Results presentation

Preliminary results for the 12 months ended 31 January 2018

SAGA
keep doing

Lance Batchelor
Chief Executive Officer

Today’s Agenda

Lance Batchelor Chief Executive Officer	**Overview**
Jonathan Hill Chief Financial Officer	**Financials**
Gary Duggan CEO, Retail Insurance Broking	**Retail Insurance Broking**
Lance Batchelor Chief Executive Officer	**Summary**
	Q&A

Key highlights

- Our 2017/18 results are inline with revised guidance
- Our highly cash generative model and capital structure supports both capital investments and dividends
- The Saga model is increasingly efficient and supports targeted customer growth
- Early signs of customer growth from targeted investments

Full year numbers

	2017/18	
Underlying PBT[1]	**£190.1m**	+1.4%
Retail broking Underlying PBT[1]	**£130.2m**	(5.7%)
Travel Underlying PBT[1]	**£20.4m**	+36.9%
Available operating cash flow	**£175.5m**	(19.3%)
Debt ratio	**1.7x**	(0.2x)
Full year dividend	**9.0p**	+5.9%

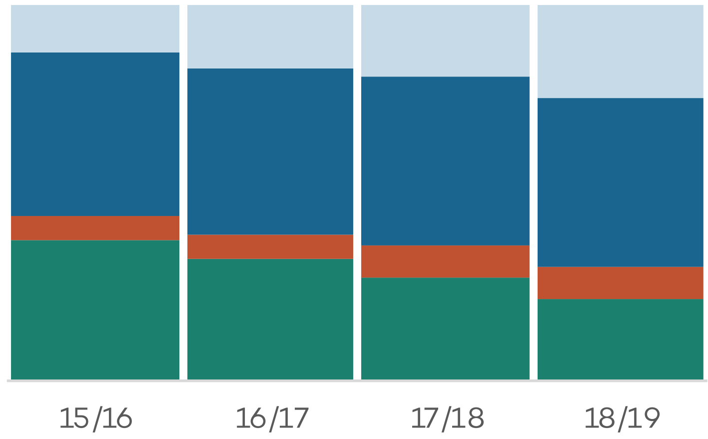
(1) Profit before tax from continuing operations excluding derivatives, debt write-off costs, one-off restructuring costs and Ogden rate changes.

Our strategy

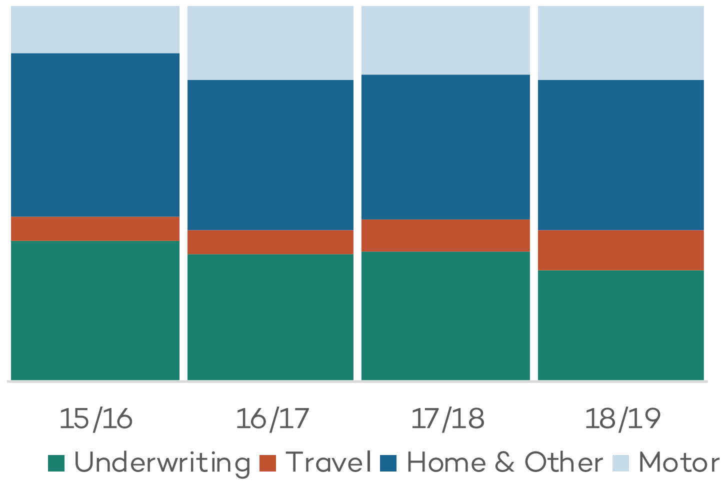
Strategic priorities

- Grow Underlying PBT by mid single digit %
- Cash generation to reduce debt
- Growing our broking business supported by an expanded motor footprint
- Growing travel through a renewed fleet and growth in tour passengers
- Invest in systems and capabilities

Expected profit contribution at IPO mid single digit % growth



Actual earned profit contribution after £10m of investments



Motor broking – a review

What has gone right?

- Launch of the motor panel in 2015 with four external underwriters
- Driven third-party panel share to approximately 30% of the renewal book within two years of launch
- High levels of cross-sell between insurance products
- Investment in IT platforms: Adobe Marketing Cloud, Guidewire
- Motor premium inflation supported a 37% increase in 2017/18 written motor profit, partially offsetting the WTE headwind

What hasn't?

- Limited investment in growing customers
- Panel not fully optimised
- Product differentiation limited by old platforms

Motor broking – our plans

Gary Duggan, CEO Retail Broking

- Joined in September 2017
- Previously Managing Director of Junction, BGL's broking business

Strategic priorities

- Drive customer acquisition and retention
- Expansion of our motor footprint
- Take advantage of our increasingly efficient operating model

Insurance in 2017/18

Retail broking

- Home broking trading continued to be challenging
  - Limited premium inflation
  - Flexible panel of underwriters continue to offer margin protection
- Other broking was robust

Underwriting

- Excellent results driven by prior year claims experience
- New quota share arrangement demonstrates the high quality and stability of our underwriting business

Travel in 2017/18

Tour Operations

- Growth in profits of 20%
- A challenging period for our teams during the Monarch insolvency and hurricane season

Cruise

- Growth in profits of 94% from increased capacity days
- Spirit of Adventure ordered for delivery in August 2020

Current trading update

- Reservation IT platform development underway
- Spirit of Discovery first 19 cruises now over 50% sold at rates that meet our expectations

Summary

- Underlying profits are up and inline with revised guidance
- Cash generation strong and a further reduction in debt
- Travel business continues to grow
- Other broking was robust but motor and home underdelivered

Jonathan Hill
Chief Financial Officer

Growth in Underlying PBT of 1.4%

	FY 2018	FY 2017	
Customer spend	**£1,209m**	£1,182m	+2.3%
Revenue	**£860.1m**	£871.3m	(1.3%)
Underlying PBT(1)	**£190.1m**	£187.4m	+1.4%
Profit before tax	**£178.7m**	£193.3m	(7.6%)
Debt ratio	**1.7x**	1.9x	(10.5%)
Dividend	**9.0p**	8.5p	5.9%

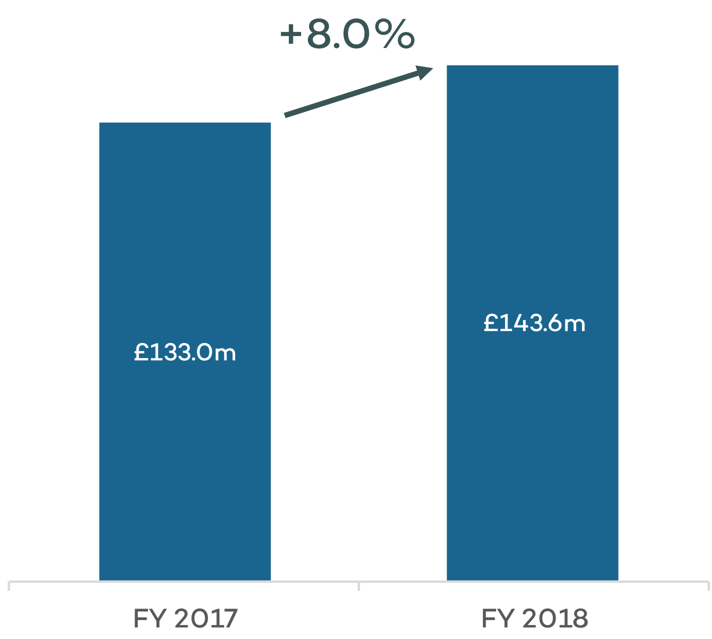
- Free cash flow before financing activities of £145.2m giving a dividend coverage of 1.4x
- Net Debt of £432.0m (FY 2017: £464.9m)
- Dividend supported by stability of our highly cash generative model

(1) Profit before tax from continuing operations excluding derivatives, debt write-off costs, one-off restructuring costs and Ogden rate changes.

Written profits from broking and travel of £143.6m

Written UPBT[1]	**FY 2018**	FY 2017	
Motor broking	**£39.0m**	£28.4m	+37.3%
Earned	**£42.4m**	£45.2m	(6.2%)
Home broking	**£53.0m**	£58.1m	(8.8%)
Earned	**£56.6m**	£61.2m	(7.5%)
Other broking	**£31.2m**	£31.6m	(1.3%)
Underwriting	**£79.2m**	£77.1m	+2.7%
Travel	**£20.4m**	£14.9m	+36.9%

Written retail broking and travel PBT growth



(1) Written profit before tax excluding derivatives, debt write-off costs, one-off restructuring costs and Ogden rate changes.

Retail broking

FY 2018 (Written)	Motor broking	Home broking	Other broking	Total retail broking
Revenue	**£117.8m**	**£81.4m**	**£76.2m**	**£275.4m**
Underlying PBT	**£39.0m**	**£53.0m**	**£31.2m**	**£123.2m**
Profit per core policy	**£30.4**	**£44.7**	**£99.4**	**£44.3**
Core policies sold	**1,281k**	**1,186k**	**314k**	**2,781k**
FY 2017				
Revenue	£112.0m	£86.7m	£80.4m	£279.1m
Underlying PBT	£28.4m	£58.1m	£31.6m	£118.1m
Profit per core policy	£20.8	£46.3	£82.9	£39.4
Core policies sold	1,366k	1,254k	381k	3,001k

- Written broking performance driven by motor
- On an earned basis, profitability of the broking business declined 5.7% due to a reduction in the motor written to earned adjustment

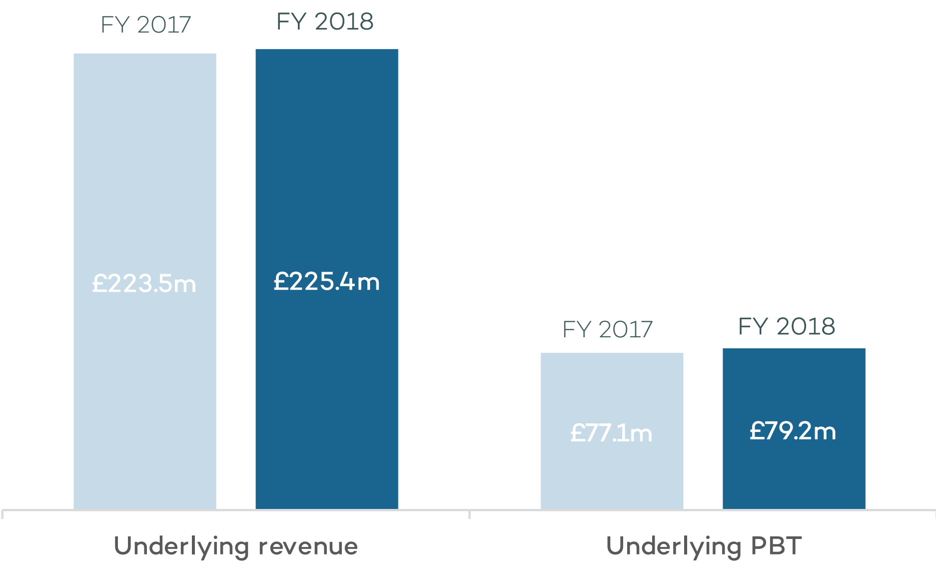
Written to earned adjustment

£m	**FY 2018**	FY 2017	FY 2016
Motor	**£3.4m**	£16.8m	£7.4m
Home	**£3.6m**	£3.1m	-
Total	**£7.0m**	£19.9m	£7.4m

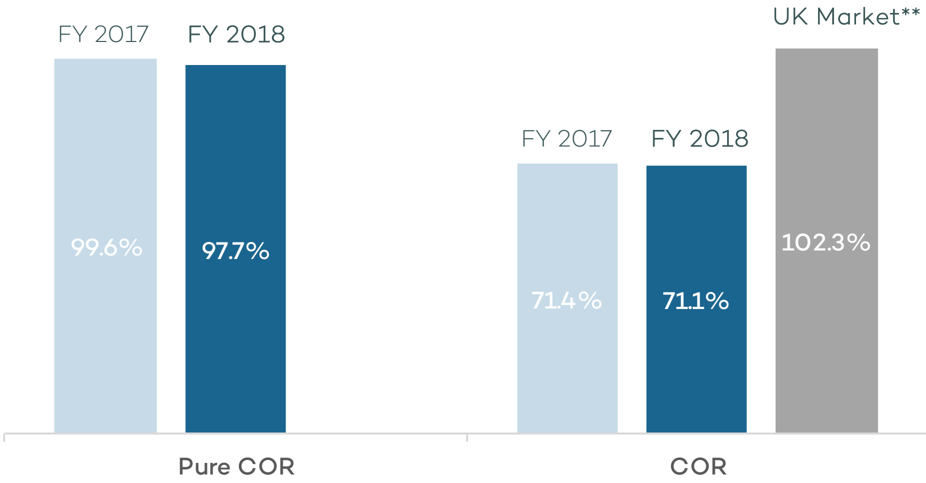
- Decline in WTE in FY 2018 driven by:
  - Reduction in policies and ancillary products underwritten by AICL; and
  - the introduction of the arrangement fee in 2015
- WTE expected to reduce

Continued strength in underwriting performance

Reduction in underwritten policies and lower reserve releases



Comparable Expense and Combined Operating Ratios*



- Increase in Underlying PBT driven by an improved Pure COR, offset by marginally lower underlying reserve releases of £60m (FY 2017: £63m)
- Reserve releases are driven by favourable small and large PI claims

* Figures exclude the impact of the quota share arrangement and Ogden impacts
** ABI Statistics to the end of December 2016

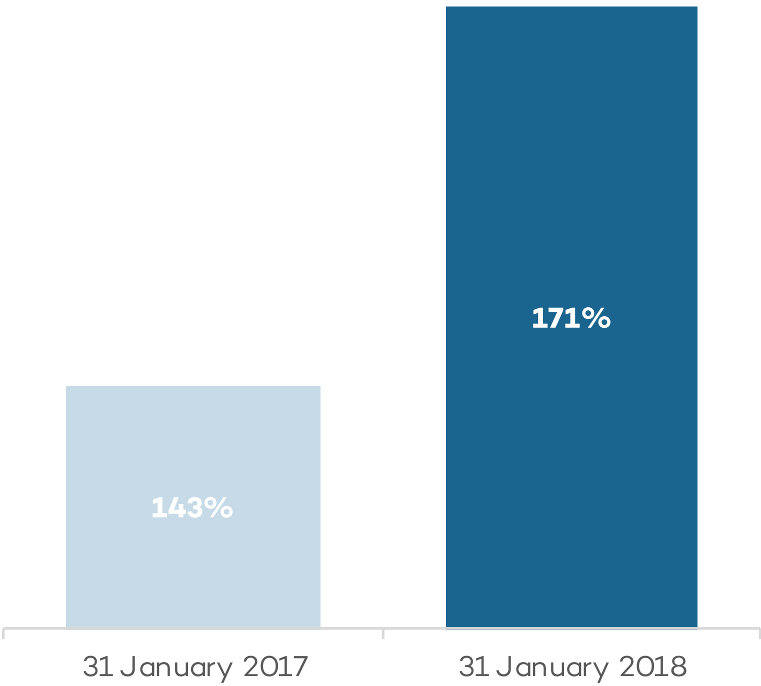
Quota share – reduces risk and volatility

Underwriting P&L	Reported FY2018	Quota share	**Underlying FY 2018**	Growth	Underlying FY 2017
Revenue	£98.8m	(£126.6m)	**£225.4m**	+0.9%	£223.5m
Underlying PBT	£79.2m	-	**£79.2m**	+2.7%	£77.1m
Reported COR	30.4%		**71.1%**	(0.3%)	71.4%
Pure COR	91.1%		**97.7%**	(1.9%)	99.6%
No of earned policies			**916k**		955k

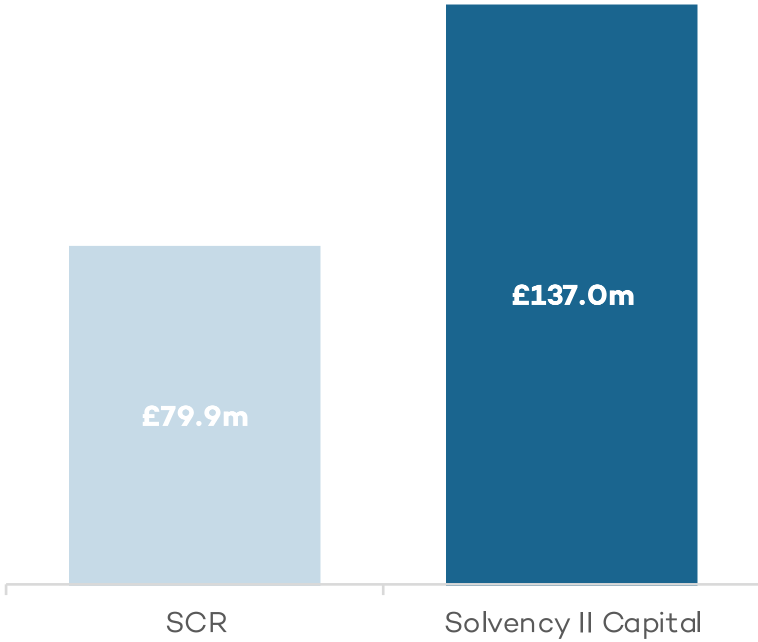
- YOY decrease in number of earned policies driven by improvement in share of external panel
- New quota share arrangement to cover 80% of underwriting risk of motor policies, effective 1 February 2019 on a rolling three years
- Adds Hannover Re to our current reinsurance partner NewRe, and replaces our existing quota share arrangement which is due to expire on 31 January 2019

Strong Solvency II position

Solvency II coverage



Surplus £57.1m



- SCR reduced to £79.9m from £102.9m at 31 January 2017
- The Solvency II coverage increased to 171% after payment of a dividend from AICL of £70m (FY 2017: £115m)

Travel – continued growth

Tour Operating

- Underlying PBT +20% to £13.8m (FY 2017: £11.5m)
- Increase in revenue of 2.9% driven by FX and continued shift in mix
- Decrease in passenger numbers primarily due to the cancellation impact of the collapse of Monarch Airlines

	FY 2018	FY 2017	
Revenue	**£448.8m**	£432.0m	+3.9%
Gross profit	**£92.6m**	£88.0m	+5.2%
Underlying PBT	**£20.4m**	£14.9m	36.9%
No. of holiday passengers	**184k**	190k	(3.2%)
No. of cruise passengers	**24k**	21k	+14.3%

Cruise

- Underlying PBT +94% to £6.6m (FY 2017: £3.4m) because of fewer maintenance days
- Includes investment in marketing initiatives for Spirit of Discovery
- Spirit of Adventure financing was confirmed in December at 3.3%

Emerging business and central costs

Emerging businesses

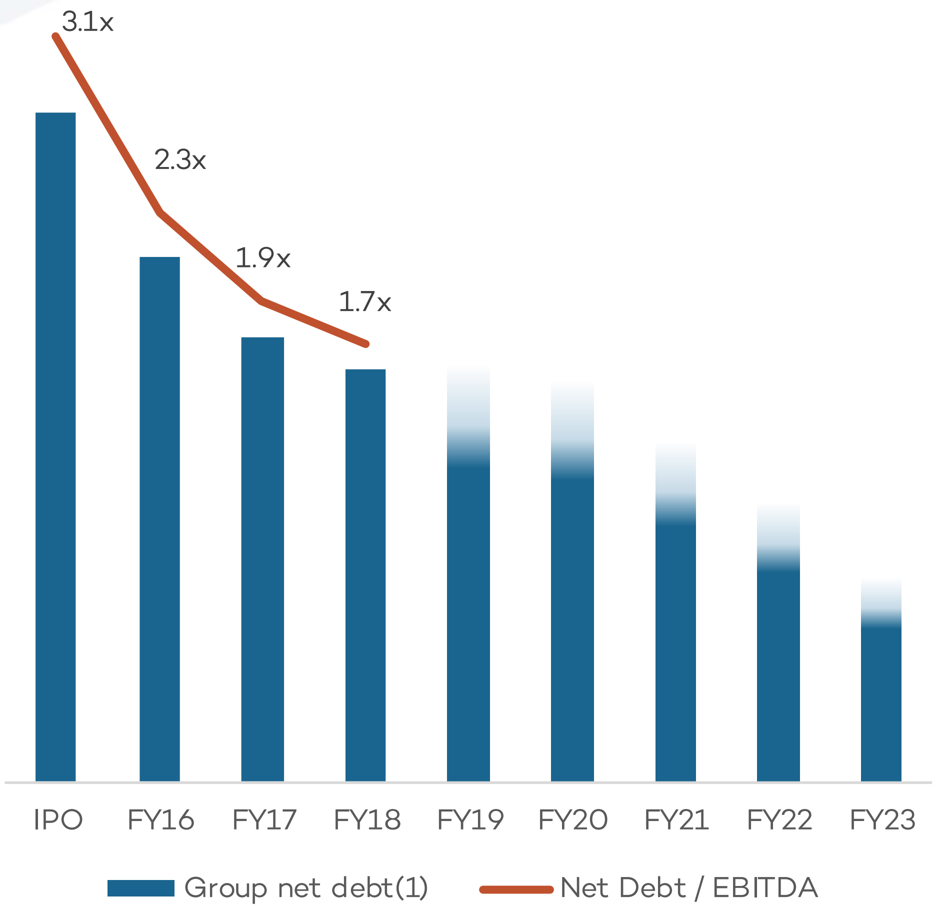
- Continue to develop some opportunities within Saga Money
- Saga Healthcare pilot continues to develop

Central costs

- IAS19R current service cost is not expected to repeat next year
- Lower level of net debt driving down finance costs

	FY 2018	FY 2017	
Revenue	**£29.9m**	£29.3m	+1.7%
PBIT (EB)	**£0.7m**	£0.8m	(12.5%)
Central Costs	**(£22.4m)**	(£25.2m)	+11.1%
PBIT	**(£21.7m)**	(£24.4m)	+11.1%
IAS19R	**(£5.5m)**	(£1.5m)	
Finance cost	**(£12.5m)**	(£16.7m)	+25.1%
Underlying loss before tax	**(£39.7m)**	(£42.6m)	+6.8%

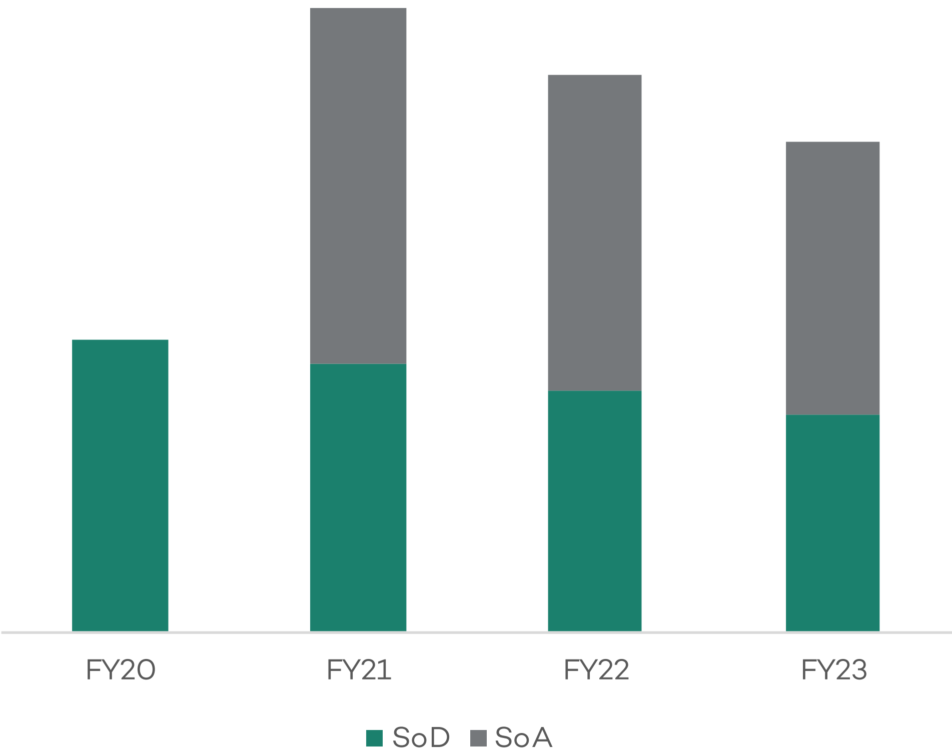
Group leverage excluding Travel expected to fall to approximately 1x



(1) Group net debt excluding Travel segment

- Reduction in Group debt since IPO from £700m to £445m. Driven by:
  - Strong cash generation; and
  - Reduction in capital requirement in AICL with the introduction of the quota share
- Continued reduction of Group net debt is expected over time
- Group leverage excluding both the debt and EBITDA from the Travel segment is expected to fall to approximately 1x by FY23

Ship financing is asset backed



- Asset backed financing for each new ship with a 12 year amortising ECA backed loan:
  - SofD: £245m, interest rate 4.4%
  - SofA: c.£280m, interest rate 3.3%
- Covenants apply at the Travel sub-group first, and then Plc
- All covenants have significant headroom
- Pre-sales of over 50% of the first 19 cruises provide confidence in the cash generation of each ship

Capital structure supports a temporary increase in leverage

(1) Group net debt excluding Travel segment

- The Group's leverage will peak at the first reporting date following delivery of each ship
- Peak leverage is expected to remain below 3.0x
- Peak leverage is driven by part year delivery of the ships
- Proforma leverage, adjusting for the expected full year EBITDA contribution from each ship, would remain below 2.5x at the peaks

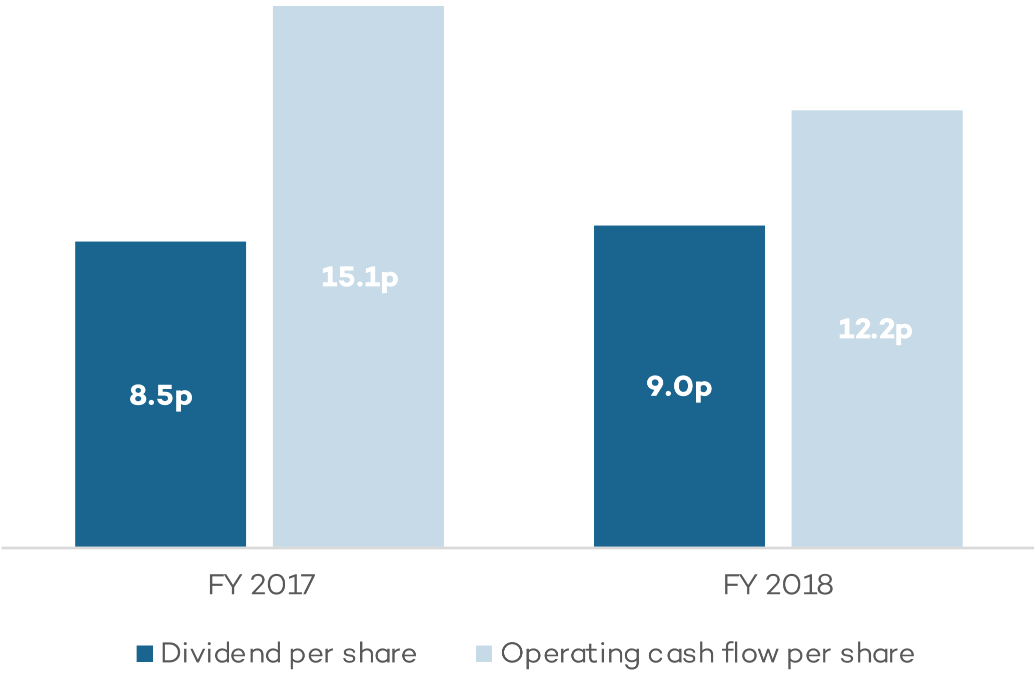
Strong operating cash conversion of 70%

	FY 2018	FY 2017
Trading EBITDA	**£250.1m**	£247.1m
Less: restricted businesses	**(£117.4m)**	(£109.9m)
Intra-group dividends paid by restricted businesses	**£70.0m**	£115.0m
Working capital and non-cash items	**(£0.9m)**	(£14.6m)
Capex funded with available cash	**(£26.3m)**	(£20.0m)
Available operating cash flow	**£175.5m**	£217.6m
Available operating cash flow %	**70.2%**	88.1%

- Dividend from AICL has normalised as the capital release from the quota share reduces
- Capex has increased to support the Guidewire program
- Within the Travel business we continue to retain profits to fund stage payments for our two new ships

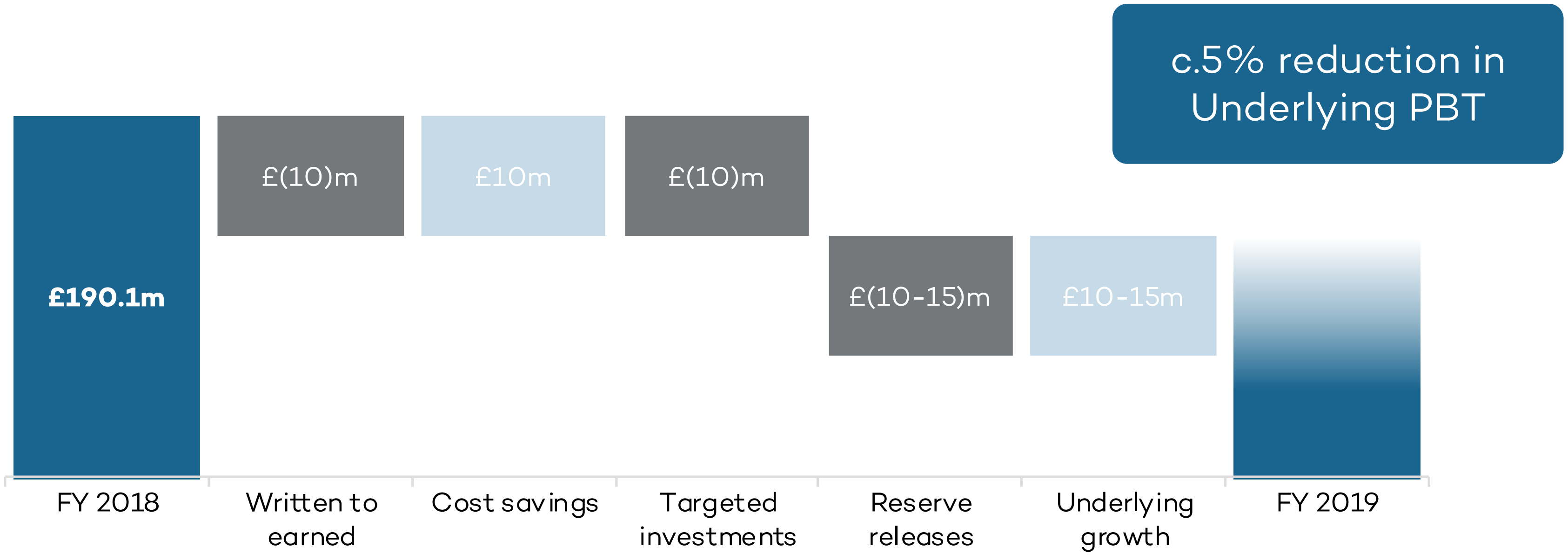
Capital structure and cash generation supports the dividend

Strong cash generation provides 1.4x coverage for the dividend



Financial outlook and guidance

- Costs savings of £10m have been delivered and are being invested in customer growth
- Underlying growth of between £10-15m, driven by:
  - some growth across all our operating businesses; and
  - a limited IAS19R pension charge
- Available operating cash conversion to be between 70% and 80%



Gary Duggan
CEO, Retail Insurance Broking

First impressions

Strengths	Weaknesses
• Focus on a growing demographic with a great brand • Strong customer relationships drive industry leading retention • Flexible supply of underwriting from panels, with a high quality in-house underwriter	• A limited footprint within the large over 50s insurance market • Immature motor panel • Limited product innovations • A complex organisational structure with legacy systems

Opportunities for Saga to grow its broking business

Customer acquisition and retention	• Investment in new business pricing (skewed to HACs and pHACs) • Optimising our marketing approach • Improved propositions through Guidewire and Possibilities driving higher retention
Expansion of the footprint	• Maximise our use of data to help expand our footprint with existing underwriters • Seek to add incremental underwriters to the motor panel to support additional footprint expansion
An increasingly efficient operating model	• Simplify and standardise across the business • Continuing to drive efficiencies in customer operations to create capacity for growth

Lance Batchelor
Chief Executive Officer

Growing our customer base

- Significant growth in both Underlying PBT and dividends since IPO
- Rapid deleveraging and reduction in debt from £700m at IPO to £445m
- Achieved with a loyal and stable customer base

Significant investment in IT to become a more efficient and flexible company

Efficient platform with 80% of IT systems replaced

Launch of Possibilities

Investment in customer insight capabilities and tools

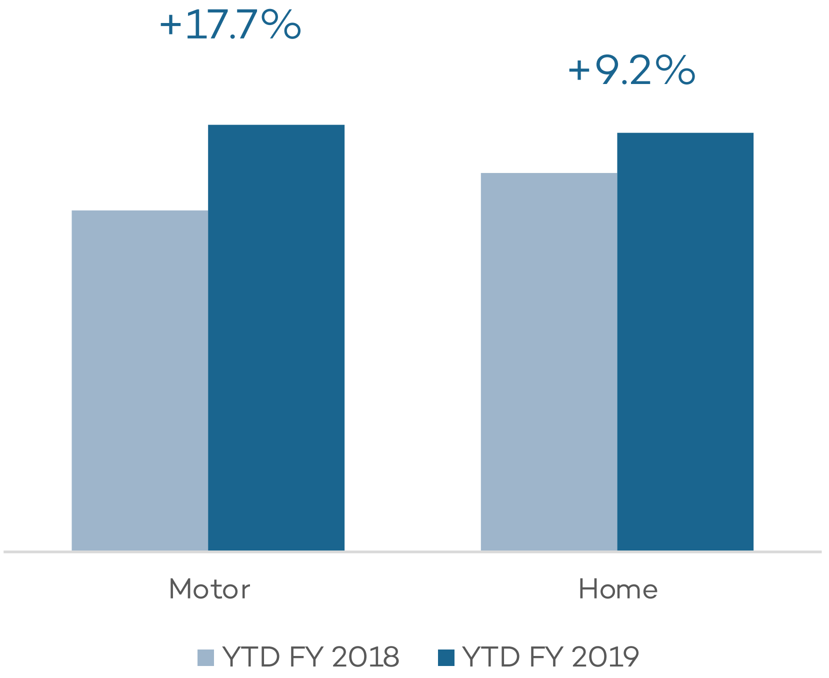
New shipping fleet

Decision to make £10m of targeted investments to grow our customer base

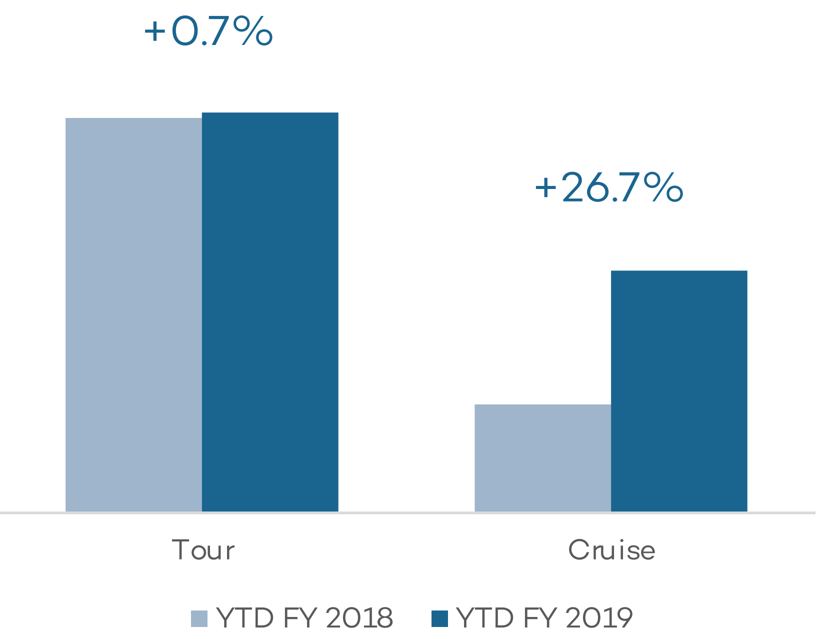
Encouraging signs of growth from targeted investments

- Our targeted investments are starting to drive volume
- We are confident they will lead to a larger customer base and a return to sustainable profit growth in the future

Broking new business volumes



Travel new business revenue

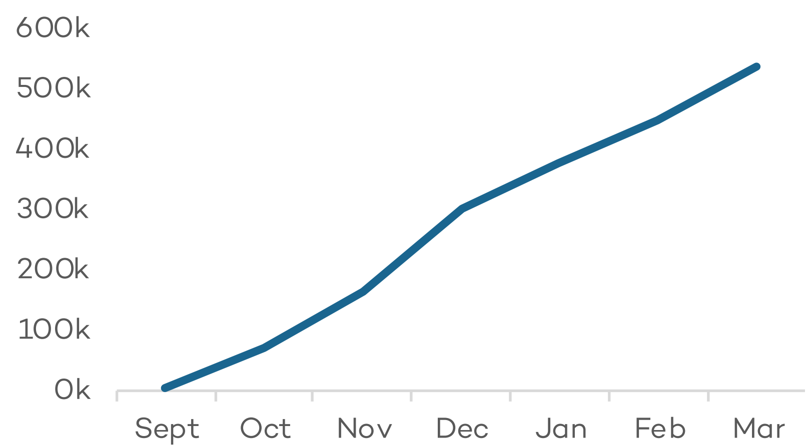


Possibilities – driving customer engagement

- Since launch Possibilities has over 500,000 members, with sign up rates greater than 80%.
- High levels of customer engagement
  - 40 ballots which have garnered over 107,000 entries from members
  - 35,000 partner offers redeemed
  - Open rates on communications >50%

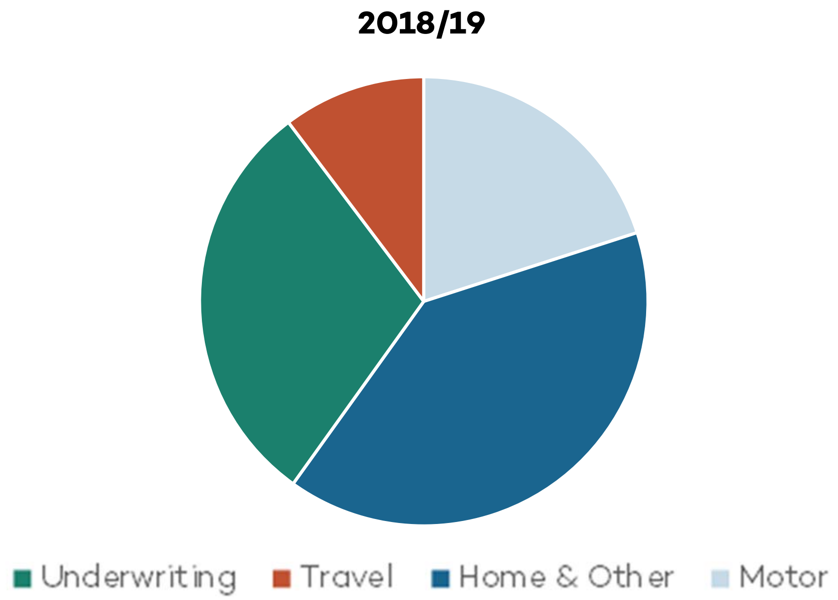
		vs. FY 2017
Number of members	**536,000** **as at 31 March 2018**	
Products held by HACs	**1,143k**	+1.2%

Number of members since launch



What could the future look like?

Moving towards higher quality earnings and more balanced



Transition to higher quality earnings

- Growth in Travel replaces the lower quality earnings from our underwriter.

Continued high cash generation

- Growth from capital light retail broking will continue to support high levels of cash generation.

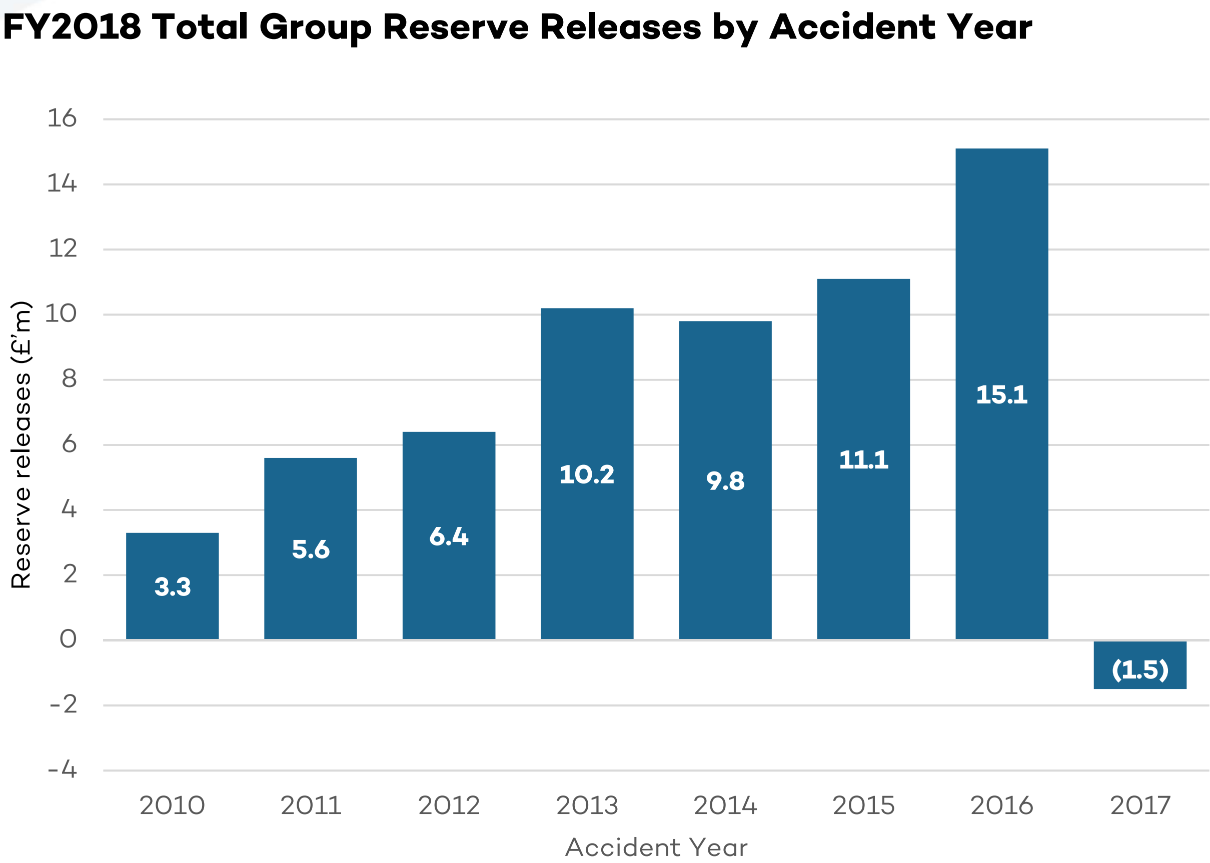
Summary

- The Saga model is increasingly efficient and supports investment for customer growth
- Early signs of growth from targeted investments with new business volumes in retail broking and tour increasing
- Deepening engagement with Possibilities
- The model is highly cash generative and will see an increasing quality of earnings over time

Q&A

Appendix

Reserve releases



- YOY reserve releases flat driven by favourable claims development experience
- No deterioration in underlying reserve margin
- Reserve releases are expected to reduce in FY19/20 by c.£10.0-15.0m

Saga Plc consolidated income statement

	FY 2018	*Growth*	FY 2017
Revenue	**£860.1m**	***(1.3%)***	**£871.3m**
Trading Profit [1]	**£216.2m**	***1.0%***	**£214.0m**
Non-trading items	(£3.4m)		(£1.9m)
Amortisation of acquired intangibles	(£4.7m)		(£6.5m)
Pension charge IAS19R	(£5.5m)		(£1.5m)
Net finance costs[2]	(£12.5m)		(£16.7m)
Underlying Profit Before Tax	**£190.1m**	***1.4%***	**£187.4m**
Net fair value (losses)/gains on derivatives	(£2.3m)		£9.9m
Debt issue costs	(£4.3m)		-
Restructuring costs	(£4.8m)		-
Ogden rate change impact	-		(£4.0m)
Profit before tax from continuing operations	**£178.7m**	***(7.6%)***	**£193.3m**
Tax expense	(£33.6m)	*(6.7%)*	(£36.0m)
Loss after tax for the year from discontinued operations	(£7.6m)		-
Profit after tax	**£137.5m**	***(12.6%)***	**£157.3m**
Basic earnings per share:			
Underlying Earnings per share from continuing operations	13.8p	*0.7%*	13.7p

(1) This measure excludes the impact of IAS19R current service costs, as this is a non-cash accounting adjustment that has increased notably in the year and so has been separately identified in the table above.
(2) Restated to exclude IAS19R pension costs

Insurance underwriting income statement

		12m to Jan 2018	Quota Share	Underlying	Growth	Underlying 12m to Jan 2017
Revenue	A	£98.8m	(£126.6m)	£225.4m	0.9%	£223.5m
Claims costs	B	(£79.0m)	£114.3m	(£193.3m)	1.3%	(£195.9m)
Reserve releases	C	£60.0m	-	£60.0m	(4.8%)	£63.0m
Other cost of sales	D	(£8.7m)	£12.8m	(£21.5m)	(1.4%)	(£21.2m)
Total cost of sales	E	(£27.7m)	£127.1m	(£154.8m)	(0.5%)	(£154.1m)
Gross profit		£71.1m	£0.5m	£70.6m	1.7%	£69.4m
Operating expenses	F	(£2.3m)	£3.2m	(£5.5m)	(1.9%)	(£5.4m)
Investment return		£10.4m	(£5.8m)	£16.2m	10.2%	£14.7m
Quota share net cost		-	£2.1m	(£2.1m)	(31.3%)	(£1.6m)
Underlying profit before tax		£79.2m	-	£79.2m	2.7%	£77.1m
Reported loss ratio	(B+C)/A	19.2%		59.1%	(0.4%)	59.5%
Expense ratio	(D+F)/A	11.1%		12.0%	0.1%	11.9%
Reported COR	(E+F)/A	30.4%		71.1%	(0.3%)	71.4%
Pure COR	(E+F-C)/A	91.1%		97.7%	(1.9%)	99.6%
Number of earned policies				916k		955k

Travel income statement

	12m to Jan 2018				12m to Jan 2017		
	Tour Operating	Cruising	Total Travel	Growth	Tour Operating	Cruising	Total Travel
Revenue	£360.4m	£88.4m	£448.8m	3.9%	£350.1m	£81.9m	£432.0m
Gross profit	£69.5m	£23.1m	£92.6m	5.2%	£71.5m	£16.5m	£88.0m
Marketing expenses	(£18.4m)	(£7.8m)	(£26.2m)	1.5%	(£19.6m)	(£7.0m)	(£26.6m)
Other operating expenses	(£37.4m)	(£8.8m)	(£46.2m)	1.1%	(£40.6m)	(£6.1m)	(£46.7m)
Investment return	£0.1m	£0.1m	£0.2m	0.0%	£0.2m	-	£0.2m
Underlying profit before tax	£13.8m	£6.6m	£20.4m	36.9%	£11.5m	£3.4m	£14.9m
Number of holidays passengers	184k	n/a	184k	(3.2%)	190k	n/a	190k
Number of cruise passengers	n/a	24k	24k	14.3%	n/a	21k	21k
Number of cruise passenger days	n/a	323k	323k	7.3%	n/a	301k	301k

Emerging businesses and central costs income statement

	12m to Jan 2018				12m to Jan 2017		
	Emerging Businesses	Central Costs	Total	Growth	Emerging Businesses	Central Costs	Total
Revenue	£28.0m	£1.9m	£29.9m	2.0%	£27.2m	£2.1m	£29.3m
Profit before interest, tax and the IAS19R pension charge	£0.7m	(£22.4m)	(£21.7m)	11.1%	£0.8m	(£25.2m)	(£24.4m)
IAS19R pension charge	-	(£5.5m)	(£5.5m)	(266.7%)	-	(£1.5m)	(£1.5m)
Finance costs	-	(£12.5m)	(£12.5m)	25.1%	-	(£16.7m)	(£16.7m)
Underlying profit /(loss) before tax	£0.7m	(£40.4m)	(£39.7m)	6.8%	£0.8m	(£43.4m)	(£42.6m)

Cash flow and liquidity

Available Cash Flow	12m to Jan 2018	Growth	12m to Jan 2017
Trading EBITDA[1]	£250.1m	1.2%	£247.1m
Less Trading EBITDA relating to restricted businesses	(£117.4m)	(6.8%)	(£109.9m)
Intra-group dividends paid by restricted businesses	£70.0m	(39.1%)	£115.0m
Working capital and non-cash items	(£0.9m)	93.8%	(£14.6m)
Capital expenditure funded with available cash	(£26.3m)	(31.5%)	(£20.0m)
Available operating cash flow	£175.5m	(19.3%)	£217.6m
Available operating cash flow %	70.2%		88.1%

(1) Restated to exclude IAS19R pension current service costs.

Customer metrics

	FY 2018	FY 2017	
Products held by HACs	**1,143k**	1,129k	+1.2%
Number of members	**376,400**	Nil	n/a
Average HAC product holding	2.4	2.3	+4.3%
HACs	471k	483k	(2.5%)
pHACs	469k	467k	+0.4%