Investor update
2 April 2020

Introduction

Euan Sutherland
Chief Executive Officer

Good progress last year, comprehensive response to COVID-19

2019/20 – good progress against business priorities

- Underlying PBT of £110m in line with target range
- Net bank debt reduced by £30m
- Successful launch of differentiated products – three-year fixed price & Spirit of Discovery
- Strengthened Executive Team in place

2020/21 Q1 - fast start

- Two disposals announced, expected to release £37m in cash in H1
- £15m run rate cost savings delivered
- Positive momentum in Insurance

COVID-19 – comprehensive response

- Home and Motor insurance not expected to be significantly impacted
- 2,300 colleagues now able to work from home, including full customer service capabilities, with no interruption to customers
- Travel suspended until May; planning for a further delay
- Precautionary drawdown of £50m RCF; cash on hand at 31 March of £92m
- Debt covenants reset to 4.75x in the near-term
- Dividend suspended

We have reduced debt, improved liquidity and renegotiated bank covenants in place

Insurance KPIs tracking positively

	Goal	Actual
Policy count (M+H)	Stable	**(3%)**
Direct share	>50%	**57%**
Retention	~73%	**75%**
Gross margin per policy	£71-74	**£74**
Costs	£99m	**£93m**

- Challenging market environment through most of 2019; we maintained a disciplined approach
- Success story with 3 year fixed – sold c320,000 policies, over 20% of the Home and Motor book
- Good retention, well above plan in home and slightly above plan for motor
- Margins overall at the top of the range, albeit in part due to lower new business volumes
- Overall, business stabilised after challenging 2018/19

Continued momentum for three year fixed with over 400,000 policies sold to end of March, external reinsurance solution in place to reduce inflation risks

Cruise transformation programme well advanced, despite the recent impact of Coronavirus

Launch of Spirit of Discovery

- Customer feedback is excellent
- EBITDA generation of £20m in H2, supports the run-rate of £40m of EBITDA per ship per year

Cruise NPS 59

£40m run-rate EBITDA

Despite short-term impact, future demand is healthy

- Prior to Government shutdown load factors of over 80%
- 58% load factors for September to January

66% booked for Sep-Jan targets*

16% booked for 2021/22 targets*

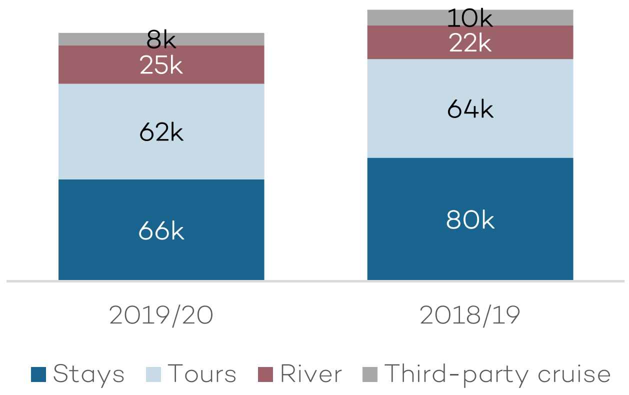
* % booked of our revenue targets for the stated period

Opportunity to refocus and reposition the Saga Tour Operations business

Saga Tour Operations

- Tour Ops impacted by a challenging environment
- Gross margins impacted by competitive markets and fixed cost commitments in the first half.
- Total passenger number down by 8.5% but with more resilient performance in Tours and River
- Good performance from Titan

Tour passengers by product mix



Relaunch of the business in Autumn when restrictions lifted

- Aligned with Cruise proposition
- Smaller HQ, higher quality in field
- Great value for customer, differentiated and direct control of experience

Impact of COVID-19 to date – Cruise

- On 12 March we suspended Cruise operation until 1 May 2020
  - The two ships are in Tilbury; significant actions taken to reduce near-term costs
  - Estimated £15m impact on profit before tax, including £3m of losses on oil hedges
  - 57% of customers on cancelled departures have rebooked
- Bookings for the remainder of the year have been resilient: 66% of target for last 5 months of 20/21 and 16% of target for 21/22 (with positive trends in recent weeks)
- Booked revenue for period from September 2020 to January 2021 of £49.5m, with passenger days of 173k (comparative figure for prior year was £44m, and passenger days of 166k)
- Total advance receipts at 31 March of £41m, of which £27m relates to departures from May to December 2020 and a further £7m relates to departures in 2021

Resilient demand for Cruise from loyal customers

Impact of COVID-19 to date – Tour Operations

- On 16 March we suspended all Saga Holidays and Titan departures until 31 May 2020
  - Estimated £9m impact on profit before tax
  - ~20% of customers on cancelled departures have rebooked

- Customer repayments met from CAA ring fenced Group cash
  - £7m of cash provided by Saga Group to ensure headroom to CAA cash collateral requirements
  - At the end of March there were £55m cash deposits corresponding to £69m of advanced receipts.

- Bookings for the remainder of the year have been impacted by COVID-19 uncertainty: 55% of target for last 5 months of 20/21 and 6.8% of target for 21/22

- Booked revenue for period from September 2020 to January 2021 of £79m, with passengers of 33k (comparative figure for prior year was £89m, and passengers of 39k)

The Tour Operations business is a ring fenced Group backed by £55m cash deposits against £69m advanced receipts

Impact of COVID-19 to date – Operational resilience

- Strong progress from largely unaffected Insurance business underpins cash flow and profitability.

- 2,300 colleagues set up to work from home
  - Call centre colleagues fully enabled to work from home with no disruption
  - Call answer rates excellent in circumstances, above 98%
  - Very quick adoption of new ways of working

- Both ships rapidly put into Tilbury dock – significant logistical effort

- All cruise colleagues have been able to return back to their home location

- 3,000 Tour Ops customers repatriated – only 80 passengers still overseas

- Government furlough of colleagues is underway

Operational resilience tested – so far we are doing well

Financials

James Quin
Chief Financial Officer

Unaudited trading update for 2019/20

	2019/20	2018/19	
Customer spend	**£1,198.0m**	£1,210.1m	(1.0%)
Revenue	**£797.3m**	£841.5m	(5.3%)
Underlying PBT	**£109.9m**	£180.1m	(39%)
Reported PBT	**(£300.9m)**	(£134.8m)	(123.2%)
Available operating cash flow	**£92.7m**	£182.3m	(49.1%)
Debt ratio (ex cruise)	**2.4x**	1.7x	0.7x

- Underlying PBT in line with target range despite challenging market environment
- Underlying PBT excludes:
  - Impairments of goodwill
  - Impairments of assets of c.£17m
  - £4m one-off costs incurred due to administration of Thomas Cook
  - One-off restructuring costs relating to non-core businesses of c£6m
- Available operating cash flow above expectations
- Short term priority is on liquidity and reducing leverage given COVID-19 risks

Unaudited operating results consistent with expectations

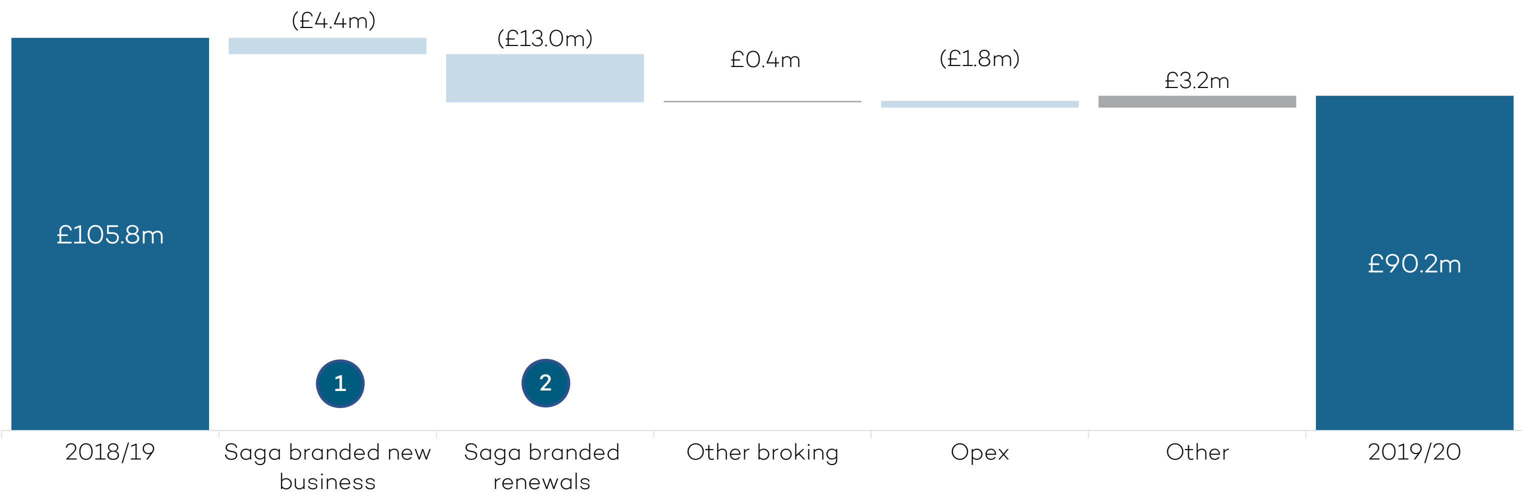
Underlying PBT (unaudited)

	2019/20	2018/19	
Retail Broking	**£90.2m**	£105.8m	(15%)
Underwriting	**£40.6m**	£86.7m	(53%)
Insurance	**£130.8m**	£192.5m	(32%)
Travel	**£19.8m**	£21.6m	(8%)
Other businesses	**£4.6m**	£3.1m	48%
Central costs	**£(45.3)m**	£(37.1)m	(22%)
Underlying PBT	**£109.9m**	£180.1m	(39%)

- Insurance results in line with expectations
- No reliance on 'extra' reserve releases
- Good year for Cruise
- Tour Operations impacted by challenging trading conditions
- Central costs reflect an investment into IT, consultancy costs and the centralisation of back office teams

Retail Broking results in line with expectations

Year – on - year movements in Retail Broking Underlying PBT (Unaudited)

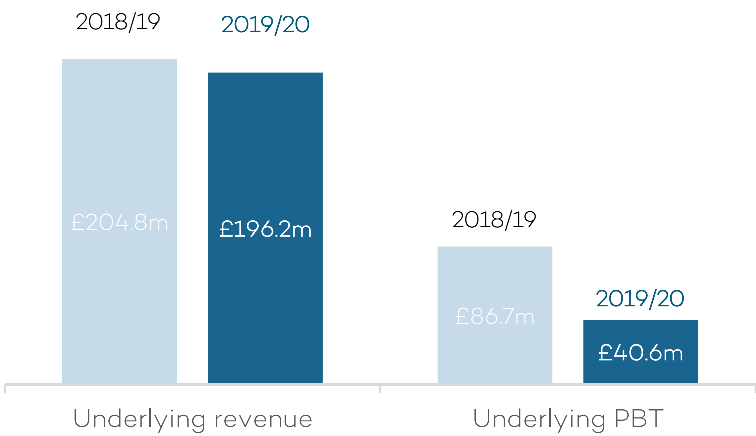


Retail Broking profitability consistent with expectations set in April 2019

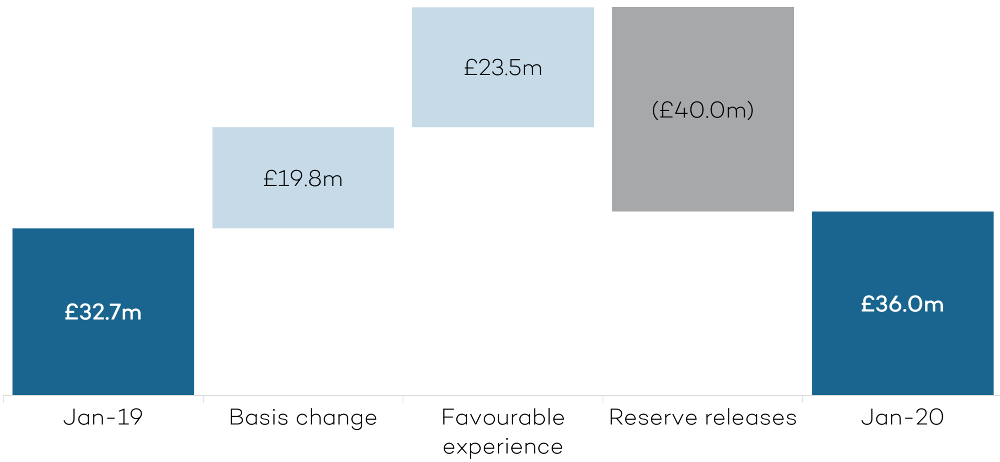
1. Decline in new business profitability is mainly due to a highly competitive market and higher acquisition costs, including investment in above the line advertising
2. Reduction in renewal profitability is due to an increase in the proportion of lower margin policies sourced from PCWs in the prior year and lower pricing for long-tenured customers

Underwriting also in line with expectations

Performance in line with expectations



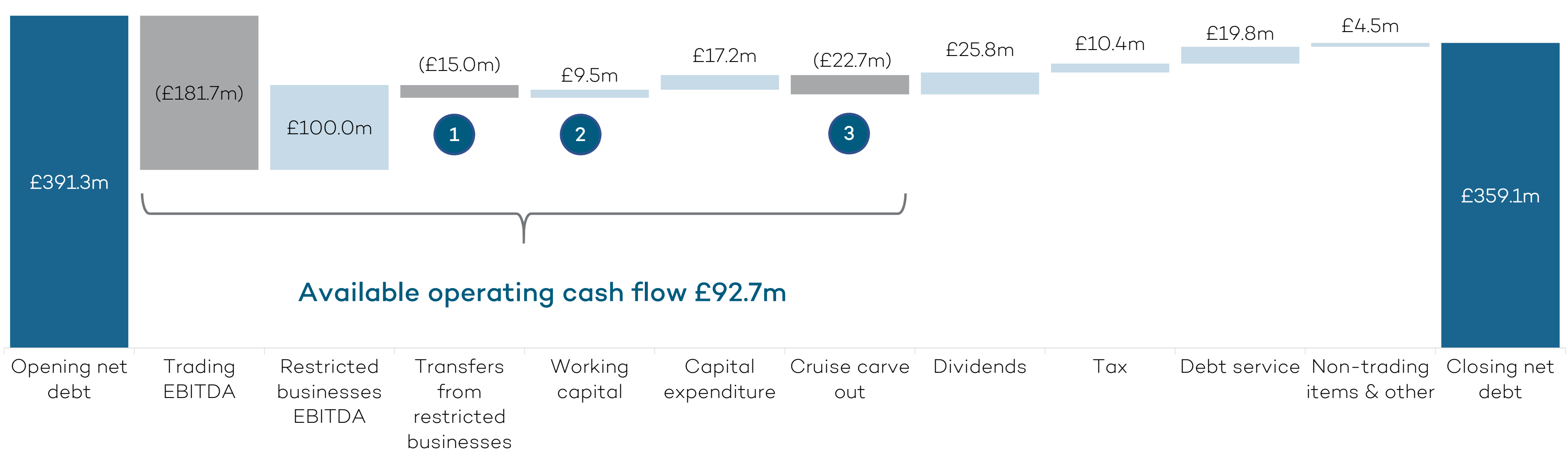
YOY movement in reserve margin (unaudited)



- Net earned premiums decreased 4% in line with lower broking policy volumes underwritten by AICL
- Reserve releases of £40.0m (2019: £77.9m) in line with expectations
- Movement in reserve margin driven by:
  - Recognition of improved development patterns within actuarial 'best estimate' reserving methodology
  - Continued favourable experience on large bodily injury claims
- Reserve releases for 2020/21 are expected to be in the range of £15-£25m
- From 2021/22, COR is expected to be 97% in line with indications from April 2019
- AICL continues to focus on investing in underwriting and pricing capability

Continued strong cash generation

Movement in net debt February 2019 to January 2020



- Group net bank debt reduced by £32m over the year.
  1. This includes £40m of dividends from AICL offset by a £25m subordinated loan to the Travel business to fund the final instalments for Spirit of Adventure
  2. Reversal of a £15m positive working capital inflow from the prior year
  3. Removal of the Cruise business from the CAA ringfenced group released £23m of available cash
- Adjusted for capital and interest payments on the *Spirit of Discovery*, underlying operating cash flow was around 60% of Trading EBITDA

Note: Closing net debt stated above excludes the Spirit of Discovery ship loan (£234.8m was outstanding at 31 January 2020)

We have considered several adverse stress test scenarios for the development of the COVID-19 crisis

Central scenario assumptions

- Cruise suspended from mid-March to mid-September
- Delay for Spirit of Adventure of 3 months until November
- Impacts 26 departures
- Tour Ops suspended from 16 March until the end of August
- Significant adverse impact on passenger volumes for the rest of the year across Cruise (eg 54% load factor in December 2020) and Tour Ops (eg 40% reduction in pax September-January)
- Approximately 65% reduction in FY Tour Ops and Cruise revenues (vs plan)
- Expect 'drop through rate' from reduced travel revenues to full year Underlying PBT of 15-20% for Tour Ops and 55%-60% for Cruise (vs plan levels, net of divisional mitigation actions)
- Insurance results expected to remain resilient, but a level of prudent stress test included

Very prudent approach to travel rebooking, makes no allowance for cruise debt 'holiday' or other payment deferrals, and before other cost mitigation actions

Insurance cash flows expected to remain resilient

Some areas of potential downside

- Although we do not underwrite travel insurance, we expect demand for travel insurance to decline significantly in the next 6 months
- Motor claims costs exposed to supply chain issues
- Full service PMI proposition may be temporarily impacted, and mid-term claims costs may significantly increase

Neutral factors

- AICL solvency II ratio estimated to be slightly above 140% at the end of March, in line with planning assumptions; no change to dividend plans

Some areas of potential upside

- Prudent reserving position
- Motor claims frequency likely to decline in short term
- Customer retention on 3 year fixed product
- Strong operational position and good momentum

Strong starting point enables the group to absorb additional short-term liquidity requirements

Shareholder cash resources of £92m at 31 March 2020

- This includes the £14m cash received from sale of healthcare companies
- Precautionary £50m drawdown on RCF in March
- Less £7m cash injection to ST&H ring fenced

Further £55m of cash resources in ST&H ring fenced fund at 31 March 2020

- £55m of cash supporting £69m of advance receipts
- Voluntarily holding cash to 80% collateral level, higher than regulatory requirement

Prudent approach to planning short-term liquidity needs

- Working capital requirements expected to peak in next 3-4 months
- We assume circa 20% of cruise customers defer bookings: in practice >50% customers are rebooking
- No allowance included for Tour Ops customers rebooking to later departures: in practice >20% are rebooking; no allowance made for potential introduction of a voucher scheme
- No allowance for any provision of government support outside of the potential to furlough Travel colleagues

Group debt facilities support strong liquidity position

Summary of our banking facilities

	Outstanding (as at 31 March)	Expiry
Corporate bond	**£250m**	May 2024
Spirit of Discovery	**£234m**	June 2031
Term loan	**£140m**	May 2022
RCF	**£50m (£50m available)**	May 2023

- Corporate bond maturity > 4years
- Spirit of Discovery loan repayments of £20m per annum
- No payments on Spirit of Adventure until at least February 2021
- £20m to be repaid on term loan in January 2021; full repayment of the balance of £120m in May 2022
- £50m drawdown on RCF in March, further £50m potential if needed

Amended covenants provide the flexibility needed to respond to this challenging market environment

Key covenants are in the term loan and RCF

	Covenants
Corporate bond	None
Spirit of Discovery	1.2x interest cover 2x debt service
Term loan	Net debt to EBITDA (excluding Cruise) • 2020/21 – 4.75x Interest cover reset No plc dividends if leverage >3.0x
RCF	

Note: Full details are included in the appendices

Term loan and RCF

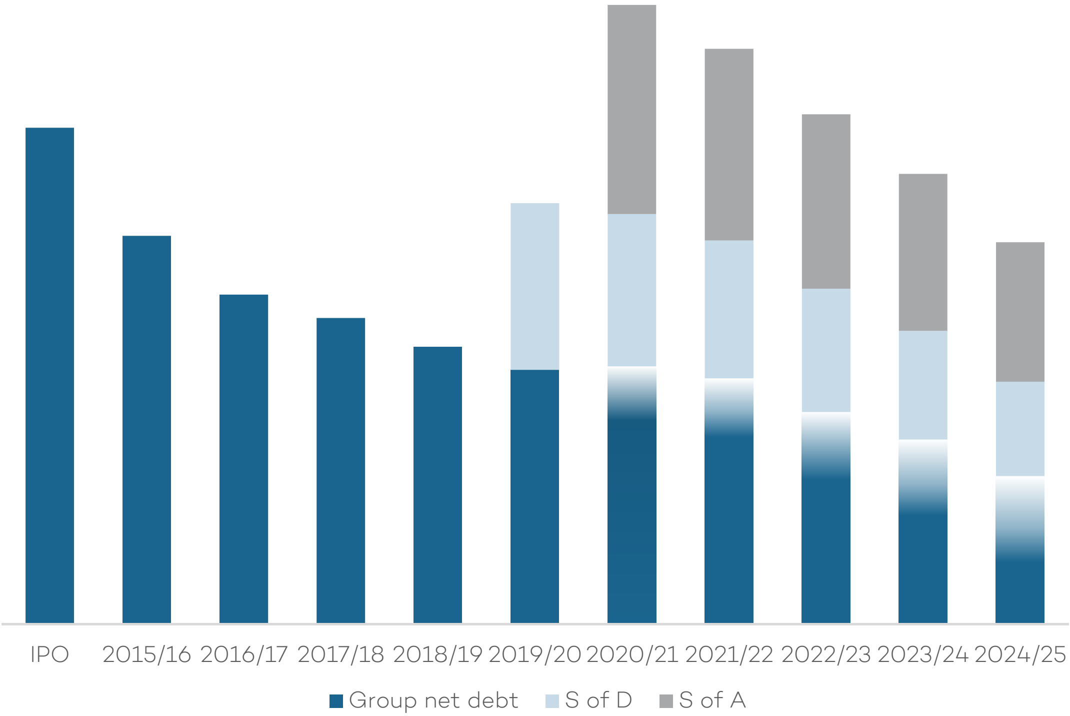
- Short-term amendments agreed to banking covenants given exceptional circumstances
- Headroom to amended covenants in central scenario

Ship facilities

- The covenants are effectively tested at the plc level
- 12 month waiver offered on all ECA backed cruise debt
- One-year debt holiday also on offer

Debt expected to significantly reduce over the next few years

Deleverage profile with stress test applied



- Resilient balance sheet after applying stress test scenarios and allowing for mitigating actions, including:
  - Suspension of dividends inline with our banking covenants
  - Announced disposals
  - Cost efficiencies
- Consideration given to further mitigating actions in scenarios of longer travel disruption
- Net bank debt expected to reduce over the course of the 20/21 year

'Headroom' available to revised bank debt covenants in central scenario, with further mitigating actions available in event of longer travel suspension

Priorities

Euan Sutherland
Chief Executive Officer

Current priorities

Current focus is on navigating COVID-19 challenges

- Supporting customers and colleagues
- Operational resilience and business continuity continues
- Ensuring we have sufficient short term liquidity
- Mitigating actions taken in travel business
- Tight control of costs and cash flows

We will continue to make progress as a business

- Continuing the progress made in 2019/20 to improve insurance performance
- Completing cruise transformation
- Rebooting Saga Holidays and Membership
- De-leveraging over next 2-3 years and planning for a return to paying dividends

Given COVID-19 we cannot provide any earnings guidance or targets for the year

Q&A

Appendix

Insurance goodwill impairment expected of £370m due to an increase in the pre-tax discount rate from 9.6% to 12.6%

- Accounting standards require an annual impairment test for goodwill

- Goodwill assessment is based on latest internal plans and cash flow projections
  - Underlying cash flows little changed from the prior year including allowance for further risk
  - Exclusion of all benefits from future profit improvement initiatives
  - Anticipated cost savings fully excluded from the current year calculation

- The discount rate applied in the goodwill calculation has increased significantly
  - Pre-tax discount rate increased from 9.6% to 12.6%
  - Mainly due to updated external market inputs, reflecting the lower share price
  - New discount rate reduces insurance valuation by £320m

- COVID-19 is not expected to lead to a further insurance goodwill impairment
  - Recent share price is not expected to have a further impact
  - Long-term insurance plans expected to be largely unaffected

Simplified the Group with £37m of non-core disposals and £15m of cost savings for 2020/21

Non-core disposals

Bennetts	Signed in February Completion expected in May/June	£23m net proceeds
Country Cousins Patricia White's – Round the clock care in your home	Completed in March	£14m net proceeds

Costs efficiencies

Simplified our organisation	£15m cost savings*
Review of all non-essential capex	£5m capex saving

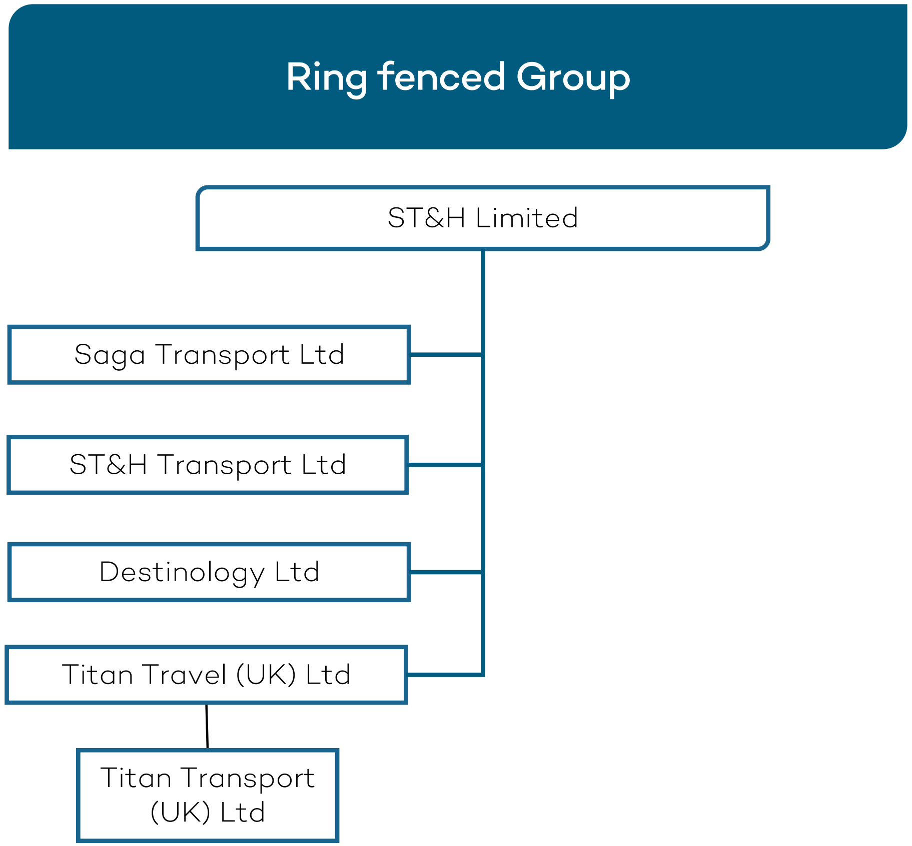
* Before further Travel mitigating actions

Amended term loan and RCF covenants

- Covenants tested quarterly if leverage (excluding Cruise) is greater than 4.0x
- No plc dividends if leverage (excluding Cruise) is greater than 3.0x
- Included the ability to provide £50m of intercompany loans to Cruise until July 2021, dropping to £25m
  - £40m available immediately
  - Further £10m if the ship financing standstill is not provided
  - Best endeavours for us to obtain standstill

	Leverage ratio	Interest cover
July 2020	4.75x	2.5x
Oct 2020	4.75x	1.75x
Jan 2021	4.75x	1.0x
Apr 2021	4.75x	2.0x
Jul 2021	4.25x	3.0x
Jan 22	4.00x	3.5x
Jul 22 & onwards	3.00x	3.5x

ST&H Limited (Saga Tours) balance sheet and ring fence



- The CAA require us to hold cash and bonding within the ring fence to support customers advanced receipts.
- At the end of March balances included:

Advanced receipts	£69m
Cash deposits	£55m
% held as cash	80%
Bonding in favour of:	
CAA	£32.8m
ABTA	£18.8m
IATA	£7.8m
	£59.4m