



Spirit of Discovery
Site Tour
4 November 2019

Agenda

Robin Shaw CEO, Saga Travel

Nigel Blanks MD, Saga Cruise

Robin Shaw CEO, Saga Travel

UK Cruise Industry Overview

Saga Cruise

New ship economics

Q&A

Outline of the day

Welcome and registration	10:00am
Presentation	10:30am – 11:30am
Q&A Session	11:30am – 12:00pm
Tour	12:00pm – 1:00pm
Lunch	1:00pm
Departure	2:45pm

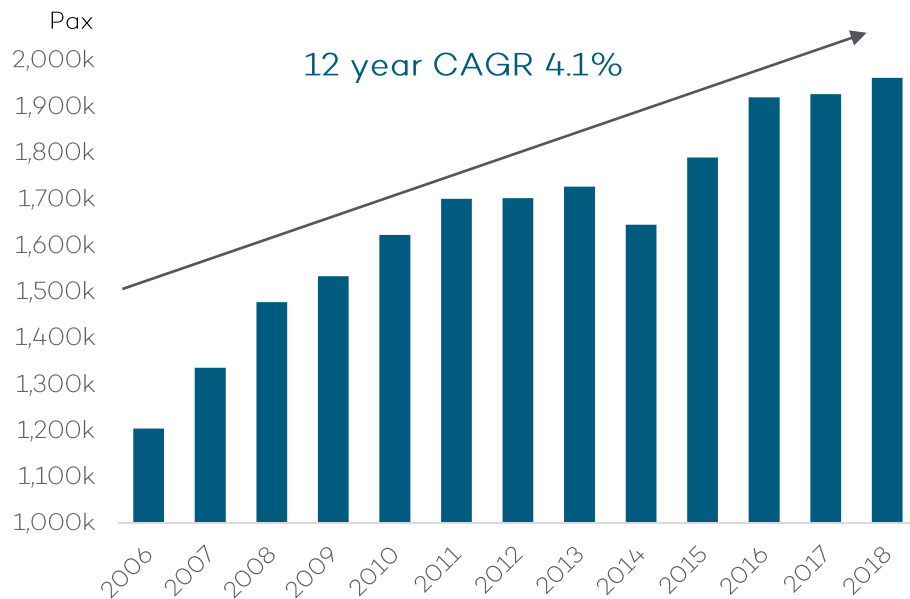
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UK Cruise Industry Overview

Robin Shaw
CEO, Saga Travel

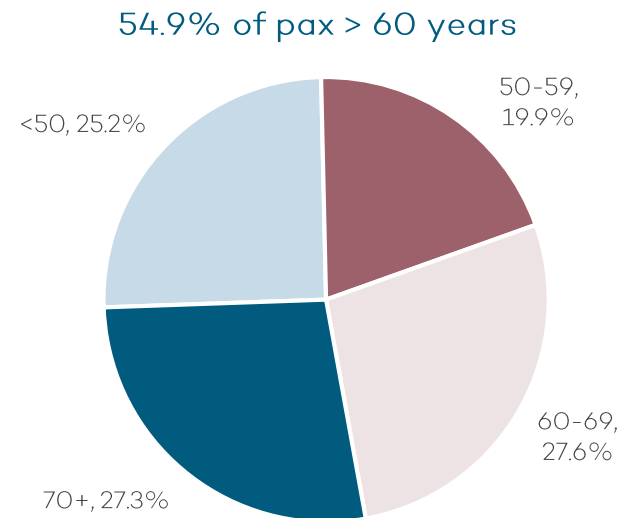
UK cruise industry is growing and dominated by Saga's demographic

Historically strong growth in UK cruise market



Source: CLIA

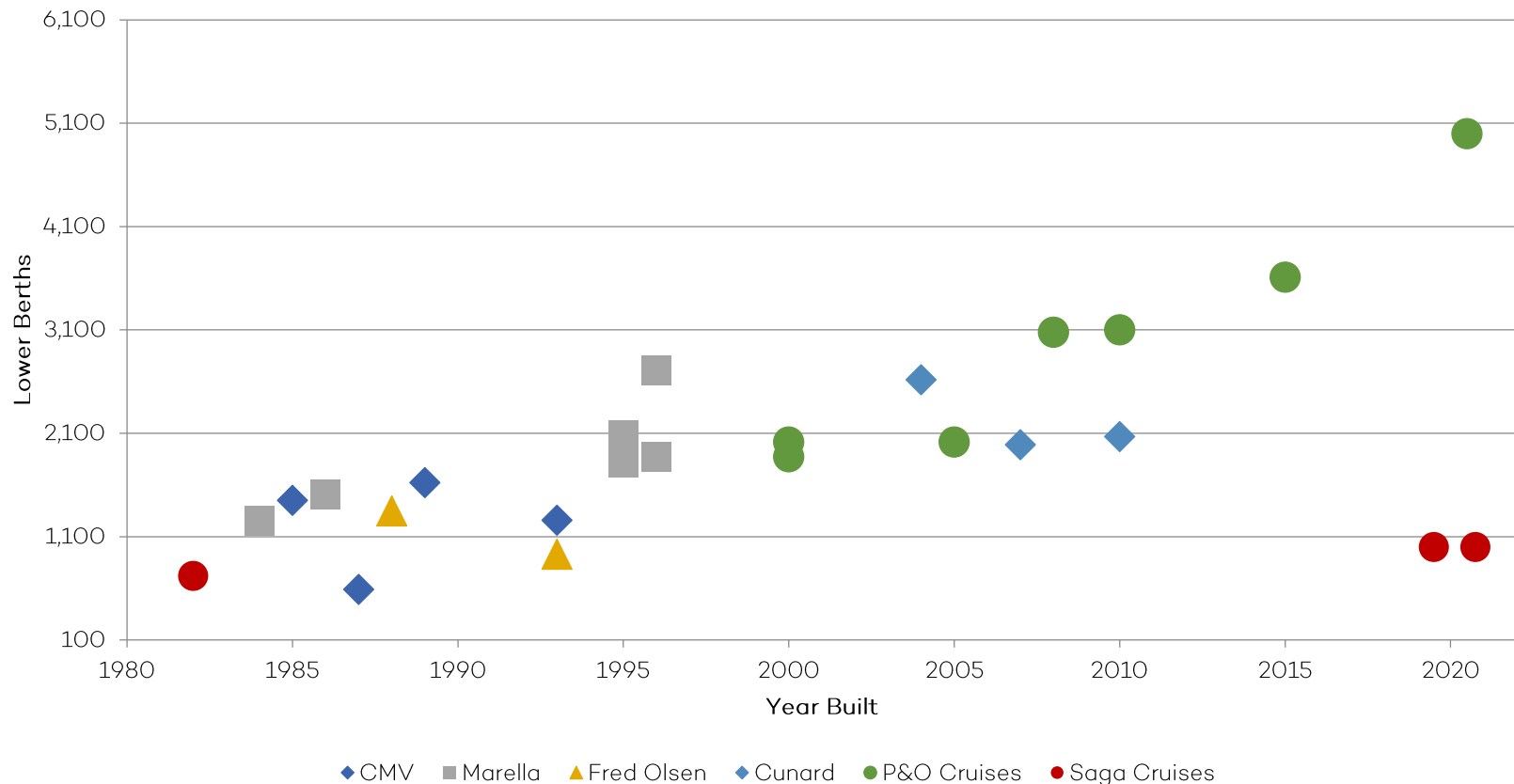
...and it is dominated by an older demographic



Source: CLIA, UK Market 2018 Pax

UK market saturated with large vessels, small ships are old and do not compete in the luxury segment

UK brand vessels by age and pax capacity



Saga has a differentiated position and continues to be the only company that offers cruises from the UK all year round

Saga has created significant differentiation which underpins its luxury boutique cruise proposition

	Saga	Fred Olsen	Viking	P&O	Regent Seven Seas	Silverseas	Royal Caribbean	CMV	MSC	NCL
Price promise	✓	✗	✗	✗	✗	✗	✗	✗	✗	✗
Loyalty club	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Gratuities included?	✓	✗	✓	✓	✓	✓	✗	✗	✗	✗
Chauffeur service included?	✓	✗	✗	✗	✗	✗	✗	✗	✗	✗
Free speciality dining	✓	✗	✓	✗	✓	✗	✗	✗	✗	✗
Drinks included?	✓	✓	✓	✗	✓	✓	✓	✗	✗	✗
All adults	✓	✗	✓	✗	✗	✗	✗	A	✗	✗
Entertainment included?	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Travel insurance included?	✓	✗	✗	✗	✗	✗	✗	✗	✗	✗
Free wifi	✓	✗	✓	✗	✓	✗	✗	✗	✗	✗

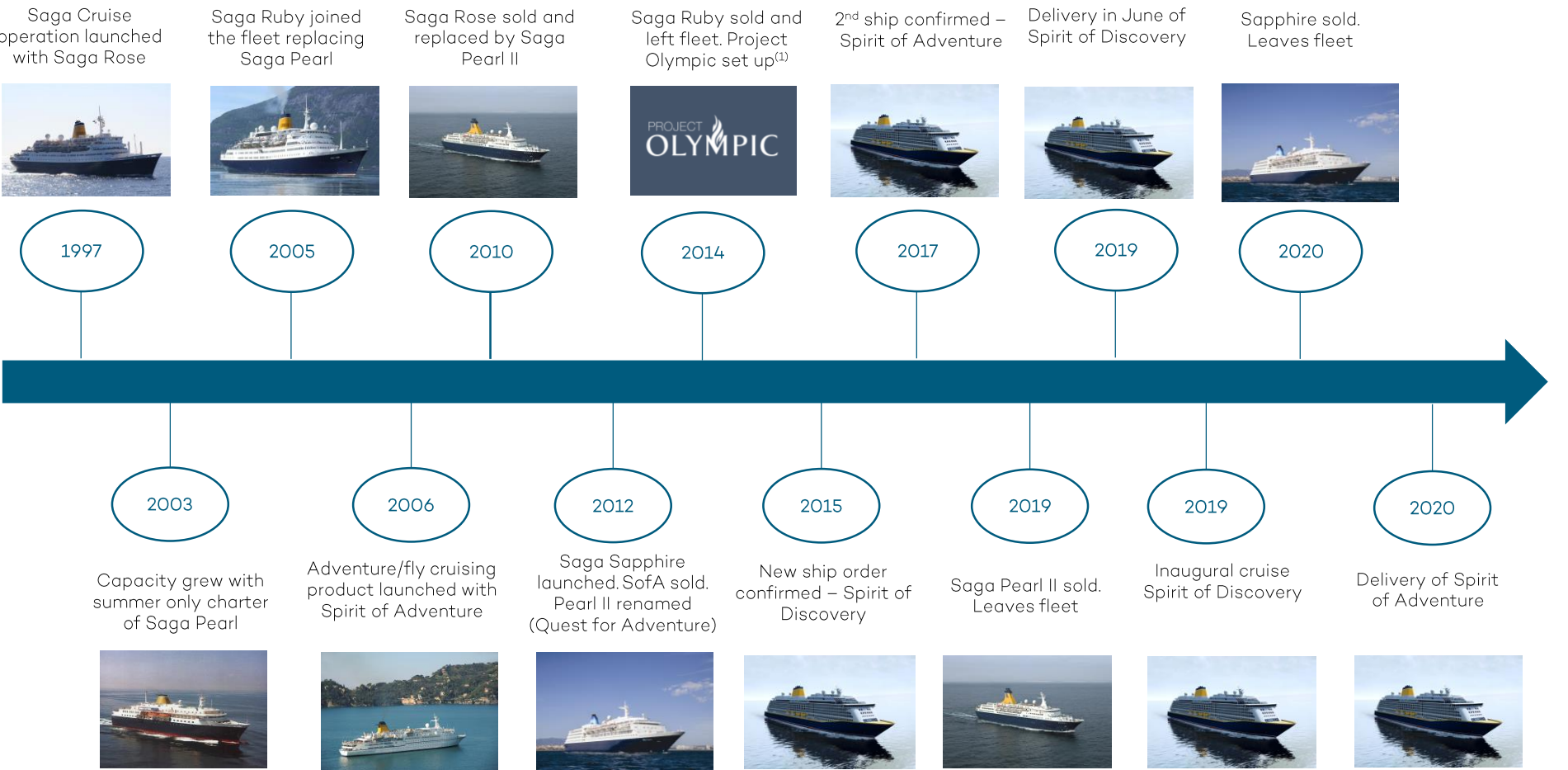
A: Certain sailings are adults only

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Saga Cruise

**Nigel Blanks
MD, Saga Cruise**

Our journey so far



Notes:
1. Project Olympic refers to the cruise transformation strategy and the build of Spirit of Discovery and Spirit of Adventure

Cruise vision

A great British cruise line, investing in customers, ships and staff to create luxury and value that delights passengers, impresses investors and sets the bar for our industry



Cruise Transformation Strategy

	Old model	New model
Fleet	<ul style="list-style-type: none">• Existing ships 38 years old• Total capacity of 1,150	<ul style="list-style-type: none">• 2 new ships delivered June 2019 and August 2020• Total capacity 1,998, up 74%
Customer Proposition	<ul style="list-style-type: none">• Only 14% balconies• 20% Insides• Only 15% Single cabins• Limited onboard facilities	<ul style="list-style-type: none">• 100% balconies• No Insides• 20% Single cabins• Best in class onboard facilities
Sustainability	<ul style="list-style-type: none">• Regulatory & compliance pressures• Emission levels• Geographical restraints	<ul style="list-style-type: none">• Marked improvement in technology compared to our old fleet• Reduced emission levels• Ability to cruise in US, Greenland...future proofed

Video – Spirit of Discovery



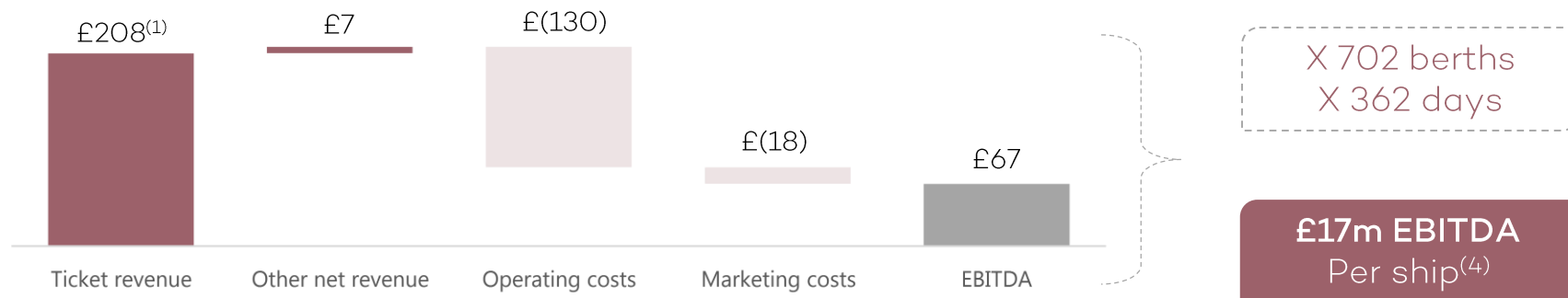
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Ship economics

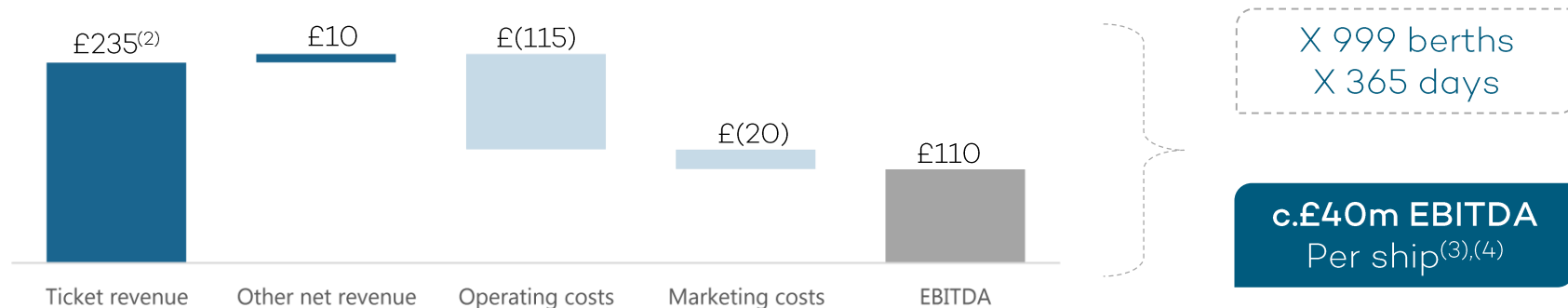
Robin Shaw
CEO, Saga Travel

New cruise ships will generate c.£40m of EBITDA per ship before central Cruise overheads

Per capacity day/per old vessel



Per capacity day/per new vessel



Notes:

1. Ticket revenue based on actual load factors in 2018/19 for Saga Sapphire of 80.2%
2. Current Spirit of Discovery booked per diems in excess of £275 and targeting minimum load factors of 85%
3. EBITDA per vessel excluding central Cruise overheads
4. Full year annualised estimates

Indicative profitability per ship

EBITDA per ship ⁽¹⁾	c.£40m
Less depreciation and amortisation	c.£8m
Less finance costs ⁽²⁾	c.£8m
Less central Cruise overheads	c.£4m
Profit before tax per ship	c.£20m

Notes:

1. EBITDA stated pre central Cruise overheads
2. Spirit of Discovery interest rate of 4.4%. Spirit of Adventure interest rate of 3.3%

Cumulative booked ticket revenue supports the c.£40m EBITDA target

	% of FY ticket revenue target	EBITDA vs c.£40m target
FY 2019/20 ^{(1),(2)}	99.8%	On track
FY 2020/21 ⁽²⁾	64.1%	On track

We remain on track to be over 70% sold of full year 2020/21 targets by January 2020

Notes:

1. Since maiden voyage in July 2019
2. Trading data as at 26 October 2019

Ship financing is asset backed

- Funding for each ship is 80% debt and 20% equity with all capital instalments now complete
- Asset backed financing for each new ship with a 12 year amortising ECA backed loan:
 - Spirit of Discovery: £245.0m, interest rate of 4.4%
 - Spirit of Adventure: c.£295.0m, interest rate of 3.3%
- Covenants on the ships include:
 1. 2x interest cover (EBITDA/interest)
 2. 1.2x full debt service cover (EBITDA/interest plus capital repayment)
 3. Cruise cash flows will meet Cruise debt service cost. This is only tested if the Group (ex-Cruise) is within 0.5x of the Group covenant.
- All covenants apply at the Travel sub-group first, and then plc level
- Covenants are tested every six months with the first test occurring one year post delivery i.e. for Spirit of Discovery 31/7/2020, Spirit of Adventure 31/01/2022

Travel dividends expected to resume post delivery of our second ship

Indicative operating cash flow per ship

EBITDA per ship per annum⁽¹⁾	c.£40m
Less finance costs	c.£8m
Less other capex ⁽²⁾	c.£1m
Less ship capital repayments ⁽³⁾	c.£20-25m
Less central Cruise overheads	c.£4m
Operating cash flow before change in working capital and tax per ship per annum	c.£2-7m

- Positive working capital drives strong cash conversion
- Final capital instalment payment for Spirit of Adventure paid in August 2019
- Spirit of Discovery and Spirit of Adventure funding linked to the delivery of each ship
- Loan value will be repaid in 24 broadly equal instalments, with first payment due six months after delivery
- Cruise earnings expected to cover all debt service costs and enable repatriation of cash to plc from end of 2020/21

Notes:

1. EBITDA per vessel excluding central Cruise overheads
2. Other capex includes maintenance costs associated with each ship. The first wet dock for Spirit of Discovery is scheduled for 2022/23
3. Capital repayments excluding interest costs for each ship are Spirit of Discovery; c.£20m per year, Spirit of Adventure; c.£25m per year

Cash flow sensitivities

- Cash flow sensitivities for Spirit of Discovery are limited:
 - Current fuel prices have been fully hedged until December 2020 and 50% hedged until December 2021

Key assumption sensitivities per ship

	Sensitivity	EBITDA
Fuel price	+/- 10%	-/+ £0.5m
Load factor	+/- 1%	+/- £1.0m
Ticket price	+/- £1 per diems	+/- £0.3m



Q&A