)
Reserve releases	D	£40.0m	-	£40.0m	(1.2%)	£40.5m
Claims handling and regulatory fees	E	(£4.0m)	£5.7m	(£9.7m)	5.4%	(£9.2m)
Total cost of sales	F	£1.8m	£49.9m	(£48.1m)	(16.3%)	(£57.5m)
<b>Gross profit</b>		<b>£72.5m</b>	<b>£1.9m</b>	<b>£70.6m</b>	<b>16.1%</b>	<b>£60.8m</b>
Total expenses	G	(£19.1m)	£1.0m	(£20.1m)	7.5%	(£18.7m)
Investment return		£3.0m	(£3.8m)	£6.8m	(11.7%)	£7.7m
<b>Trading Profit</b>		<b>£56.4m</b>	<b>(£0.9m)</b>	<b>£57.3m</b>	<b>15.1%</b>	<b>£49.8m</b>
Reported loss ratio	(C+D)/(A+B)	(8.5%)		33.0%	(8.5%)	41.5%
Expense ratio	(E+G)/(A+B)	33.8%		25.6%	1.6%	24.0%
Reported COR	(F+G)/(A+B)	25.3%		58.6%	(6.9%)	65.5%
Pure COR	(F+G-D)/(A+B)	83.8%		93.0%	(7.3%)	100.3%



# Home Insurance P&L

	6m to Jul 2016			Growth	6m to Jul 2015		
	Ancillary UW	Core Broking / Coinsured	Total Home		Ancillary UW	Core Broking / Coinsured	Total Home
<b>Revenue</b>	£9.2m	£38.3m	£47.5m	(6.1%)	£9.0m	£41.6m	£50.6m
<b>Trading Profit</b>	£3.9m	£26.5m	£30.4m	(11.6%)	£5.1m	£29.3m	£34.4m
Number of policies sold:							
- core	n/a	1,283k	1,283k	2.0%	n/a	1,258k	1,258k
- add-ons	545k	n/a	545k	(1.4%)	553k	n/a	553k
	545k	1,283k	1,828k	0.9%	553k	1,258k	1,811k
Gross written premiums	£9.9m	£67.7m	£77.6m	(2.6%)	£10.2m	£69.5m	£79.7m

## Other Insurance P&L

	6m to Jul 2016			Growth	6m to Jul 2015		
	Core UW	Core Broking / Other	Total Other Insurance		Core UW	Core Broking / Other	Total Other Insurance
<b>Revenue</b>	£17.8m	£29.2m	£47.0m	1.1%	£19.7m	£26.8m	£46.5m
<b>Trading Profit</b>	£1.5m	£14.5m	£16.0m	11.9%	£2.0m	£12.3m	£14.3m
Number of policies sold:							
- core	32k	367k	399k	10.5%	29k	332k	361k
- add-ons	n/a	3k	3k	(40.0%)	n/a	5k	5k
	32k	370k	402k	9.8%	29k	337k	366k
Gross written premiums	£3.3m	£64.8m	£68.1m	1.9%	£3.1m	£63.7m	£66.8m

# Travel P&L

	6m to Jul 2016			Growth	6m to Jul 2015		
	Tour Operating	Cruising	Total Travel		Tour Operating	Cruising	Total Travel
<b>Revenue</b>	£170.5m	£37.5m	£208.0m	(0.8%)	£166.9m	£42.8m	£209.7m
<b>Trading Profit</b>	£8.5m	£0.5m	£9.0m	(15.9%)	£8.3m	£2.4m	£10.7m
Number of holidays passengers	95k	n/a	95k	(1.0%)	96k	n/a	96k
Number of ship passenger days	n/a	135k	135k	(21.1%)	n/a	171k	171k

## Cash flow and liquidity

Available Cash Flow	6m to Jul 2016	Growth	6m to Jul 2015
<b>Trading EBITDA</b>	<b>£133.4m</b>	<b>2.1%</b>	<b>£130.6m</b>
Less Trading EBITDA relating to restricted businesses	(£64.3m)	6.6%	(£60.3m)
Intra-group dividends paid by restricted businesses	£50.0m	(15.3%)	£59.0m
Working capital and non-cash items	(£12.8m)	(178.5%)	£16.3m
Capital expenditure funded with available cash	(£9.0m)	38.5%	(£6.5m)
<b>Available operating cash flow</b>	<b>£97.3m</b>	<b>(30.1%)</b>	<b>£139.1m</b>
<i>Available operating cash flow %</i>	<i>72.9%</i>	<i>(33.6%)</i>	<i>106.5%</i>