Results presentation

Interim results for the 6 months ended 31 July 2017

SAGA
keep doing

Lance Batchelor
Chief Executive Officer

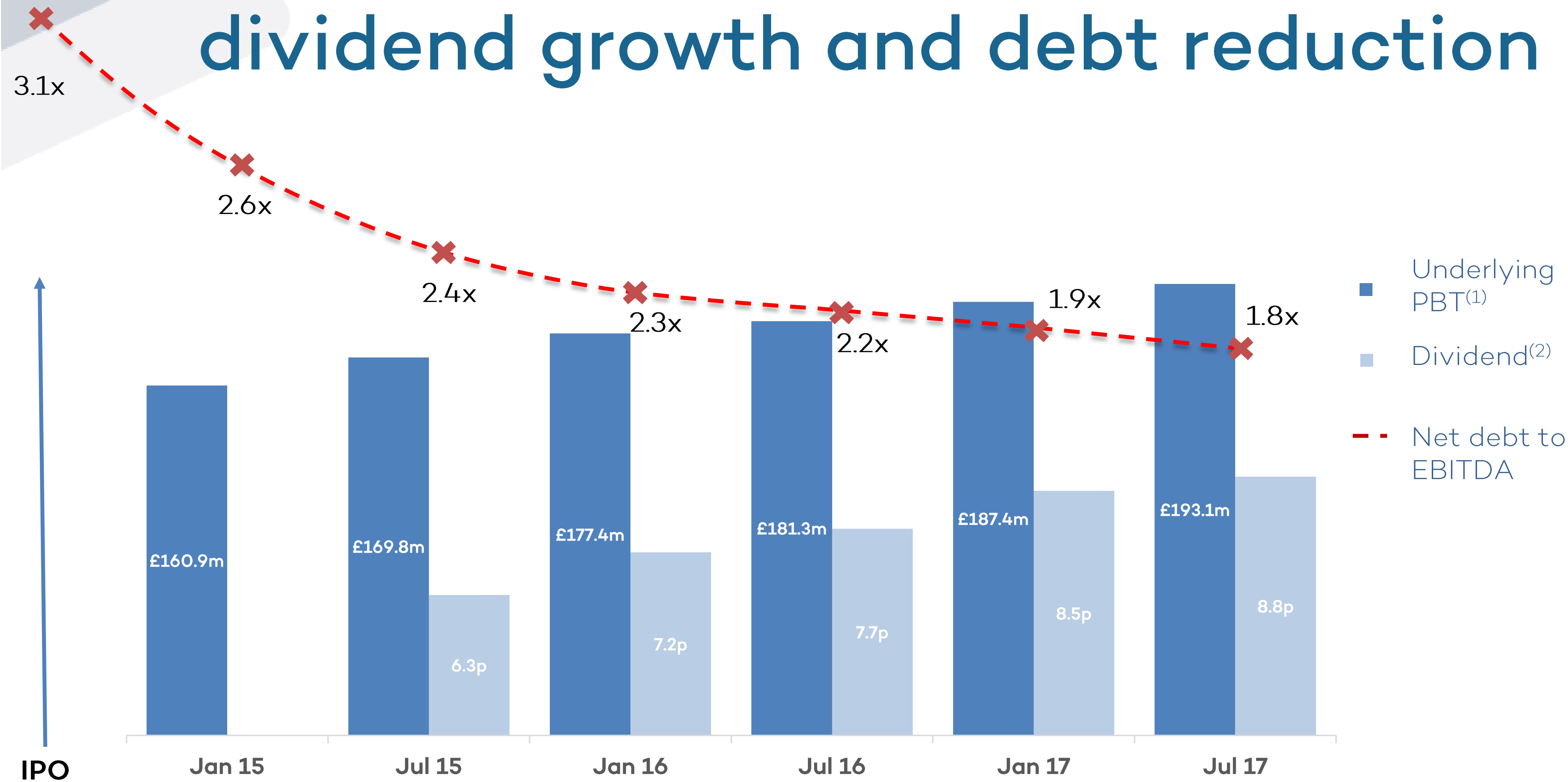
Another set of strong results

	vs. HY 2016
Retail insurance broking	↑
Travel	↑
Underwriting	=
Reserve releases	↓
Finance costs	↓
Underlying Profits[(1)]	↑

(1) Profit before tax excluding derivatives and debt write off costs.

Retail broking and travel PBT	+10.4%
Retail insurance broking PBT	+4.7%
Travel PBT	+63.0%
Underlying PBT[(1)]	+5.5%
Interim dividend 3.0p	11.1%

Consistent delivery of profit growth, dividend growth and debt reduction



Profit up and debt down since IPO

(1) Reported PBT from continuing operations on a last 12 months basis, excluding debt write off costs, derivatives, Odgen and IPO expenses
(2) Dividends declared in the last 12 months

The launch of Membership

possibilities

Member events

Events, ballots, tickets and exclusive experiences

Member offers

PREZZO

Nuffield Health

MAJESTIC

Exclusive offers from carefully chosen partners

Member community

Advice, news and guides from inspiring celebrities and UK experts

SAGA
keep doing

Saga Possibilities and new brand identity driving evolution

Smarter Acquisition	▪ More efficient acquisition ▪ Lower CPAs
Increased retention	▪ Retain more of our target customers ▪ Increase engagement
Increased cross-sell	▪ Increase in average number of products held ▪ Increased profit per customer

Now well positioned to grow our 477k HACs and the 2.3[(1)] average products they hold over the long-term

(1) The corrected average products held by HACs at 31 January 2017 is 2.3

Announcing Spirit of Adventure

- Decision to renew our shipping capacity with the second new ship, Spirit of Adventure, for early delivery in August 2020
- Spirit of Discovery
  - On track for delivery in June 2019, construction to start Feb 2018
  - Booked 6,449 passengers by 18 September
  - First cruise now sold out

Transformational for the cruise business and cruise customers

Consistent strategy

- Become increasingly customer centric
- Grow earnings from core insurance and travel businesses
- Maintain our efficient operating model
- Invest for future growth

= Confidence in continued financial performance and progressive dividends

Jonathan Hill
Chief Financial Officer

Strong group results

	HY 2016	HY 2017	
Customer spend	£595.8m	£617.1m	+3.6%
Revenue	£437.2m	£435.4m	(0.4%)
Underlying PBT(1)	£104.5m	£110.2m	+5.5%
Profit before tax	£109.9m	£103.0m	(6.3%)
Dividend	2.7p	3.0p	+11.1%

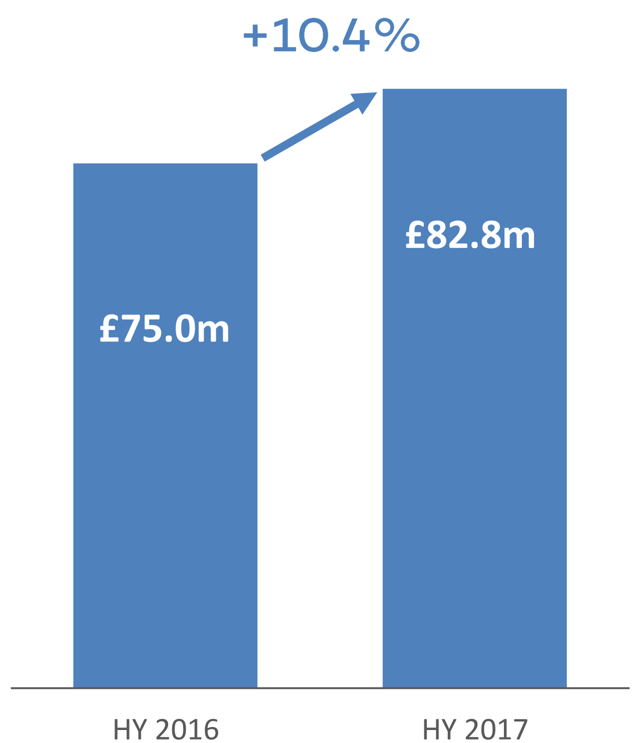
- Strong cash flows have enabled further deleveraging to 1.8x net debt to EBITDA
- Net debt of £460.4m (HY 2016: £534.0m)
- Increased interim dividend of 3.0p

(1) Profit before tax excluding derivatives and debt write off costs.

Solid performance from retail insurance and travel businesses

Underlying PBT	HY 2016	HY 2017	
Motor broking	£22.1m	£25.5m	+15.4%
Home broking	£29.7m	£28.6m	(3.7%)
Other broking	£15.9m	£16.8m	+5.7%
Underwriting	£49.1m	£46.8m	(4.7%)
Travel	£7.3m	£11.9m	+63.0%

Retail broking and travel PBT growth



Retail broking – continued PBT growth

HY2017	Motor broking	Home broking	Other insurance broking	Total retail broking
Revenue	£62.7m	£42.5m	£39.7m	£144.9m
PBT	£25.5m	£28.6m	£16.8m	£70.9m
Profit per core policy	£38.6	£47.5	£92.8	£49.1
Core policies sold	661k	602k	181k	1,444k
HY2016				
Revenue	£65.1m	£43.9m	£42.5m	£151.5m
PBT	£22.1m	£29.7m	£15.9m	£67.7m
Profit per core policy	£31.4	£46.9	£69.1	£43.2
Core policies sold	703K	633k	230k	1,566k

- Strong profit growth of 4.7%, driven by motor and other
- Broking PBT enhanced by efficiency of marketing spend and programmes to deliver operational efficiencies, deferred acquisition costs and the closure of Direct Choice

Retail broking – Motor broking

Motor broking	HY 2016	HY 2017	Variance
Revenue	£65.1m	£62.7m	(3.7%)
PBT	£22.1m	£25.5m	15.4%
Profit per core policy	£31.4	£38.6	22.9%
Core policies sold	703K	661k	(6.0%)

- Saga core motor policies consistent year on year (excluding discontinued Direct Choice brand)
- Strong written performance by retail broker, supported by competitive AICL pricing post Ogden
- Increased proportion of written broker revenue generated on AICL underwritten business
  - therefore greater deferral of revenue compared to prior year

Retail broking – Home broking

Home broking	HY 2016	HY 2017	Variance
Revenue	£43.9m	£42.5m	(3.2%)
PBT	£29.7m	£28.6m	(3.7%)
Profit per core policy	£46.9	£47.5	1.3%
Core policies sold	633k	602k	(4.9%)

- Continued competitive market
- Prioritised returns over volume

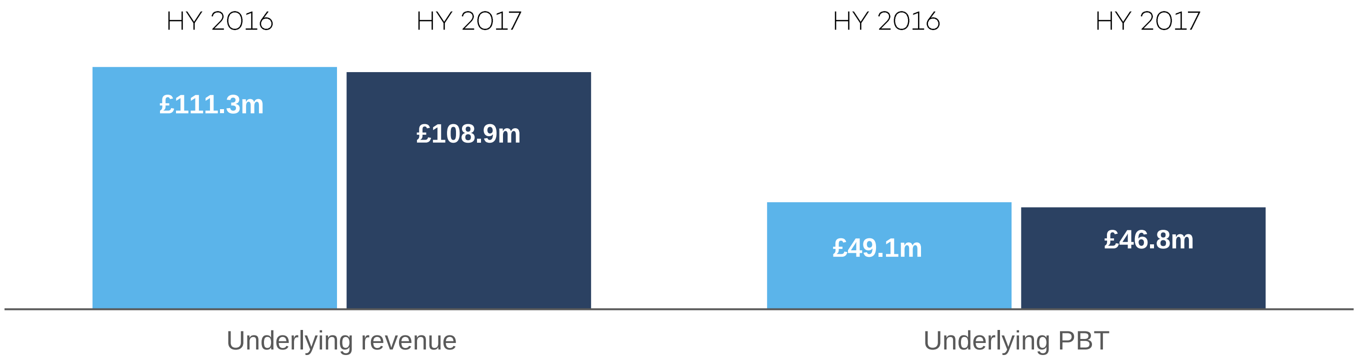
Retail broking – Other insurance broking

Home broking	HY 2016	HY 2017	Variance
Revenue	£42.5m	£39.7m	(6.6%)
PBT	£15.9m	£16.8m	5.7%
Profit per core policy	£69.1	£92.8	34.3%
Core policies sold	230k	181k	(21.3%)

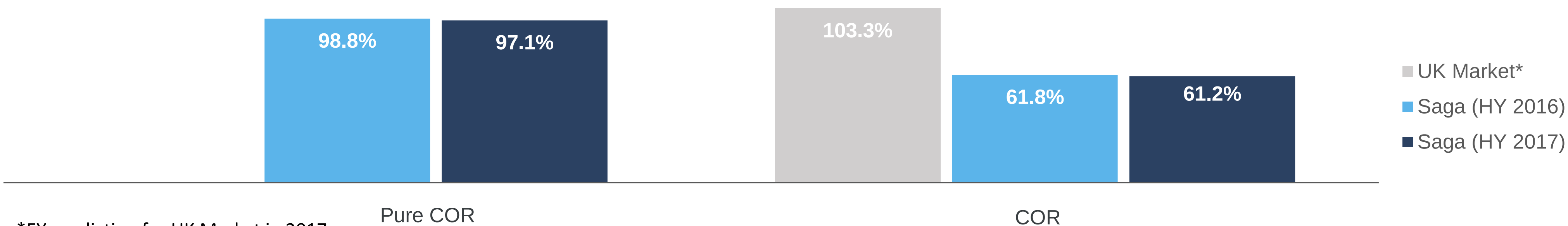
- PBT uplift supported by increased efficiencies
- Initial competitive disadvantage from FX impact on travel policies has now unwound

Strong underwriting performance

Reducing revenue and lower reserve releases



Further Combined Operating Ratio improvement

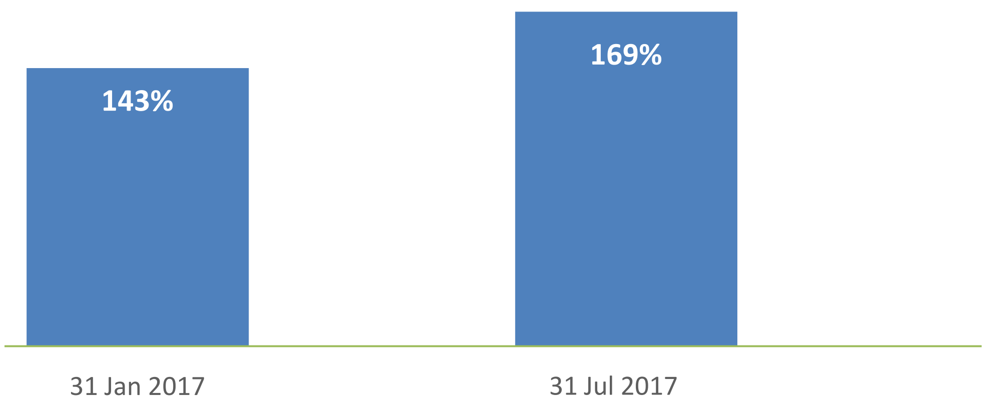


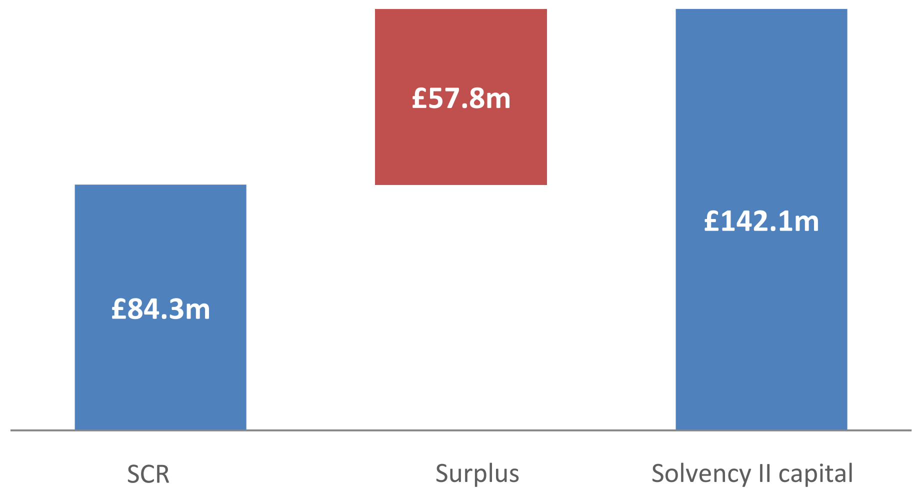
*EY prediction for UK Market in 2017

- Lower reserve releases of £39.0m (HY 2016: £41.2m); in line with guidance
- AICL has become more competitive on the panel during H1 due to comparatively small Ogden impact
- Revenue continues to decrease due to lower earned polices
- Leading to lower claims costs and improved pure COR

Strong Solvency II position

Solvency II coverage





- SCR reduced to £84.3m from £102.9m at 31 January 2017
- The solvency coverage increased, even after the payment of a £45m dividend from AICL (HY 2016: £50m)

Travel – continued growth

Tour Operating

- FX movements drove increased revenue
- Continued shift in mix towards higher value products

Cruise

- PBT increase due to lower maintenance days leading to a higher number of passenger days
- Spirit of Adventure's business case is compelling with an ungeared IRR in the low to mid-teens, comfortably above the Group's cost of capital

	HY 2016	HY 2017	
Revenue	£208.0m	£228.2m	+9.7%
Gross profit	£41.6m	£47.8m	+14.9%
Profit before tax	£7.3m	£11.9m	+63.0%
No. of holiday passengers	95k	96k	+1.1%
No. of cruise passengers	11k	13k	+18.2%

Emerging business and central costs

Emerging businesses

- Continue to develop
- Moved to profit in the period

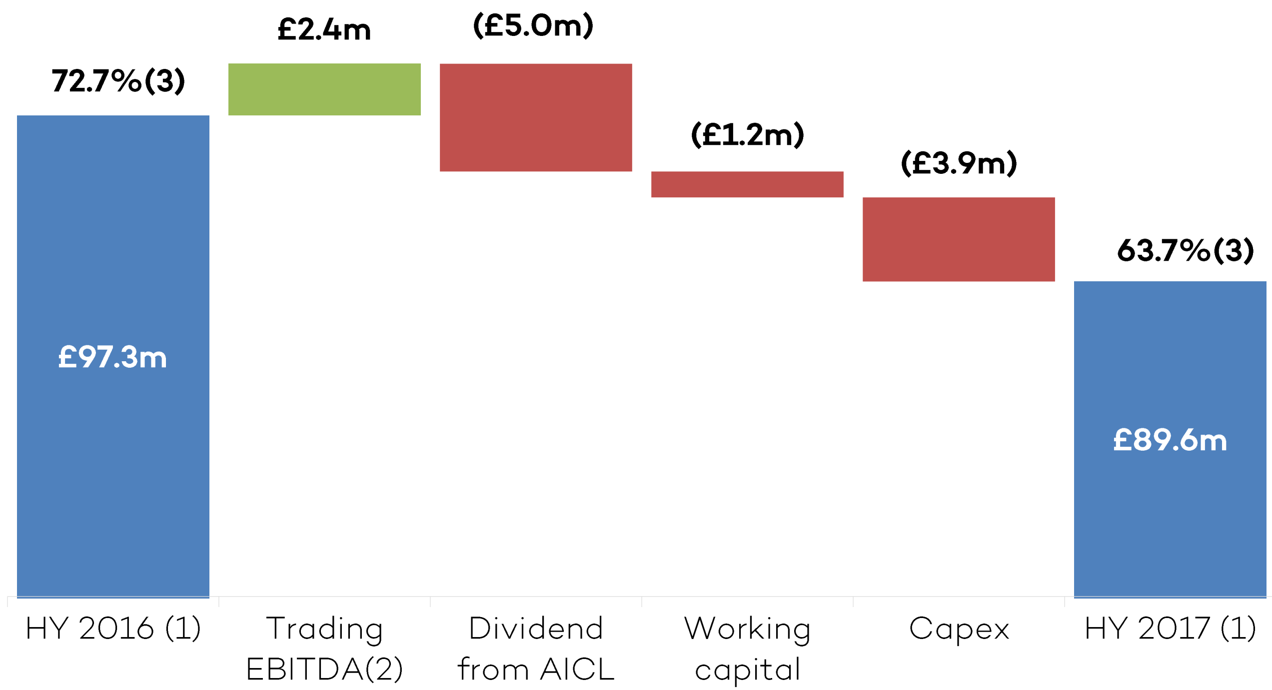
Central overheads

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

	HY 2016	HY 2017	
Revenue	£14.3m	£14.4m	+0.7%
PBIT[1]	(£10.2m)	(£10.5m)	+2.9%
IAS19R pension charge	(£0.7m)	(£2.6m)	
Finance costs	(£8.7m)	(£6.3m)	
Underlying loss before tax	(£19.6m)	(£19.4m)	(1.0%)

(1) Profit before interest, tax and the IAS19R pension charge

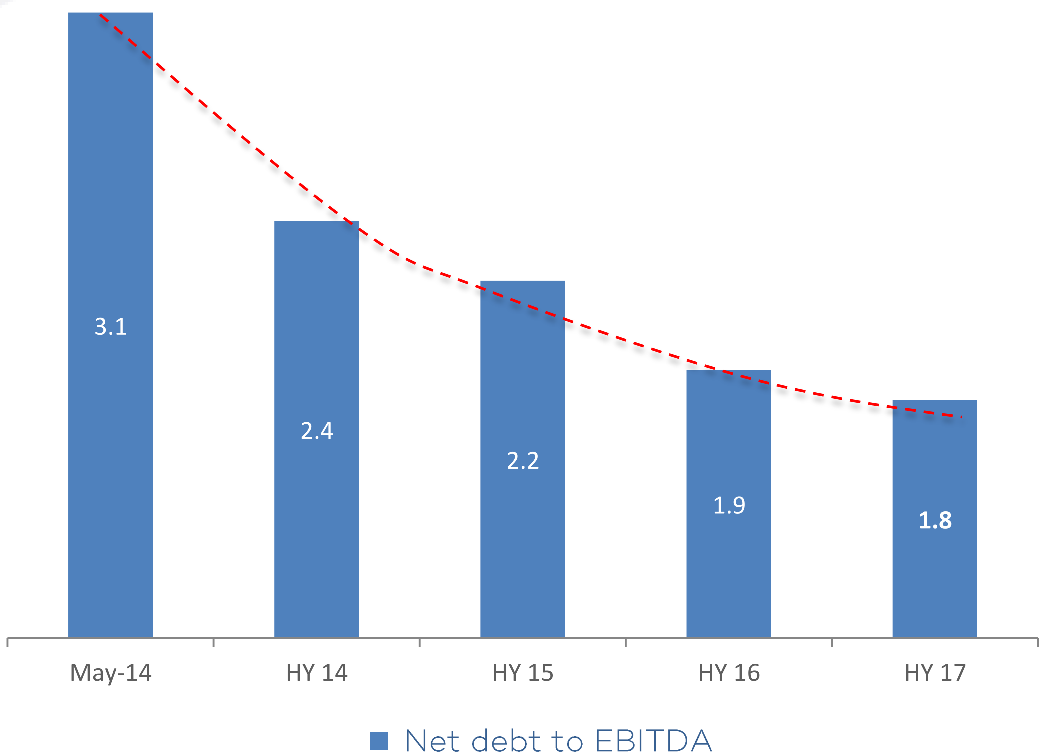
Strong cash generation



(1) Net cash flow from operating activities after capital expenditure but before tax and interest paid and non-trading items.
(2) Trading EBITDA less trading EBITDA from restricted businesses
(3) Available operating cash flow %

- Available operating cash flow of £89.6m, 63.7% of Trading EBITDA
- Lower due to:
  - Lower dividends paid from AICL
  - Investments in operational systems to support our efficient operating model
- Available operating cash flow % will trend towards 70% for FY

Capital structure supports future growth



- Continue to move down within our medium range target of 1.5-2.0x
- Net debt of £460.4m (HY 2016: £534.0m) with a reduction to 1.8x (HY 2016: 2.2x)
- Strong cash generation will see leverage moving towards 1.5x ahead of delivery of Spirit of Discovery in June 2019
- On delivery of each ship our leverage ratio will move above our target range but will delever below 2.0x within 12 months

Outlook and guidance

- Confidence in performance supported supported by:
  - current trading environment for insurance;
  - anticipated increase in travel profits, offset by;
  - expected lower level of reserve releases
- Underlying PBT to grow in line with expectations, benefiting from lower finance costs; offset by higher IAS19R pension costs
- Tax rate will be close to underlying corporation tax rates for FY

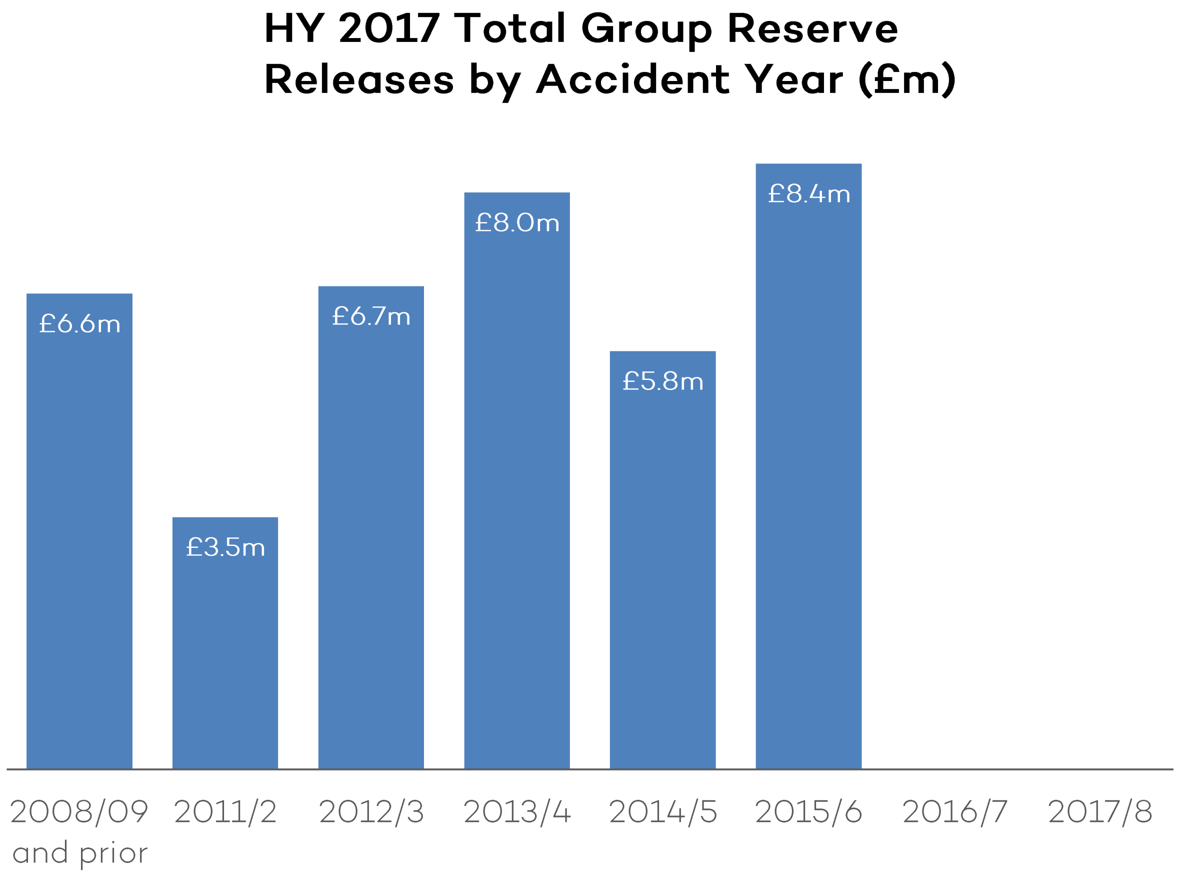
Saga is on track to deliver in line with our expectations for the full year

Q&A

Appendix

Reserve releases

- Reserves have reduced by £2.2m year-on-year to £
- No deterioration in reserve margin



Saga Plc consolidated income statement

£m	6m to July 2017	% Growth	6m to July 2016
Revenue	£435.4m	(0.4%)	£437.2m
Trading Profit [(1)]	£123.8m	4.9%	£118.0m
Non-trading items	(£2.2m)		(£0.6m)
Amortisation of acquired intangibles	(£2.5m)		(£3.5m)
Pension charge IAS19R	(£2.6m)		(£0.7m)
Net finance costs [(2)]	(£6.3m)		(£8.7m)
Underlying profit before tax	£110.2m	5.5%	£104.5m
Net fair value (losses)/gains on derivatives	(£2.9m)		£5.4m
Debt write off costs	(£4.3m)		-
Profit before tax	£103.0m	(6.3%)	£109.9m
Tax expense	(£19.6m)	(10.9%)	(£22.0m)
Profit after tax	£83.4m	(5.1%)	£87.9m
Basic earnings per share:	7.5p	(5.1%)	7.9p

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

(2) Restated to excluded IAS19R pension costs

Insurance underwriting income statement

		6m to July 2017	Quota Share	Underlying	Growth	6m to July 2016
Revenue	**A**	**£47.9m**	**(£61.0m)**	**£108.9m**	**(2.2%)**	**£111.3m**
Claims costs	B	(£36.8m)	£55.5m	(£92.3m)	(5.4%)	(£97.6m)
Reserve releases	C	£39.0m	-	£39.0m	(5.3%)	£41.2m
Other cost of sales	D	(£4.9m)	£6.2m	(£11.1m)	8.8%	(£10.2m)
Total cost of sales	E	(£2.7m)	£61.7m	(£64.4m)	(3.3%)	(£66.6m)
Gross profit		**£45.2m**	**£0.7m**	**£44.5m**	**(0.4%)**	**£44.7m**
Operating expenses	F	(£1.2m)	£1.1m	(£2.3m)	4.5%	(£2.2m)
Investment return		£2.8m	(£2.9m)	£5.7m	(24.0%)	£7.5m
Quota share net cost		-	£1.1m	(£1.1m)	22.2%	(£0.9m)
Profit before tax		**£46.8m**	**-**	**£46.8m**	**(4.7%)**	**£49.1m**
Reported loss ratio	(B+C)/A	(4.6%)		48.9%	(1.8%)	50.7%
Expense ratio	(D+F)/A	12.7%		12.3%	1.2%	11.1%
Reported COR	(E+F)/A	8.1%		61.2%	(0.6%)	61.8%
Pure COR	(E+F-C)/A	89.6%		97.1%	(1.7%)	98.8%
Number of earned policies				464k	(4.3%)	485k

Travel income statement

	6m to July 2017			Growth	6m to July 2016		
	Tour Operating	Cruising	Total Travel		Tour Operating	Cruising	Total Travel
Revenue	£183.4m	£44.8m	£228.2m	9.7%	£170.5m	£37.5m	£208.0m
Gross profit	£35.7m	£12.1m	£47.8m	14.9%	£36.7m	£4.9m	£41.6m
Operating expenses	(£28.4m)	(£7.6m)	(£36.0m)	4.7%	(£30.0m)	(£4.4m)	(£34.4m)
Investment return	£0.1m	-	£0.1m	0.0%	£0.1m	-	£0.1m
Profit before tax excluding derivatives	£7.4m	£4.5m	£11.9m	63.0%	£6.8m	£0.5m	£7.3m
Number of holidays passengers	96k	n/a	96k	1.1%	95k	n/a	95k
Number of cruise passengers	n/a	13k	13k	18.2%	n/a	11k	11k
Number of cruise passenger days	n/a	164k	164k	21.5%	n/a	135k	135k

Emerging Businesses and Central Costs income statement

	6m to July 2017				6m to July 2016		
	Emerging Businesses	Central Costs	Total	Growth	Emerging Businesses	Central Costs	Total
Revenue	£13.4m	£1.0m	£14.4m	0.7%	£12.8m	£1.5m	£14.3m
Profit before interest, tax and the IAS19R pension charge	£0.5m	(£11.0m)	(£10.5m)	2.9%	(£0.3m)	(£9.9m)	(£10.2m)
IAS19R pension charge	-	(£2.6m)	(£2.6m)		-	(£0.7m)	(£0.7m)
Finance costs	-	(£6.3m)	(£6.3m)		-	(£8.7m)	(£8.7m)
Underlying loss before tax[1]	£0.5m	(£19.9m)	(£19.4m)	(1.0%)	(£0.3m)	(£19.3m)	(£19.6m)

(1) Excludes £4.3m of debt write-off costs

Cash flow and liquidity

Available Cash Flow	6m to July 2017	Growth	6m to July 2016
Trading EBITDA[1]	**£140.6m**	**5.1%**	**£133.8m**
Less Trading EBITDA relating to restricted businesses	(£68.7m)	6.8%	(£64.3m)
Intra-group dividends paid by restricted businesses	£45.0m	(10.0%)	£50.0m
Working capital and non-cash items	(£14.4m)	9.1%	(£13.2m)
Capital expenditure funded with available cash	(£12.9m)	43.3%	(£9.0m)
Available operating cash flow	**£89.6m**	**(7.9%)**	**£97.3m**
Available operating cash flow %	63.7%	(9.0%)	72.7%

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