Saga plc

Ticker: SAGALN

Saga caters to the over-50s consumer, predominantly via insurance and travel products and services. It also operates smaller businesses providing personal finance, health care and personal care, and a long-running magazine for its target market. Since coming into public ownership after years in private equity hands, it has reduced the debt it inherited significantly and maintained a profitable and cash generative business. Unfortunately, it has failed to drive revenue and profits despite its growing target demographic, only recently realising that it can and must do better. It has come up with a strategy to reinvigorate the brand and overhaul the insurance business to compete more effectively. Travel, including cruises, has been evolving well, but is much the smaller of the two main businesses.

Saga has halved the dividend as it resets the group in the current financial year ending January 2020. We are not entirely convinced that the £50mn dividend saving will allow enough breathing room to counter the expected drop in profit and cash flow in what will be a low point during the first year of a five-year overhaul. That said, being able to cancel the remainder if necessary is a very handy lever, and 6.5% yield on senior paper is worth a look.

Isin	Issue Size	Rating M / S&P	Coupon	Min Piece	Maturity	Next Call	Offer	YTW	YTM
XS1610655950	£250mn	Ba1 / BB	3.375% s/a	100k	May 2024	Feb 2024 @ 100	87	6.58%	6.58%

Bond

- Senior unsecured.
- Guaranteed by Saga Mid Co Limited and Saga Services Limited. At issue the guarantees captured less than 75% of group EBITDA. The same entities are required to guarantee both the bonds and bank facilities to maintain a pari passu ranking at all times.
- Negative pledge to prevent any security being taken without also supporting the bond, or sufficient other security being applied equally and rateably to the bonds as well.
- Events of default include
  - failure to pay principal (7 days) or interest (14 days)
  - guarantees not in full force and effect
  - breach of other obligations in respect of the bonds or trust deed
  - enforcement of any security
  - unsatisfied judgment of £20mn or more
  - insolvency or similar action
  - readjustment/deferment, general assignment/arrangement/composition for benefit of creditors, moratorium on any indebtedness
  - Cross default triggers at £20mn
- Put at 101 if a change of control prompts a ratings agency downgrade.
- Make whole +50bps.
- Bonds and trust deed are governed by English law. Jurisdiction is England.
- Saga may purchase its bonds on the open market, or otherwise, at any time.

Business

Saga plc is the UK's leading provider of products and services aimed at the over 50 age group. It was founded in the 1950s as a travel-focused business and expanded during the 1990s with a magazine and home and motor insurance. Insurance earned 57.5% of revenue and 101% of underlying profit in YE January 2019. Travel represents 40.2% and 3% respectively, but has been growing well. The difference in profit is emerging businesses and central costs. After a period in the hands of private equity, it was quoted on the LSE in 2014.

Despite a growing demographic (over 50s, but customers are more likely around 65), Saga has been going slowly backwards in terms of policy numbers and product holdings. It hasn't capitalised on high brand recognition and trust. Insurance has been pulled toward the price-driven price comparison websites, distracting it from the higher margin, direct selling channel with more value-driven products. The CEO has described Saga's error as a short-term focus on profitability rather than long term sustainability and growth, for which he should take his fair share of the blame. The announcement on 13 June that he is to retire at the end of FY 2019-20 (i.e. January) indicates he might indeed be taking his share. To correct the course, Saga has halved the dividend, set a lower base for group income in the current financial year from which it can grow, and set about reshaping the group.

Insurance

Saga's insurance operation is principally split between broking and underwriting of motor and home insurance. Both are profitable, but have been contracting. For the year ending 31st January 2019, retail insurance broking contributed revenues of £105.8m and underwriting £86.7m.

Business is either sourced directly or through 3rd party internet aggregators. The latter have been eroding Saga's insurance topline for years, with even the older generations happy to check a price comparison website. At the same time it has done little to encourage customers to come to it directly.

However they are sourced, individual policies are presented to an underwriting panel (14 members for home policies; five members for motor). Saga has its own in-house underwriter, Acromas (AICL), which sits on both panels. None of the other members of the panel have ever been disclosed, but they are said to be very recognisable names. Every policy is individually competed for in an open tender. On the motor side AICL targets low risk drivers and has consistently underwritten profitably. On home AICL writes approximately 20% of Gross Written Premiums.

Acromas has reinsurance arrangements that ensure that it retains virtually no risk from its home underwriting activities. A co-insurance arrangement with New India Assurance Company sees AICL retain just 1% of the risk. New India has a Financial Strength rating of A- from A.M. Best.

Acromas retains a manageably small amount of motor risk, it pays for an 80% quota share reinsurance agreement (with Munich Re and Hannover Re providing 40% each). This costs Saga 2% of gross written premium and covers 75% of any downside (on 80% of the book), which covers the book to a loss ratio of 120%. There is then an excess of loss policy on the whole book that attaches from 120%. In 2019, the reported loss ratio for AICL after reinsurance was just 2%. For the book as a whole it was 50.1%.

Performance deteriorated in FY 2018-19, with a pure combined operating ratio of 99.7% (FY 2017-18: 97.8%). This was mainly attributed to outperformance of their reinsurance programme in FY 2017-18, rather than lower costs or improved underwriting. AICL's solvency ratio was 148% (FY 2017-18: 171%). Dividends from AICL in the year increased from £70m in FY 2017-18 to £85m. This was justified by favourable prior year claims experience and resulting reserve releases. Management have clearly chosen not to overcapitalise AICL for now and have been supporting other parts of the business while maintaining a healthy margin over regulatory capital obligations. As would be expected from a relatively small book of short tail risks, AICL's investment portfolio is almost exclusively exposed to short-dated fixed income investments. This provided £4.2m of income in the year (FY 2017-18: £10.6m). Overall it looks like Saga has a well-managed and well-reinsured book of business.

Travel

Travel has been doing relatively well. Tour operating passengers were down 4.3% in FY 2019, but revenue and profit were both up. Saga simply does not have the large swing factor of late summer bookings that can make or break a year's results. Saga's customers tend to book sooner rather than later as prices only rise the closer to departure they book. Repeat cruise travellers are 70%-80% of Saga's cruise bookings. Brexit-driven uncertainty has dampened travel bookings across the industry and Saga's customers are no exception to that.

In the tour business, there will be increasing focus away from commoditised travel like short city breaks and toward highly differentiated offerings, such as river cruises and escorted tours. This is not a major departure for the travel portion of the strategy; rather it is an effort to refine and accelerate a strategic shift Saga has been successfully implementing for several years.

The strong ocean cruise offering is about to get stronger and more profitable via the two new ships. Both ships are capable of higher income, having 74% more berths, all with balconies, and a higher number of single cabins. They are more fuel efficient and cleaner and can therefore visit locations the older ships were barred from entering on environmental grounds. Saga's ships will still be much smaller than those of mass market cruise lines that compete more on prices that are increasingly discounted the closer to the embarkation date that they are booked.

Other Business

Emerging businesses will be kept ticking over while management focuses on the two main ones. Personal finance is the largest part, making most of the £3mn profit. Healthcare makes tens of thousands of profit. In short, the smaller other businesses are not a drag and add to the offering for members. Saga recently announced a partnership with Marcus, Goldman Sachs' foray into UK high street banking. The partnership covers long-term savings products and will launch in autumn. On the face of it seems a reasonable fit.

New Group Strategy

The strategy will seek to fully capture the brand affinity and trust Saga says helps it achieve a high level of brand recognition, repeat travel bookings and insurance policy retention. It is aiming to be "more top of mind" and make it to the final stage of customers' purchasing decision process much more often. To do that it is introducing new insurance products, an advertising campaign to reposition the brand, and is focused on growing its membership scheme (Possibilities) with compelling benefits and offers. This strategic shift will take three to five years to complete.

The strategy may not continue in its current form after a new CEO is appointed, but a lot of it will. The overall strategy in travel has been building over several years, as have investments in insurance systems that have helped to keep a firm lid on costs. It is a bit harder to tell what will happen with the insurance strategy shift, and that will not be happening in a vacuum. It will be tested in the live crucible of the highly competitive insurance industry where global player Allianz has just taken the number two market position after two acquisitive transactions in May (LV and L&G).

New strategy to refocus Saga on our heritage as a direct to consumer brand with membership at its core

Launching a major change programme across the group...

- Relaunch of Insurance with a strong direct proposition. The first step is to launch our highly differentiated three year fixed price product
- Renewal pricing to encourage loyalty
- Accelerate the transformation of our Tour business
- Next phase for Possibilities, to create a great proposition and drive high levels of customer engagement to grow members, retention and multi-product holdings

Whilst continuing to...

- Execute successfully on cruise transformation
- Implement and scale technology investments
- Improve efficiency to hold costs flat

Source: Saga plc preliminary results for the twelve months ended 31 January 2019

Whether it is insurance, travel or other activities, Saga is punting on products that provide plenty of valuable features and reward loyalty. In insurance this is coming initially in the form of Saga's new three-year fixed price policies. It is planning to create value in its proposition – what is included in the cover, and certainty of cost – that customers will be prepared to pay more for.

Early take-up of the first new three-year fixed products is progressing in line with assumptions. The approach is designed to steal a march on competitors and mitigate future industry changes resulting from the FCA's attention on the renewals market. In the short term, however, margins will be significantly lower, hence the goodwill impairment of £310mn in FY 2018-19 and lower profit guidance for FY 2019-20. Keep in mind that Saga is still expecting bottom line profits while it remodels its business.

Rebasing earnings expectations, but creating a platform to grow profits and cash

Platform for growth from the 2019/20 level

- Underlying PBT for 2019/20 expected to be between £105m-£120m
- Significant upside from new strategy for Retail Broking and Tour Ops transformation, and continued execution of Cruise strategy
- Solid financial position and strong cash generation support sustainable dividends while also funding rapid de-leveraging

Increase Retail Broking PBT by at least £20m

Underwriting COR of ~97%

Travel PBT of between £60m-£75m by 2021/22

Source: Saga plc preliminary results for the twelve months ended 31 January 2019

The rise in travel's underlying PBT from £21mn in FY 2018-19 to £60-75mn in 2021-22 is a big leap, but it does look doable. The two retiring ships are almost 40 years old, and even with a less appealing proposition, Saga has still driven per diem income per berth from £220 in FY 2015-16 to £262 in the year just ended. Cruises are 100% inclusive, and their demographic does not consume much alcohol, so they tend to generate more income at lower cost compared to mass market cruise companies. The new cruise ship, Spirit of Discovery, has been taking bookings at per diems of £275+. They require next to no maintenance capex over the first five years (no drydock time) and each full year of cruising is expected to generate roughly £40mn of EBITDA per ship.

Financials **YE 31 January 2019**

From the results since the IPO in the second half of 2014, we can see that group revenue has declined for the past three years as insurance market share was lost and easy price comparison exacerbated competitive conditions. Indeed FY 2018-19 revenue was $100mn lower than when it listed, although it has remained profitable before tax throughout the past six years (excluding the 2019 impairment). Its PBT margin has remained over 20% over the same period, rather than the 18% or so of the prior years (again, excluding FY 2018-19's impairments). Good cost control has been a feature throughout. Gross insurance liabilities dropped fairly consistently every year from £728mn in FY 2013-14 to £491mn in FY 2018-19. In contrast to insurance, travel has grown sales and profit margin every year since 2014.

There are also some significant positives to report. Since the IPO, when Saga had £712mn in gross debt, the group has paid off almost £250mn. Even at its height the servicing burden of that debt has been light thanks to the low interest rate environment. Cash balances have settled lower thanks to the smaller insurance book, but leverage has remained sensible. With goodwill of almost £1.5bn when brought to market, tangible net worth has remained negative throughout, but also steadily improved.

The group has invested in upgrading technology platforms for motor broking and the escorted tours business, as well as its marketing tech. The first of the two new cruise ships (Spirit of Discovery) was delivered in June this year. It was 85% booked as at June 2019 and bang on target. It will be followed by the Spirit of Adventure in August 2020. Together they provide a strong offering that will drive profit higher in travel.

Both debt reduction and investments have been supported by operating cash flow that has averaged £146mn over the past three years. Interest costs and capex investments have been well covered by operating cash flow.

£ millions	31-Jan-14	31-Jan-15	31-Jan-16	31-Jan-17	31-Jan-18	31-Jan-19
Revenue	944.0	900.5	963.2	871.3	860.2	841.5
EBITDA	239.4	455.8	238.9	240.3	249.3	230.8
Underlying profit before tax*	188.2	198.4	211.0	183.4	190.1	180.3
Profit before tax	171.3	113.8	176.2	193.3	180.9	(128.7)
PBT margin	18.15%	12.64%	18.29%	22.19%	21.03%	(15.29%)
Cash and Short Term Deposits	151.3	198.8	106.5	108.7	83.2	122.9
Insurance Financial Assets	624.5	591.9	574.7	511.1	428.3	386.6
Reinsurance Assets	62.5	63.4	106.4	97.5	100.2	96.8
Property, Plant & Equipment	139.8	133.2	140.6	131.5	163.4	183.9
of which cruise ships & construction	62.3	60.0	71.0	66.2	106.4	139.0
Goodwill & Intangibles	1,683.6	1,506.2	1,537.3	1,538.8	1,546.2	1,237.8
Total Debt	0.0	703.4	555.6	480.1	447.2	442.2
Gross Insurance Liabilities	728.3	704.7	703.3	642.3	581.4	490.6
Tangible Net Worth	(563.8)	(522.1)	(449.1)	(343.6)	(322.7)	(273.5)
Operating Cash Flow	161.5	166.1	158.5	149.3	138.7	150.6
Interest Paid	0.0	19.7	21.6	15.8	10.9	13.3
Interest Cover (x)	n/a	8.4	7.3	9.4	12.7	11.3
Capex	30.2	40.7	60.5	43.9	82.5	63.0
Leverage (x)	n/a	1.1	1.9	1.5	1.5	1.4

Underlying profit before tax (UPBT**) is currently defined as profit before tax excluding unrealised fair value gains/losses on derivatives (fuel & currency hedging), cruise ship impairment, goodwill impairment, prior year unamortised facility fees and one-off restructuring expenses. In some prior years Saga has referred to Trading Profit, which appears to be broadly the same.*

Drilling down, UPBT has also come before net finance costs and exceptionals, which contributed £87.5mn of the difference between UPBT and profit before tax in FY 2014-15 and £27.3mn of the difference in FY 2015-16. The latter year also had £6.3mn of intangible amortisation. The large difference in 2019 was the £310mn goodwill impairment on the insurance business that comes with the strategy reset.

While debt is at the group level, note that the cash and short-term deposits figure includes amounts restricted to the insurance business. Unrestricted cash and short-term deposits available for the group to use freely at the end of FY 2018-19 looks to be just over £51mn rather than the £122.9mn shown in the table above. We can see that insurance holds £483mn of financial assets plus cash and equivalents of £108.6mn, against liabilities of £490.6mn.

The various business segments also demonstrate the trends:

- shrinking but nicely profitable on the insurance side;
- steadily growing from a small base in travel; and,
- recent reductions in costs that are supposed to continue with the new strategy.

Underwriting via Saga's AICL subsidiary has only been shown separately since FY 2016-17.

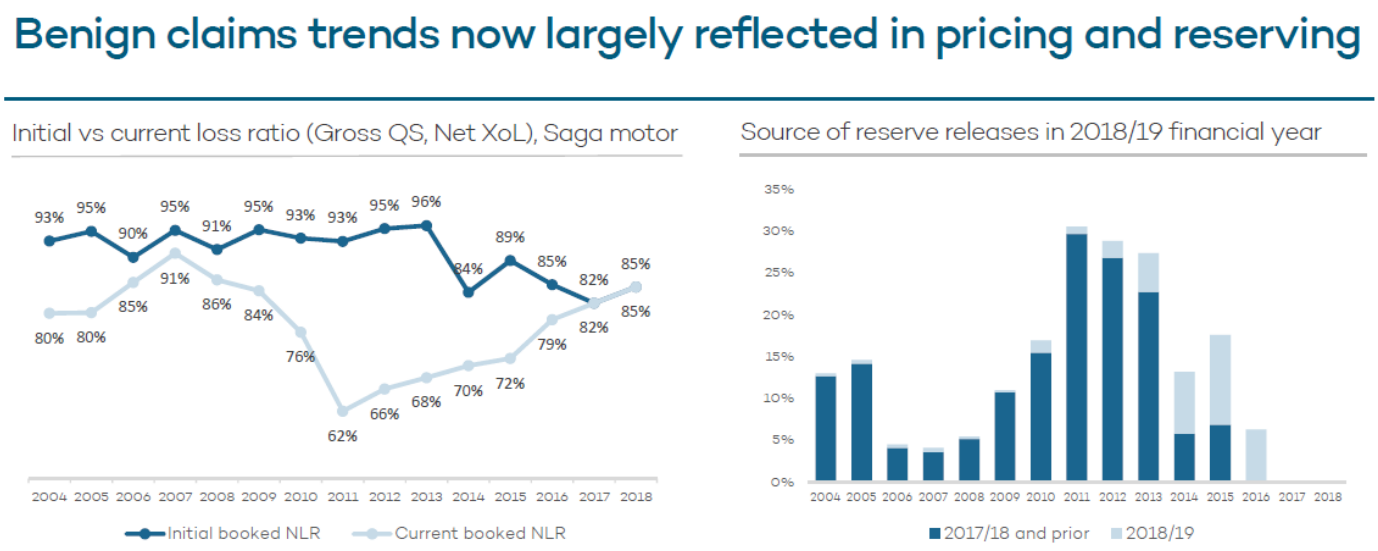
Underlying PBT £ millions	31-Jan-14	31-Jan-15	31-Jan-16	31-Jan-17	31-Jan-18	31-Jan-19
Motor Insurance	92.3	100.4	118.3	45.2	42.4	34.0
Home Broking	61.3	62.1	64.1	61.2	56.6	45.1
Other Insurance Broking	36.3	40.5	30.7	31.6	31.2	26.7
Underwriting				73.1	79.2	86.7
Total Insurance	189.9	203.0	213.1	211.1	209.4	192.5
Travel	5.9	13.6	17.2	14.9	20.4	21.1
Emerging Businesses & Central Costs	(7.5)	(16.0)	(19.3)	(42.6)	(39.7)	(33.3)
Adjustments	(0.1)	(2.2)	0.0	0.0	0.0	0.0
Total Group	188.2	198.4	211.0	183.4	190.1	180.3

Travel repeats the story of consistent improvement, going from an underlying profit margin of 1.55% in FY 2013-14 to 4.61% in the year just ended. The margin trend has been positive for both insurance and travel. Reversing the topline trend would create quite a powerful business.

Underlying Profit Margin %	31-Jan-14	31-Jan-15	31-Jan-16	31-Jan-17	31-Jan-18	31-Jan-19
Motor Insurance	25.99%	29.42%	34.52%	35.45%	34.93%	29.98%
Home Broking	67.73%	35.79%	36.92%	68.15%	66.59%	60.54%
Other Insurance Broking	37.46%	26.72%	20.17%	39.30%	40.94%	38.81%
Underwriting				65.09%	80.16%	92.93%
Total Insurance	35.00%	30.46%	31.88%	51.49%	54.90%	55.00%
Travel	1.55%	3.57%	4.07%	3.45%	4.55%	4.61%
Total Group	19.94%	18.56%	18.81%	21.05%	22.10%	21.43%

Underwriting has had standout UPBT margin improvement over the past two years. This heightened pattern of profitability will end. AICL's actuaries have put greater weight on positive recent claims trends, leading to the one-off reserve benefits of £20mn in FY 2017-18 and £32mn in FY 2018-19. Historically, Saga has taken a "very prudent approach" to initial loss picks, which has supported very high reserve releases on an ongoing basis – an average of £64mn p.a. since FY 2013-14. There was also little by way of large loss experienced in the year just ended.

The reserve releases are represented by the gap between initial and current loss ratios for motor insurance on the left of the following chart. LASPO[1] reforms implemented in 2013 have, amongst other things, contributed to a significantly better claims experience versus expectations. Management expects a couple more years of significant reserve releases (£30mn-£40mn in FY 2019-20), but the combined operating ratio should trend to around 97% in the coming three years.



Source: Saga plc preliminary results for the twelve months ended 31 January 2019

Underwriting and reserving over the past decade or so look to have been prudent, judging by loss ratio development. Saga has also improved efficiency, reducing its cost to serve per policy by 15% last year. Part of this came from shifting motor insurance onto its Guidewire platform, a shift they will repeat with home insurance during the current financial year. Unsurprisingly, digital sales and customer service will be an important part of Saga's insurance strategy.

Debt Profile

The £100mn revolving credit facility detailed below was drawn to £30mn at the year end. The group generally runs a small cash surplus and draws the RCF as and when it is needed. The repayment profile on the group's main facilities is favourable and supports the new strategy timeframe. There is apparently an additional £10mn overdraft.

The table below shows the maturity profile including debt for the two new cruise ships. They will add £540mn of gross initial debt to the balance sheet and around £660mn of assets by August 2020, implying an LTV of just over 80% at the outset. Asset backed loans for the ships each have 12-year tenors from the date of delivery, with repayments spread over 24 equal instalments starting six months after each delivery. The group guarantees the ship loans. In addition,

[1] Legal Aid, Sentencing and Punishment of Offenders Act 2012

there is a German export credit guarantee for 95% of the loans. As a result they carry interest rates of 4.4% (Spirit of Discovery) and 3.3% (Spirit of Adventure). We expect the ships to be depreciated over 25 years.

Debt Profile £ millions	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025+	TOTAL
Revolving Credit Facility					100.0		100
Term Loan	40.0	20.0	20.0	20.0	20.0		120
Bond 3.375%					250.0		250
Spirit of Discovery Asset Backed Loan	10.2	20.4	20.4	20.4	20.4	153.0	245
Spirit of Adventure Asset Backed Loan		12.3	24.6	24.6	24.6	209.0	295
TOTAL	**50**	**53**	**65**	**65**	**415**	**362**	**1,010**

In the short to medium term, rebasing the group results this year and adding the cruise ship debt will bump up leverage substantially. Saga is looking to keep all-in group leverage below 4.0x. Peak leverage for the group is expected in January 2021, after both new ships have been delivered but just before half-yearly amortisation starts on the second ship. Peak leverage for the group excluding cruise ships (core leverage) comes in January 2020 and management wants to keep that below 3.0x. The five-year aim is core leverage under 1.5x and group leverage of 2.0x (FY 2023-24), ideally with 0.5x of headroom at the peaks.

Saga has agreed **covenant amendments** on the bank debt at higher levels to accommodate core leverage changes, with 3.5x leverage allowed until August 2021 and 3.0x thereafter. This excludes cruise ship debt and earnings from the covenant calculation, but should leverage come within 0.5x of the group covenant maximum, an additional covenant will kick in: cruise cash flows must meet the cruise debt service costs. That means that it must generate enough to cover a maximum of interest plus amortisation of £32mn for the first ship and £35mn for the second. It looks reasonable, but we only have operating cash flow history for the whole travel segment (£50.8mn in FY 2018-19) to go by. Cruise debt is not legally ringfenced from the group, but it is viewed as "economically ringfenced". With the term loan and ship debt amortising, the CFO does not expect to need the entire bank credit facility when it comes up for renewal.

Based on the figures we have, we think Saga can generate EBITDA of £176mn in the current year, and generate operating cash flow of £120mn at a conversion rate a little lower than last year. That cash flow covers interest of £18mn, capex of £61.5mn (including cruise ship stage payments) and most of the debt amortisation of £50.2mn. What it doesn't seem to cover is the planned £50mn dividend. That results in a higher revolver balance and/or lower cash balance than last year. Leverage covenants would be met, with core leverage of 2.7x and total leverage of 3.5x. In subsequent years, as the cruise ships and travel ramp up, cruise ship stage payments cease, and insurance moves higher from the FY 2019-20 UPBT base, the group looks capable of banking cash upwards of £20mn per year after all interest, principal and capex payments are made. Of course, this is assuming that nothing – particularly insurance market dynamics – do not prevent that.

So FY 2019-20 is the crucial year in every respect. Saga looks to have paid extra off the term loan during the current year, with £40mn representing double the normal yearly amortisation. That seems to indicate that the year is going well versus the plan and cash flow is running higher than our conservative estimate – initial success with the three-year fixed insurance products must be the catalyst for that. We cannot be sure how the group produces the cash to maintain the reduced dividend and half a turn of headroom on the leverage covenants. We simply cannot see the level of segmental granularity we need to be fully confident it can cover the dividend this year.

Outlook

Insurance, Travel and Membership outlooks are reproduced in the appendix, but for the group as a whole, FY 2019-20 should be the low point from which Saga relaunches itself. We are comfortable with the travel side of the business. The opportunity for higher income in that segment should be taken as planned assuming management continues to execute its strategy as it has to date.

On the insurance side, while it has been slow to catch on, it is taking decisive steps to recapture its position with its target market and get ahead of competitive and regulatory moves. Direct policies have moved up from 45% of total written in 2H 2018-19 to 60% so far this financial year, with gross margins reportedly within the target range. Home and motor retentions have been held flat. Half of direct new policies have chosen the new product.

The work being done to tie everything together via its membership programme makes sense; so far it is boosting engagement and starting to increase product numbers. That is good for the business as a whole. Overall, they seem to be making the right moves, and at least they are doing that after making significant inroads into legacy private equity debt, which is not the millstone we have seen so often in other credits.

Cash conversion goals for next 3-5 years

- High cash conversion from Insurance business expected to continue
  - 3 year fixed a working capital cash positive for Retail Broking
  - AICL dividends expected to broadly track IFRS earnings
- Travel cash expected to significantly increase
  - Cash injection of £25m in February 2019
  - Cruise earnings expected to cover all debt service costs and enable repatriation of cash from the end of 20/21
- Capital expenditure peak expected in 2019/20 on two major IT projects, followed by significant reduction in 2020/21 and beyond

Lower conversion expected in 2019/20, but ongoing sustainable level >85% of EBITDA

Note: including the debt service commitments paid directly by Cruise.

Source: Saga plc preliminary results for the twelve months ended 31 January 2019

View

Saga's management has been slow to confront a clear loss of competitive edge, and allowed a solid brand to languish as its target market has grown. It is not out of reach of the kind of success it should be achieving. Beginning a strategic shift is substantially easier without excessive leverage, but of course there is plenty of opportunity for error and external factors to stymie their efforts, especially with a five-year programme. Competitors will not stand still.

At this point, while we appreciate the business in general, we would prefer that Saga had cancelled the dividend completely for FY 2019-20. That would have provided the extra breathing room that would make us feel fully comfortable with the short term cash flow outlook in the absence of complete clarity on the internal moving parts of the business.

As of 17th July, Elliot Management has reached an effective 5% shareholding, bringing with it talk of potentially splitting up the group it views as undervalued. Insurance and travel may be complementary activities for the demographic, but not necessarily synergistic for Saga. Nevertheless, this is essentially senior debt with a 6.5% yield, which in the current market is worth considering.

First half results should emerge around the end of September. Please contact the desk if you have any questions.

Penelope Fitzherbert & Jamie Macfarlane

24 July 2019

Saga Insurance Outlook

Our strategy will have a transformational impact on Saga Insurance

	Goals
Increasing **customer advocacy**	Growth in NPS from **23 to 35**
Acquire more of our customers **direct**	Increase motor/home sales through direct channels from **50% to >65%**
Increase our **operational efficiency**	**20%** decrease in operating costs per policy
Retain more of our insurance customers	Increase in customer retention from **72% to >75%**
Improve our **profitability**	An increase in PBT of **c.£20m** vs rebased 19/20
Increase in **Saga branded policies**	A **5%** increase in the number of Saga branded policies sold

Saga Travel Outlook

Saga Travel has a clear agenda of change that delivers significant PBT growth

	Goals
All aspects of our Cruise transformation are on track	**£40m of EBITDA per ship**
Accelerating migration of Tour Operations into higher margin, differentiated products Optimise Tour Operations commercial performance	Broadly **flat revenues,+2-3 ppts Underlying PBT margin** by 2021/22
Continue to deliver market leading customer satisfaction	Cruise NPS from **61 to >65** Tour Operations NPS from **45 to > 50**
Travel remains on track to deliver 4-5x 2016/17 Underlying PBT by 2021/22	Underlying PBT between **£60-75m by 2021/22**

Saga Membership Outlook

Brand and membership goals in the coming 12 months

Goals
Grow **prompted brand consideration** from **51%** to **53%**
Double the number of regularly **engaged members** to **360k**
Grow number of **multi product holders**
Support the delivery **of £60-75m travel profits** by 2021/22
Support the delivery of over **75% insurance retention**

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