Y 2021 Earnings Call

Company Participants

- Euan Sutherland, Group Chief Executive Officer
- James Quin, Group Chief Financial Officer

Presentation

Euan Sutherland

Good morning and welcome to the 2020-2021 Financial Year Presentation for Saga plc for the year ended 31st of January 2021. I'm Euan Sutherland, Group Chief Executive and I'm joined by James Quin, our Group CFO, and together we will present the highlights of the last year as well as to give you an update on the progress on our strategy we launched in September last year.

At Saga, we were determined to emerge stronger from the COVID-19 pandemic than we went in. And today as we update, we are pleased to report that in many ways, Saga is in a better place than it was 12 months ago, having taken swift and decisive action across the business and delivering against targets despite the challenges of COVID-19.

We now have a platform for growth that is customer-centric, driven by an engaged workforce with a leaner and more efficient cost base and a stronger balance sheet. We're still early in our journey towards delivering brand relevance to more of our customer base and in delivering a reduction in debt, but both of these plans are clearly articulated and mapped out by driving more consistent top line growth and the significant benefits of reducing leverage on the group.

We've not wasted a minute through the last 12 months to strengthen and transform our business, always with the three Cs top of mind, our customers, our colleagues, and cash. And the results today highlight the success of these efforts.

Our policy throughout the pandemic has been to put our customers, our colleagues, and their families first, protecting them and ensuring everyone is safe, well, and supported. This extended to repatriating all of our cruise crews back home within a week of layup and repatriating thousands of stranded holidaymakers home to the UK from all over the world during March 2020. This exceptional customer and colleague care has paid back in strong loyalty and retention seen in the numbers today.

Even before COVID-19 gripped the world last year, Saga was focused on a step-change set of improvements, disposing of non-core assets such as Bennetts, Destinology, our Healthcare businesses and the Saga Sapphire, to strengthen the balance sheet and reducing costs and complexity to drive efficiencies with GBP20 million of ongoing cost savings expected once the property rationalization is complete.

We committed last January to reset our strategy by the summer and we delivered this on time despite the COVID pandemic. And this lays out our path to return to sustainable growth for Saga. In the autumn, as part of the successful capital raise, Roger De Haan rejoined the Board as Non-Executive Chairman and has further reinforced our commitment to our customers first and to revitalizing the Saga brand by providing exceptional experiences for our customers every day.

We're confident of this return to growth based on the delivery of our strategy and on the highly attractive market that we serve. This market continues to be in growth and least affected economically by the pandemic.

As we stand at year-end, our insurance business has returned to policy growth, has delivered against all of our key metrics, and is well placed for the FCA market study later in 2021. Our travel businesses have been transformed, are ready to resume operations, and have significant pent-up customer demand.

So taking the headlines from financial year 2020-21, underlying profit before tax of GBP17 million was delivered from a resilient insurance business and careful cost management in our travel businesses, while making the necessary investments in transforming Saga for the future. At insurance, Saga returned to motor and home policy growth of 1.1% after a number of years of decline, and motor and home retention showed strong growth, up 5 percentage points year-on-year at 80.5%.

In travel, we completed our ocean cruise transformation with the delivery of Spirit of Adventure with the transformation in river cruise well underway. Careful management of our burn costs delivered a result towards the bottom end of our guidance of GBP6 million to GBP8 million per month, and cruise retention was consistently strong throughout the year at 73% despite multiple cancellations.

Importantly, our customer metrics improved too with group NPS rising 6 points to 44, reflecting improvements in products and services, most notably, three-year fixed motor and home insurance and improved personal finance offer and better claims handling where our NPS score is at its highest at 75 for motor and 89 for home. The digital transformation outlined in our strategy review also began to benefit customers during the second half of the year.

For colleagues, we've seen improvements in engagement throughout the year. 92% of our colleagues completed two engagement service during 2020-21 and the headline engagement rose to 7.3% with the strongest scores seen in health and well-being provision, management support, and the ability for colleagues to freely express their opinions. Underpinning all of this, our net debt to EBITDA leverage ratio has fallen well below our targets and last year to 2.7 times and we have strong liquidity with GBP75 million of available cash and an undrawn RCF of GBP100 million.

The Saga business and brand is built on exceptional care and attention. And in 2020-21, this has returned to underpin everything we do for our colleagues, our customers, and our communities. During the year, we've taken a number of steps to show our support during these difficult times for everyone.

There's a lot here, so let me just highlight a few key points before we move on to the financial details of the year. For our colleagues, we had a clear focus all here to keep everyone and their families safe supported and well. We've invested in home working for all as well as in mental well being support throughout the year. Colleagues have also benefited from financial support from a winter fuel allowance, a free share award, and an extra two days holiday.

For our customers, we've consistently passed on price cuts from lower motor claims frequency since last March and established a customer hardship fund for those customers in greatest need, while other customers were able to adjust their policies to accommodate changes caused by COVID for free. Our customers have had our help in combating the rise in general fraud and scams across the country during the pandemic and we are offering access to free GP help lines for our most vulnerable customers.

In travel, we've offered a no-quibble refund for every customer that wanted to cancel their plans and extra peace of mind discount for customers where required, all of which has been the highest levels of loyalty and retention in the sector, and over 97% of our customers backed our vaccine policy when it was launched in January 2021.

Saga has also been busy supporting our communities, converting our Thanet call center into the largest NHS vaccine center in Kent, establishing a COVID-19 community fund where our customers are getting to choose where to direct the benefits, and helping schools with IT equipment for home schooling. Overall, Saga has returned to its core purpose and begun to deliver exceptional experiences whilst being a driver for positive change in our markets and in our communities and will retain this focus as we report every year.

So moving on to report on the specifics of our business units and taking insurance first. Consistent with our reporting during 2020-21, our five headline KPIs are all showing progress. Motor and home policy growth of plus 1.1% for the full year has cemented our return to growth and the decline in total policies is largely as a result of the significant short-term impact from the pandemic on travel insurance with private medical insurance remaining broadly flat. Retention across motor and home has been strong, showing a 5 percentage point growth, principally as a result of our three-year fixed product, and also our direct share has also shown growth during the year, up 2 percentage points to 59%. There were 610,000 three-year fixed policy sales in the year and our margins continued to be in line with the guidance set out last April.

On travel, cash burn and retention were consistently well managed during the year and the cruise transformation was completed with the delivery of Spirit of Adventure in September. I must say she is a thing of beauty, and I'm excited to be able to share that with our customers, further extending our luxury boutique cruise offering. We remain confident in our forecast of GBP40 million of EBITDA per ship per annum once operations resume, underpinned by strong load factors and per diems, and our revitalized tours business is showing strong bookings in 2021 and we are confident of growth here too.

More specifically on cruise, it's worth setting out in more detail at this point in the presentation. We are confident we will resume cruising in 2021 and our cruise business is ready to come back into service. Our initial cruises are set to be around Britain and across the Norwegian fjords with European cruises resuming from mid-August. Both ships will return in the summer and there is strong demand with the latest retention being the proportion of customers that wish to rebook rather than cancel their cruise up in the mid-90s. We are confident that all of our customers will have had both vaccines well before the restart.

Working with government and Public Health England, we are confident that cruise is a safer proposition than other forms of international travel, and Saga has been awarded the highest independent health and safety accreditation by Lloyd's Register with regard to our COVID protocols. We have had indications from a number of European countries that they are ready to welcome the Saga ships this summer and believe that we may be more attractive than some other cruise lines given our comparatively small number of guests and the fact that they would all have been fully vaccinated. Don't forget that we also continue to have flexibility on the exact port stops if required.

So what does that look like in numbers? 78% of our 2021 capacity is already booked with that position combined with bookings for 2022-23 being up 20% on the same point pre-pandemic last year with a customer retention figure for last 12 months of 73%.

Our load factor for the year across all cruises is already 67%, which excludes retained customer bookings yet to be applied to a specific cruise. Our per diems of GBP290 are exactly on plan and show that we have not discounted our proposition and we don't intend to do so.

The proportion of first-time buyers of a Saga cruise since the Prime Minister set out his roadmap out of the pandemic is 65%, showing both that cruise is an attractive option for more people and that Saga is seen as an attractive and safe option.

I'm now going to hand over to James to take you through the financials of the last year and to lay out our thinking on the year ahead.

James Quin {BIO 18345789 <GO>}

Good morning. My name is James Quin and I am Group CFO for Saga. I'm going to spend a few minutes providing an overview of our results and explaining the actions we have taken to stay financially resilient while our travel business is suspended. I'll start with the highlights in group results.

Group revenues and profit before tax have been significantly impacted by COVID-19 with travel revenues down 89% in comparison to the prior period. However, insurance profitability has been very resilient and we've reported an underlying profit before tax of GBP17 million despite incurring significant losses in the travel business.

In addition to the impact on underlying profit before tax, COVID is also a key influence on non-operating items and was the reason why we reported an overall loss before tax of GBP61 million. The main items here are a GBP60 million write-down of travel goodwill, provision for exit costs relating to non-core operations, and restructuring charges from cost reduction initiatives. These adverse items are partially offset by a GBP9 million gain on the sale of non-core businesses. These charges were all largely incurred in the first half with no major new items in the second half of the year and no further goodwill impairments.

We were also cash positive at an operating level with GBP92 million of operating cash generation from the insurance business at a similar level to the year before, offset by GBP89 million of liquidity provided to the travel business.

Taking into account the proceeds from the capital raise in October and disposals of non-core subsidiaries, net debt excluding cruise reduced by GBP115 million. Even without the capital raise, we would have reduced ex-cruise net debt by GBP25 million in the second half of the year. As a result, net debt to EBITDA excluding cruise was 2.7 times at 31 January, significantly reduced from 3.6 times at the 31st of July and well within the covenant level of 4.75 times.

On the next slide, I set out underlying profit before tax by division. The insurance result is slightly ahead of the prior year with a GBP14 million reduction in retail broking more than offset by an GBP18 million increase in underwriting profits. Retail broking earnings reflect a GBP17 million reduction in written profits, partly offset by a GBP3 million swing in the written to earned adjustment. The biggest factor here is a combination of COVID impacts, in particular, a significant reduction in the sales of travel insurance.

Higher underwriting profits are a function of a roughly 15-point improvement in the current year loss ratio due to lower motor claims frequency, also supported by continued good experience on large bodily injury claims relating to prior years.

For the travel business, the suspension of all cruise and tour ops departures from mid-March 2020 has had a very significant impact with the business reporting a GBP79 million loss for the period. The travel result is within expectations, and while of course it has been a very challenging year, the group overall still reported an underlying profit in both the first and second half. I will go into more detail on the moving parts of retail broking results on the next slide.

Home and motor written profits are pretty much on a par with the prior year with increased new business profits due to lower advertising spend, offset by the impact of the price actions started in June 2019 on renewal profitability. The average margin per policy across Saga branded home and motor reduced from GBP76 per policy to GBP74 per policy last year, as expected. There are various moving parts in margins other than those just mentioned, including positive mix effects and some competitive pressures in motor. On an underlying basis, margins were fairly stable and we maintained a disciplined approach to pricing through the year.

COVID-19 has had a significant impact on retail broking, reducing written profits by around GBP13 million, almost all in other broking. This was due in roughly equal parts to a substantial reduction in sales of travel insurance and other factors such as lower fee income in relation to motor vehicle repairs and claim handling. Overall, however, this was a very resilient performance and we continue to make good progress against the strategy set out last year.

On the next slide, I set out the results of the underwriting business. AICL profit before tax increased due to an improved current year loss ratio, which is a function of a significant reduction in miles driven during the periods of lockdown. In addition, results in both years benefited from continued favorable experience on large bodily injury claims and settlement of specific open claims for less than they were reserved at.

We have continued to take a prudent approach to reserving for all years, adding an additional margin on the 2020-21 accident year given the uncertain outlook for claims costs and potential downside risks in relation to claim severity.

As previously indicated, reserve releases will be much lower in the future than in the recent past and we still expect a reported combined ratio of around 97% over the medium term. However, we expect the combined ratio for the '21-22 year to be better than 97%. Beyond the good financial results for the year, AICL has made real progress in enhancing core capabilities, all of which will be key in supporting the group's insurance strategy.

On the next slide, I set out the travel results for the full year. This has been an exceptionally challenging period for all travel companies and we have now been operating for a year with zero revenues. A key priority has been cost control, including a combination of more tactical near-term actions, including reductions in marketing spend and ongoing efficiencies. Travel overhead and marketing costs reduced by around GBP24 million compared to the prior year and we further reduced ship operating expenses by GBP42 million.

At the time of the year-end results a year ago, I looked to provide some guidance for the impact of COVID on travel profitability by reference to a drop-through rate. The drop-through rate is the forecast impact on profit as a percentage of the expected decline in revenues. Back last March, I signaled an impact on profit before tax of 15% to 20% of the reduction in tour ops revenues and a drop-through rate of 55% to 60% for cruise. At the time of the half year results, I revised the drop-through rate for cruise to 50% to 55%. For the full year, the actual drop-through rate was 20% for tour ops, so in line with expectations, albeit at the higher end, and 46% for cruise. The cruise results benefited from good cost control throughout the last 12 months.

The impact of these actions is also evident in the monthly cash burn rate, which was GBP6.3 million in the second half, compared to an indicated range of GBP6 million to GBP8 million per month. This is the cash cost of running the travel business in suspension mode excluding non-cash items such as depreciation as well as changes in working capital, but including financing costs.

On the next slide, I set out the change in total group costs. Total group marketing and overhead costs were GBP34 million lower than in the prior year, which are consistent with the expectations I set out at the time of the half year results. This excludes the reduction in costs relating to Bennetts and Healthcare. A significant portion of this reduction was the response to COVID, specifically a reduction in marketing costs in travel and short-term actions to reduce discretionary spend.

I also show on this slide the changed operating expenses for the ships. While some of this is a function of having no passengers on-board, a significant portion is due to the actions taken to put our ships into warm lay-up, repatriate the crew to home countries, and multiple other steps.

On an ongoing basis, we are targeting sustainable cost savings of around GBP20 million per annum excluding disposals. We have identified around GBP17 million of savings for the '21-22 financial year and expect to achieve the full GBP20 million once our property rationalization program is completed.

As explained for the half year, we will reinvest some of these savings in the near term in supporting strategic initiatives, mainly in relation to data, digital, and brand. Our plans here are flexible and will in part depend on the timing of when travel will restart. We expect to invest between GBP5 million and GBP10 million in the current financial year.

On the next slide, I set out the group's operating cash flow with a reconciliation from opening to closing net debt. Excluding travel, the group has continued to be highly cash generative with free cash flow at GBP92 million in the year, split GBP45 million in H1 and GBP47 million in H2. This is very similar to the level of the prior year, albeit with a few moving parts, including lower broking EBITDA and an expected reduction in AICL dividends, offset by positive working capital movements and lower CapEx spend.

The travel business, of course, has seen a significant cash outflow in the period with GBP89 million of liquidity provided to cruise and tour ops to support payments to customers, colleagues and suppliers at an operating level, and GBP107 million including non-operating items.

In terms of other movements, the finance cost included here is interest costs on all the group's debt and the other figure mainly comprises proceeds from the sale of the Healthcare business and Bennetts less restructuring costs paid. Including the GBP139 million from the capital raise, ex-cruise net debt reduced by GBP115 million in the year.

I show more information on the cash support provided to the travel business on the next slide. On this slide, I set out a reconciliation of opening to closing cash within cruise and for the tour operations ring-fenced fund. The cruise cash outflow for the year was around GBP37 million comprising GBP8 million of customer refunds, GBP26 million of trading costs, GBP3 million of restructuring costs, and GBP9 million of interest, partially offset by GBP9 million of positive net CapEx due to the sale of the Sapphire and completion of the Adventure.

For tour ops, we injected liquidity of GBP70 million during the year to fund trading outgoings and to increase cash collateralization levels. Most of this cash outflow was in the first half of the year. Of the total cash support of around GBP107 million, GBP83 million was provided in H1 and only GBP24 million was provided in H2.

The first half cash outflow was impacted by a higher level of customer refunds and supplier payments relating to the period when the business was still trading. As expected, these impacts were much lower in the second half, and for cruise, our advanced receipts actually increased in H2. Completion of the Spirit of Adventure in the second half also generated positive cash flow as we drew down on the ship loans to recover owners' supply payments made during construction.

Although this has been a challenging period for the travel business, with good cost control and excellent customer retention in cruise, the cash outflow for the period has been significantly less than we had planned for within stress test modeling. One way of looking at this is the monthly burn cost. This is tour ops' EBITDA plus cruise trading payments and interest costs on an accruals basis. The average monthly burn rate of GBP6.3 million in the second half of last year comprises GBP3.5 million relating to cruise and GBP2.8 million relating to tour ops, and as mentioned previously, is at the lower end of the targeted range of GBP6 million to GBP8 million per month.

For the first half of the current financial year, the burn rate is likely to be around GBP7 million to GBP9 million per month. The increase in comparison to the second half of last year is due to the fact that we only had one ship in operation until the end of September 2020 plus higher marketing expenses and costs expected to be incurred in restarting the business including rehiring the crew. We will, however, continue to adapt to the changing environment and our plans can be flexed depending on the likely timing for travel restart.

As previously indicated, we have now moved to a new approach for tour ops called trust accounting where we hold effectively all customer cash in a separate fund and do not release any cash from this fund until either the customer returns from holiday or we refund the cash back to the customer. This effectively fully ring-fences all tour ops' bookings and this move enabled us to reduce the bonding we have in place by around GBP33 million in the second half.

On the next few slides, I'll provide an update on the group's financial position. Once it became clear that COVID-19 was going to be a significant issue for the travel industry, we moved quickly to strengthen our financial position. The initial focus was on protecting customers and colleagues, ensuring we had sufficient liquidity, reducing costs, agreeing amendments to our bank covenants, and scenario stress testing to ensure we would be in a strong position in all reasonable scenarios. This planning has stood up well to the real world stress test of the last 12 months. And since last April, we have completed multiple actions to improve financial flexibility, including the GBP150 million capital raise in October.

Even without the capital raise, we would have been fully in compliance with all bank covenants at 31 January and we would not have needed to draw down further on the RCF after March 2020. With the capital raise, we've significantly reduced ex-cruise net debt and have significant headroom to all the covenants in bank facilities. We had around GBP75 million of available cash at 31 January excluding amounts held in trust for the tour operations business, and we've undrawn credit facilities of a further GBP110 million, including a GBP10 million facility for the cruise business that has been agreed on an arm's length basis with Sir Roger De Haan. As we think about the outlook, the steady cash flows of the insurance business will continue to play an important role in the group's overall financial resilience.

As evidenced in the last 12 months, retail broking is cash generative and the EBITDA of the business drops through to cash with relatively modest CapEx needs, and over time, working capital movements should be positive. AICL's solvency also remains positive and is at the top end of the target range of 140% to 160% on an economic basis, but removes the short-term benefits of quota share reinsurance agreements. With motor claims frequency running below long-term averages in February and given the cautious approach to reserving, we expect the insurance business to continue making a significant positive contribution to both EBITDA and cash.

There are, of course, some risks here and the impact of the market study remains hard to predict at this stage. However, given the implementation date has now moved back to 2022, we do not see this is likely to have a material impact on the current year.

Given the ongoing uncertainty over when travel will restart, we continue to think about group financial position in terms of scenarios, as explained on the following slide. Our base case is for cruising to resume in the summer and for most tour operations to restart in September. Cash flows for cruise should turn positive a few months ahead of us restarting trading as we collect the final balances due on customer departures. And in this scenario, we have significant headroom to all elements of bank facilities.

Bearing in mind the fact that the environment is very uncertain, we have also continued to assess multiple different scenarios for the restart of travel. These scenarios vary in severity from a delay until the autumn for cruise all the way to assuming no resumption of travel until March 2022. While this latest restart is a possible outcome, for the reasons Euan explained earlier, we believe it is unlikely.

We also allow for various trading stress tests in relation to insurance, while in more pessimistic scenarios for travel, we do allow for a level of reduced motor claims frequency beyond February '21 with a current year loss ratio similar to that reported for the 2020-21 financial year.

In each of these modeled scenarios, we expect to remain in compliance with the terms of our banking facilities, and while headroom on some aspects would be limited in the most severe scenarios, this is before consideration of any further management actions. Overall, we are well prepared to manage through to the end of the pandemic and our focus remains on thinking ahead and on the proactive management of risks.

On the next slide, I put our financial outlook into a longer-term context. This slide will be familiar to many of you and is an update of the debt trajectory we anticipate in the next few years. There are of course a wide range of outcomes for COVID-19, but we've looked to model these within the scenarios I discussed on the previous slide. As you can see, we significantly reduced ex-cruise net debt last year due to the capital raise, although total debt increased as a result of the completion of the Spirit of Adventure.

This year is likely to be a transitional year, and dependent of course on the pace of recovery from COVID-19. Our downside scenario is based on a cautious 1 March 2022 travel restart, and in that situation, we would expect total debt to slightly increase over the course of this year.

However, given the cash generative nature of insurance and an operational cruise business, we expect debt to rapidly reduce from that level with cash generated to meet all cruise obligations and repay the bank facilities in May 2023 while retaining a reasonable level of working capital. Overall, we will continue to put a high priority in debt reduction and are targeting a ratio of total leverage to EBITDA including cruise of less than 3.5 times.

While this remains the priority, the Board is unlikely to consider resuming dividend payments. This is not because of external constraints placed on the company, but reflects a desire to reduce leverage to materially lower levels post the delivery of the two ships.

Let me now summarize my part of the presentation. Despite the challenges of COVID-19, there were many areas of progress in the last financial year, particularly in insurance, in relation to cost control and with travel results in line with or better than scenario planning. The business overall generated an underlying profit in both the first and second half and also generated positive operating cash for the full year despite significant cash support to travel.

As a result of the multiple actions taken in the last 12 months, our financial position is resilient and with lower ex-cruise net debt compared to where we were a year ago. We are aiming to restart travel in the summer, but are planning for a range of downside scenarios and have the financial flexibility to manage to a delayed restart of travel into 2022.

And with that, I'll hand back to Euan.

Euan Sutherland

Thank you, James. Moving on to our strategy, where we are making good progress on each of the five pillars, I wanted to first start with our customers. Our plan starts and ends with delighting our customers. So this will be a consistent feature of our updates going forward. We have spoken to you before about the potential inherent in serving this customer age group and the growth opportunities ahead. This is a great market to be in and we are focused on improving our relevance and capitalizing on the opportunities to grow in the years ahead.

There are over 25 million people or 38% of the UK population who are over 50 today in the UK. This population has a disproportionately high share of the country's wealth at 57%. Our target market is 65 to 85-year olds where experience is everything and quality and peace of mind become drivers of choice as much as price. Among the over-70s, the higher sociodemographic segments are estimated to grow by 27% over the next 10 years, and today, the over-70 segment possesses over GBP1.8 trillion of disposable wealth in the UK. 22% of the over-65-year olds are millionaires and the over-65s have experienced the greatest increase in household wealth over the last 10 years. With only 1.5 million customers today, there is significant opportunity for Saga to grow in the over-50s market as well as in our older core market of 65-plus.

So how have customers been faring over the last 12 months? The answer is pretty well, mindful of the extra COVID health precautions that come with age and underlying health issues. I've described our customers as stoic and resilient in the past and the results of this PwC survey, which we've commissioned on the impact of the pandemic, have confirmed this and more. In health terms, our customers have been more robust, coping better than the younger generations with isolation and lockdown, with only 23% of the over-70s and 31% of the over-50s saying that they are struggling to cope mentally compared to 55% of the under-50s. From a financial point of view, the over-70s have reported their wealth has improved or remained unchanged as they've saved on fixed incomes and they want to spend again, mainly on holidays, seeing family and friends, and going out. There is a strong desire to have longer holidays and a lot of talk about holidays of a lifetime with 45% saying they want to take more than the normal two-week break.

One of the big developments for our customers over the last 12 months has been seen in their growing ease with technology. 61% are using the Internet more and 35% stepping more into social media as well as 10% joining the teenage fortnight gaming generation for the first time. These changes seem set to continue and will shape consumer behavior for good, which matches both Saga's experience and our strategy to put data, digital, and brand at the heart of our business.

There are many other changes reported including our customers' biggest concerns being the wealth and job security of their grown-up children, not being able to see their grandchildren, and coping with the return of their own children to live in their family home. Sensible caution prevails with our customers, wanting reassurance from government and from service providers that protect and secure their health and safety, as we've seen in their overwhelming support for our travel vaccine policy.

In the last year, we have made a conscious effort to move with customer expectations and to provide exceptional experiences across all of our businesses. We have seen retention grow across the group and we continue to respond to customers' needs as they develop and change. There is always more to do, but our customer focus has improved year-on-year, and these are just a few of the many positive customer comments we've received.

We also received complaints and we have more actively used these to improve our complaint-handling process and to make changes to our business faster, and more effectively, based on customer needs. We also listen closely to our frontline colleagues who tell us where we need to improve for customers and we've implemented a fast-response system called Swift in our insurance business.

As a reminder, our purpose, strategy, values and stakeholder outcomes were reset last summer and are captured here on one page. We intend to deliver exceptional experiences every day whilst being a driver for positive change in our markets and communities, and I hope you can see evidence of this already in today's presentation.

Our strategy is divided into five pillars, starting with our people and culture step-change, transforming data, digital, and brand across the group, optimizing and maximizing the businesses we operate in today, and driving simplicity and efficiency, whilst lowering our debt.

This strategy is underpinned by the values our colleagues have identified and live every day, precision pace, empathy, curiosity, and collaboration. And these have scored highly in our engagement service. In all honesty, these are a combination of values inherent in Saga today and those where we aspire to be better as we improve our business together.

All this has three clear outcomes for our stakeholders, being exceptional for our customers, being simpler for our colleagues, and maximizing cash for our shareholders. We've made strong progress on our strategy and the details of the five pillars set out last summer are laid out here to remind everyone. James has updated on pillars four and five, efficiency and debt, in his presentation. So I'll update both on the plan to step-change Saga as a whole and in detail on pillars one, two, and three before summarizing.

Taking the strategy and our five pillars, I want to explain how we see the work underway and ahead of us combining to deliver the step-changes in growth, we believe, can be secured at Saga. Firstly looking at the market size versus our current customer base, there is an opportunity to make Saga more relevant to many more people. We have talked about the drift over the last seven to 10 years where our brand, digital, and data capabilities have lacked investment and we're addressing that today. We are strengthening our customer focus, product and service quality, and the aspiration of the brand, modernizing our products and presenting them in ways that will capture the interest of more customers.

Too few of our products in the past have been truly differentiated for our customer base, and we are now working on the largest product innovation pipeline seen in the company in the last 20 years with new products launching during '21 in motor and home insurance, health and fitness, personal finance, cruise with our two new ships, and our holidays business. Our magazine has revitalized in growth and has gone digital and there is a series of new online customer content products in test.

Saga is a sum of the parts business and we have to do a better job in connecting more of these parts for each customer. Today, 75% of our customers have only one Saga product. So our easiest opportunity is to sell more to existing customers and drive greater multiproduct holdings. Our work transforming our database and creating a single customer view that is due to complete in '21 underpins this capability for the first time.

Addressing the technical upgrades to our database, designing and launching better products, and creating a brand that is more relevant to more of our customer base this year will allow us to grow our customer numbers, building on the strong loyalty we have from our existing base.

We are then intent on creating more everyday interactions with our customers, building digital and content products that can be consumed at higher frequency as opposed to the vast majority of our products that are consumed just once a year today in insurance and travel. All of this will drive our commercials and build stronger multiproduct lifetime value from a larger customer base.

So running through the first three pillars, we have started with the people and cultural transformation required to form the foundations of our long-term growth. Progress has been fantastic through the last 12 months, and we are fundamentally a stronger business today. Our purpose, values, and engagement are strengthening the company alongside a simpler and more effective operating model. Home-based working has been a success and productivity has been enhanced. Our focus has been on supporting all colleagues and their families while creating a better and more successful place to work.

Looking forward, there is still a lot to do to reinforce our new culture and this will take dedication and consistency in the years to come. We are rationalizing our office space and refurbishing the remaining space into a collaborative hub, expecting to retain the benefits from home working and our new operating model. We're looking to enhance our recognition program and launch a reward framework that links more directly to customer benefits.

At the core of our improvements for our customers is the transformation of our data, digital, and brand capability. We've made good progress with these developments launching our digital self-serve portal for insurance in November, enhancing web chat, and a new Saga app for travel bookings, alongside a digital magazine with extra online content. The data project is significant and we are well underway with the modernization of our core platform and the development of a single customer view to support cross-selling and multiproduct holdings.

Finally, we've completed our new brand identity and brand essence work to a very high level of customer approval and testing. This amplifies the change of mindset from aging to one of experience where for our customers, experience is everything, gained from a lifetime of their own experiences. More of this in the autumn, alongside the relaunch of our websites, new product sets, and operational capabilities.

Insurance had a good year in 2020-21 with the continued growth of our three-year fixed motor and home product, early implementation of COVID-inclusive travel insurance, and enhanced online capabilities. The migration to Guidewire for home has been completed and as has the implementation of Radar Live pricing system.

As I've mentioned, we have a strong product innovation pipeline in 2021, underpinned by a step-up in our operational capabilities both online and offline in our call centers. Many of our legacy system developments will have completed by mid-year too and the team are well developed in the readiness for the FCA market study to be implemented later in the year.

Bringing all this to life, Saga Insurance is focused on improving delivery for customers and has been recognized by customers in awards and feedback as well as growing NPS scores across our call centers. At every point, our colleagues have taken longer-term customer satisfaction and loyalty as our goal, spending longer on calls with vulnerable customers and responding to customers' changing needs.

Progress in travel has been significant too, despite the lockdown. Even although our customers and our ships have not been traveling, our colleagues have been very busy. The cruise team have pioneered the safest sailing and traveling protocols in the country, winning the Lloyd's Register Shield plus accreditation as well as hosting Government and Public Health England on board to showcase our capabilities. Our ships are the most up-to-date fleet on the seas today and we are ready to resume sailing safely as outlined. We have strong customer demand, including strong first-time buyer interest. Looking ahead, it's about resuming operations safely in all aspects of travel; ocean cruise, river cruise with our new ship Spirit of the Rhine, touring and holidays, and the team are ready.

Bringing travel to life has been another story of exceptional customer care, peace of mind, and flexibility, allowing customers to cancel at any time if they chose to do so as well as creating new holidays and cruises of a lifetime to respond to their needs. Cruise is 78% booked for 2021 and holidays is 83% booked for this year too. Our commitment to having both vaccines before you travel was met with huge comfort by our customers and has attracted customers from other travel operators who have been less clear. The pent-up demand is significant and we are looking forward to resuming operations.

So looking ahead for the rest of 2021, there was a lot to do, and our teams are very focused on the plan ahead. This is our plan on one page for the business, which adds the leadership clarity driving the biggest benefits. In travel, we are focused on the safe and profitable resumption of cruise and holidays, while insurance, we have a strong new product set alongside the completion of our foundations for more consistent growth.

Under each of these business units, the combined strength of Saga comes through, delivering the people and culture step-change and the data, digital, and brand transformation as essential building blocks of long-term growth. Much of the year ahead is focused on the operational step-change our customers want from us, alongside completion of our technology change programs. As a result of this, our cash flows resume from travel and are further improved from insurance, as we begin to reduce our leverage within the business.

I'm sure you can appreciate that we can't deliver a turnaround without highly motivated and engaged colleagues. It is on this note that I'd like to take the opportunity to thank all of our amazing colleagues for their relentless customer focus, their hard work, dedication, resilience, and good humor throughout the last 12 months. We know our customers have appreciated it, and I want to call out these efforts today.

This page doesn't do the last 12 months justice and only gives a flavor of what it's been like from the influential and leading role of our four-legged colleagues and Pets of Saga to the events and laughs we've had online, from the Masked Singer to the Festive Finale and every celebration in between, to the amazing fundraising and the aching limbs walking 185 million steps or approximately 87,500 miles together week after week for leukemia research. Well done and a huge thank you everyone. We are determined to make 2021 even better.

So in conclusion, Saga was determined to emerge stronger from the COVID-19 pandemic than it went in and we're doing just that. Our colleagues have been our strength and we are hugely grateful for the loyalty of our customers. The team have been incredibly busy transforming Saga into the business we believe will deliver for all stakeholders in the future. And while there is a lot to do, a lot has already been achieved. Our financial position is stronger. We remain committed to the targets set out in September. Our Board and executive team are aligned and determined. Our core market is growing and our business units are well placed as we emerge from the pandemic. Thank you.