



ASTON MARTIN

Third Quarter Results 2023

Wednesday, 1st November 2023

Q3 2023 Results

Lawrence Stroll

Executive Chairman, Aston Martin Lagonda

Opening remarks

Good morning and thank you for joining us for this call on our Q3 2023 results. I'm joined today by Amedeo and Doug. I hope you have had a chance to read the release and review the presentation of the results that are on the IR section of our corporate website. I'd like to say a few words on our continued progress before Doug takes you through some of the financial highlights prior to Q&A.

YTD and Q3 2023 Highlights

As I've said before, ensuring the fundamentals of this business has been a clear focus of mine since I became Executive Chairman. We've had to rebuild the foundation, inject new talent across the organisation and critically develop new models that match our vision to become the world's most profitable, desirable, ultra-luxury, high performance brand. In this our 110th year anniversary we are delighted with the strategic progress we continue to make. Commencing deliveries of our next generation of sports cars is a major milestone, marking the beginning of a completely new lineup of front-engine sports cars that will reposition Aston Martin as an ultra-luxury, high performance brand, enhance our growth and bring higher levels of profitability. The launch of the DB12 which has been externally reviewed as potentially the best Aston Martin ever has seen extraordinary demand. It is driving a reappraisal of Aston Martin amongst new audiences with 55% of initial DB12 customers new to the brand. And we have no doubt that when we launch the second of our next generation of new sports cars in Q1 next year we will see a similarly resounding response.

We look to the future with enormous excitement and in addition to our ongoing strategic progress we have also made significant financial progress during the first nine months of 2023. Our volumes, pricing, gross margin and EBITDA are all showing strong improvement which Doug will highlight shortly. Over the coming quarters we will showcase our breathtaking lineup of new products and we remain on track to substantially achieve our 2024/25 financial targets in 2024. Now, over to Doug.

Doug Lafferty

Chief Financial Officer, Aston Martin Lagonda

YTD 2023 Financial Results

Thank you Lawrence, good morning everyone. As mentioned, year-to-date we have seen an improvement in our volumes, pricing, gross margins and EBITDA as we continue to execute on our plans. We're please to say that our Q3 financial performance is in line with the guidance we gave at our first half 2023 results call back in July. As we look to the remainder of the year and as mentioned in previous quarters the profile of 2023 was to be shaped by the timing of product launches in both core and specials. And with that in mind, we continue to expect a significant acceleration in our financial performance in Q4.

Coming back to year-to-date 2023 in some more detail, we're seeing continued strong demand across existing and new product lines with the DB12 order book now extending into Q2 2024 and DBX orders also running into next year. Wholesales increased by 8% year-on-year to 4,398 primarily driven by a 23% increase in DBX volumes which more than offset lower sports car sales given the ongoing transition within that portfolio. During Q3 we commenced deliveries of the DB12. The issues that affected the initial production ramp are now resolved but did impact overall volume in the quarter as well as having a knock-on effect on our full year volume outlook.

Revenue

Year-to-date revenue increased by 21% year-on-year benefitting from higher volumes of both core and specials, strong underlying pricing dynamics in the core portfolio and favourable product mix. This was reflected in our total ASP of £219,000, up 12% year-on-year and our core ASP up 6% over the same period.

Gross margin

Year-to-date gross margin expanded to 36% increasing 300 basis points year-on-year and was over 37% for Q3 as we continue to make progress towards our 40%+ gross margin target.

Adjusted EBITDA

Adjusted EBITDA of £131 million increased by 64% year-on-year, primarily driven by the higher gross profit, partially offset by higher operating expenses including reinvestment into brand and marketing activities as well as some inflationary impacts on our general cost base. Adjusted EBITDA margin of 13% was up over 300 basis points year-on-year. The adjusted operating loss of £135 million reflects depreciation and amortisation increasing year-on-year as was guided.

Free cash flow

Free cash outflow of £297 million was an improvement of £39 million year-on-year, included increased capital investment year-on-year to £276 million, again in line with our full year 2023 guidance. Working capital was an outflow driven by increased inventory to support the launch of next generation sports car models which we expect to partially unwind in Q4.

Cash and debt

Total liquidity at the end of September stood at over £600 million including £216 million of gross proceeds received from August's share offering. Our net debt was around £750 million at the end of Q3, broadly stable from the beginning of the year. We remain focused on reducing our leverage and retiring debt and we'll continue to do so in consideration of a wide range of factors. In line with the announcement in July, our objective is to repay the second lien in full. In November we will be redeeming 50% of the outstanding second lien notes and beyond that we intend to undertake a fulsome refinancing exercise during the first half of 2024.

2023 Outlook and Guidance

In terms of outlook for this year our guidance, other than volumes, remains unchanged. Specifically, within the fourth quarter of 2023 we continue to expect to see a significant increase in adjusted EBITDA primarily driven by the timing and related contribution of the

new product launches, all with improved profitability. We have marginally updated our full year volume outlook to circa 6,700 units as the impact of the initial DB12 production delay limited production capacity for the full year. Demand is very strong which is a timing issue only and production is now running at the rates required to meet our volume expectations for the year.

So in closing we are well positioned to deliver a strong Q4 performance as we continue to transition our portfolio with the delivery of the DB12 and our new specials. This should provide us with strong momentum heading into 2024 and we remain focused on delivering against our medium-term plan. With that we'll be happy to take your questions.

Q&A

Operator: Thank you. We're going to take our first question and it comes from the line of Akshat Kacker from JP Morgan. Your line is open, please ask your question.

Akshat Kacker (JP Morgan): Thank you, good morning, three questions from me please. The first one on the DB12. Could you just give us some confidence that you are overall happy with the demand and lead times on the order bank that you currently have for the DB12 please? And also should we be expecting a 40%+ contribution margin from the car in line with your general business strategy? The second question is on the DBX. As you have now detailed the infotainment and HMI interface for the GT sports cars, I think a lot of customers might be waiting for an update on the SUV as well. Is that in the works and when should we expect a refresh on the DBX please? And the last one is on the specials. You're going to launch a few specials in the coming quarters. Can you just give us your broad expectations for deliveries going into Q4 and if you have something in mind for 2024 as well please? Thank you.

Lawrence Stroll: As far as DB12 is concerned as you might have read in some of the articles, is critically acclaimed, probably the best Aston Martin ever made, we are very, very pleased with our order book to-date. We are slightly disappointed that the demonstrators are literally as we speak arriving in the dealers' showrooms. So to get that quantity of orders without any customers seeing or touching a vehicle is nothing short of spectacular. We are confident that by the end of this year we will be sold out of all of next year's production. As I said, the demonstrators are literally in the dealers' showrooms as we speak.

As far as your second question on DBX, yes we are very confident, 100% certain of our contribution margin. On DBX the new infotainment, the new interiors will continue along the line of DB12 and will be in the marketplace in the near future. And yes we anticipate on a regular annual basis continuing with our rollout of specials.

Akshat Kacker: Thank you so much. Just a clarification on the specials, what should we be factoring in for Q4 in terms of specials deliveries please?

Doug Lafferty: We're not going to get into the details of numbers but you can see that the profile of the delivery of the Valkyrie is running smoothly during the course of this year. We've started deliveries of the Spider and you can start to see that the margin is picking up in that regard. And then we've previously announced, we'll deliver the DBR22. The majority of

those through Q4 and also commencing deliveries of the Valour. Valour will continue into 2024.

Operator: And the next question comes from the line of George Galliers from Goldman Sachs. Your line is open, please ask your question.

George Galliers (Goldman Sachs): Yeah, good morning and thank you for taking my question. The first one, I think Doug already confirmed this in his pre comments but just with respect to the updated volume guidance, can you confirm that 100% of this is related to the DB12 production delays and not softer volumes on other parts of the portfolio?

The second question I had was just with respect to the free cash flow guide. You didn't reiterate the positive second half free cash flow excluding the technology fees. Was this deliberate and if yes it does seem to imply a small downgrade to the free cash flow? If that's the case can you just confirm that the driver of the slightly lighter free cash flow for this year is the slower ramp of the DB12?

And then finally obviously very strong gross margins during the quarter. Can you just give us some insight into what drove that? Particularly in light of the stepdown in the core ASP. Can it be attributed 100% to the specials or did you also see gross margin improvement on your core vehicles sequentially? Thank you.

Doug Lafferty: With regards to DB12 and the volume outlook for the year, yeah, I mean, 100%'s a big number but that's exactly what the update relates to. The delays that we've experienced with the DB12 corresponds exactly to the shortfall or the updated guidance on the volume. I would reiterate again though, as Lawrence has said, demand is strong. We expect it to get stronger. It's a timing issue related to production and not a demand issue.

With regards to free cash flow, we expect positive free cash flow for Q4 and again as you sort of rightly pointed out the impact – slight impact that we're expecting, look, I haven't given up hope on doing better on free cash flow but the impact really is related to that slight volume adjustment and also the working capital dynamics that come along with that. So we had an increase in inventory in Q3. Expect that to partially unwind in Q4 but don't forget we're also going to be preparing for the launch of the next – the second next generation sports car. And also the timing of some of the sales being phased into Q4 might impact receivables. So the impact is exactly as you say, linked to the volumes.

And then on the gross margin, yeah, Q3 gross margin we're very happy with above 37%. We see that continuing to improve. Obviously we're targeting that 40%+ on every product we sell and Lawrence has just confirmed that's exactly what we're seeing and expecting to continue on the DB12. So a rich mix from specials in Q3 supported by the initial DB12 deliveries and in Q4 we expect to see that sort of strong mix continue the same as we move into 2024.

Operator: We'll take the next question from the line of Henning Cosman from Barclays. Your line is open, please ask your question.

Henning Cosman (Barclays): Yeah, good morning, thank you for taking my questions. Thanks Lawrence for confirming the DB12 order situation around the demonstrators. Perhaps I can ask also about the DBX if you could perhaps be a little bit more specific how far the orders currently reach into 2024? And if you could remind us, what your ideal order book length looks like for the sports cars and also for the DBX? So what I mean is would you

typically hope to sell out for the following year pretty soon after the launch of these new sports car vehicles and what's the situation for the DBX? That's the first question.

Second question, if you could please discuss these execution issues with your supplier that have led to the unit guidance reduction on the DB12 specifically now? But perhaps more importantly how we should think about the risk of similar issues as you ramp up many new vehicles over the next 12 months. Now not least in Q4 where execution will have to be pretty seamless.

And then the third question is, I'm hoping perhaps for a bit of colour in the context of consensus. So despite these lower 2023 units that you're guiding now, could you discuss how you feel about the full year 2023 consensus revenue and EBITDA now in the context of these very strong ASPs that you have? I assume that you're hoping to achieve broadly the current consensus level but maybe we can talk about if that could be slightly at the expense of having to sell more specials in Q4 and even Q3 that you were originally hoping. And pulling some forward from 2024. Thank you very much.

Lawrence Stroll: Your first question on the DBX, we're very satisfied with our order book. As I said, as we are extremely satisfied with DB12 and as you made note the demonstrators for DB12 are just arriving at our dealers so extremely confident or actually certain that by the end of the year we'll have our order book sold for all of next year. As far as DBX is concerned, as I said, we are very satisfied with our order book. In the near future we'll be following up on the DB12 interiors with an updated version of interior in our DBX. So we're looking forward to launching that in the very near future. I think your second question was about the supplier issues which I'll pass over to Amedeo to answer.

Amedeo Felisa (Chief Executive Officer, Aston Martin Lagonda): Okay, let me say that in the last year we have vastly improved our relations with suppliers and for sure now our supply chain resilience is by far better than it was last year. About the DB12 the delay to the start of the production was mainly related to challenges that we have on the software integration or the electric/electronic platform with the new infotainment that is brand new and bespoke to Aston Martin. So we had some issues on software but everything now is fixed and then we have also the opportunity having the software, we have the possibility to make improvements over the air.

Lawrence Stroll: And by the way it's the same software that will be used in all of our new front engine sports cars so you get through the first hurdle it's the same for the second car, the same for the third car, etc.

Doug Lafferty: And then on the third question Henning, we've always guided to the last part of the year, Q4 being a very rich mix. So as I just said we're expecting the continuation of the Valkyrie programme deliveries in Q4, the initial deliveries of the Valour and deliveries of the DBR22. That's always been the plan and there's no significant deviation from that plan at all in light of the marginal update to the DB12 volumes. I think as it relates to consensus we haven't updated our financial guidance, as I say, so we're pretty comfortable with where consensus has got to based on our guidance for EBITDA margin and so on. And I would say as we run into 2024 our plans are still very much as they were. And we've talked this year about our intention to substantially deliver on our prior mid-term guidance, which is the £2 billion of revenue and the £500 million of EBITDA. And that plan remains what we're aiming

to deliver for next year. So no this slight interruption that we've experienced on the DB12 doesn't materially impact anything as relates to the sort of profile of delivery in Q4 or what we're expecting to do in 2024.

Henning Cosman: Okay, thank you. And if I could just follow up very briefly on Amedeo's point around the innovations that have led to the supplier issues. So there are no such innovations in the specials that you're looking to launch in the fourth quarter where there's potential risk of similar execution issues is there?

Amedeo Felisa: If you want to compare the special with the DB12 I think DB12 by far is the best product we have on the product line so everything of the is innovation coming from the sports car line.

Operator: And the next question comes from the line of Christoph Laskawi from Deutsche Bank. Your line is open, please ask your question.

Christoph Laskawi (Deutsche Bank): Good morning and thank you for taking my questions as well. I'd like to start with a question on demand in Asia and North America. Wholesale deliveries obviously in Q3 have been down year-over-year. Could you comment on what kind of momentum you're seeing at the dealers and if you expect that to improve in the coming quarters?

And then linked from that to pricing as well, obviously your geo mix slightly negative in Q3 but you also stated that you have pricing at least giving a bit of price in the ramp downs of the models. Could you comment on what we should expect for that in Q4 and early 2024 when new models are launched as well? Thank you.

Lawrence Stroll: As far as the wholesale deliveries are concerned simple reason they're slightly down is we're transitioning from the old product to the new product. So we're not going to keep putting more old front engine product into the market so that's a transition and timing event. And I'll ask Doug to answer on the second question.

Doug Lafferty: Yeah, look, on pricing I think if you're talking about Q3 versus Q3 last year a little bit of geo mix in there was a lower volume into China that impacted but also there was a bit of FX at play in there. I think absent the FX we'd have been up on the core ASP quarter-on-quarter as well. The way I would encourage you to think about ASP as we move forward is that it will evolve positively. So we're expecting further ASP momentum in Q4 and as we run into next year. And not wanting to sound like a broken record but that will really support the gross margin delivery. So we've seen really nice gross margin momentum as we've come through this year and I expect that to continue running into Q4 and into 2024. And to a larger extent driven by ASP dynamics that we expect to evolve.

Christoph Laskawi: Thank you. A follow-up if I may on the regional comments as well. So the weakness in China or relative weakness in China and the US it's not linked to the DBX which is also down year-over-year but it's really also linked to the delays that you have in the DB12 and not being able to put out the volumes that you hoped? Just to clarify, thank you.

Doug Lafferty: The DBX is up year-over-year so year-to-date we're 23% up on the DBX. We're working closely with the teams in China. We wouldn't be the only company to say there's a little bit of volatility there but as Lawrence said, China hasn't received any DB12s. We're on the wind down of the sports cars so it's just managing our way through that

transitional process. And then I think you also mentioned North America. In North America specifically we haven't seen any significant change in demand dynamics from consumers. When we look at the initial order book of the DB12s the ratio of orders coming from the US is exactly where we'd expect it to be and in line with our normal dynamics. So no significant change. Obviously we're mindful of everything that's going on. We'll continue to monitor. We work very closely with the regions to monitor performance and will continue to do so. But as things stand today certainly from that regard no material issues.

Operator: And the next question comes from the line of Anthony Dick from Oddo BHF. Your line is open, please ask your question.

Anthony Dick (Oddo BHF): Yes, hi, thanks for taking my questions. A first one on the timing of the order book opening and the production ramp-up on the DB12 Volante and the other sports cars if you can. And also how do you expect – what are your expectations for DB12 Volante orders by the end of the year and mix into 2024? Then a second question on the retail versus wholesales. What should we expect to the end of the year considering you're probably building up a bit of inventory on the DB12? And the last one I was wondering if you could just disclose the number of Valkyrie Spiders that were delivered in Q3? Thank you.

Lawrence Stroll: Your first question, the Volante is 30% of the portfolio. We just recently launched the car a couple of months ago and the demonstrators for the Volante have not yet arrived at the dealerships where as the Coupes are literally, as I mentioned earlier on the call, just arriving as we speak. Your second question –

Doug Lafferty: For the full year we expect retails to be above wholesales and that hasn't changed. And yeah there might be a bit of inventory build still on DB12 but still expecting retails across the portfolio to outpace wholesales. And then the final question I think was related to the Valkyrie Spider. So I'm not going to give the specific number exactly but it was – the minority of the deliveries were certainly from the Spider. But it's great to have that programme now started in delivery and you can hopefully start to see along with other mix in Valkyrie deliveries, the margin improvement that that starts to bring and supports our evolution on the journey to 40%+ across the board.

Operator: And the next question comes from the line of Yi-Peng Khoo from Bernstein Research. Your line is open, please ask your question.

Yi-Peng Khoo (Bernstein Research): Yep, hi, thanks for taking my question. I've got two questions here. Two slightly longer term I guess and strategic questions. The first question would be on your order book. So what's the proportion of new customers in the existing order book? I understand that you provided some colour on DB12 order book on that number but how do you expect that to change with new product launches?

And my second question is slightly related would be what does the product journey for new and existing customers look like for Aston Martin? So how does the company intend to keep existing customers within the brand? I believe one of your key competitors has a really strong product ladder for customers to climb. How does Aston envisage that product ladder for its customers?

Lawrence Stroll: As far as DB12 is concerned, to answer your question, it's 55% currently new customers to the brand. A lot of others have come through experiencing, driving and

owning a DBX. So a good portion of those 55% have bought a DBX and they're now because of the acquisition of the DBX buying a DB12. We're also seeing customers come from other brands, other sports car brands, particularly with our higher performance than we historically have delivered. It's a very different product sitting on the tails of our Formula 1 team and the performance – the balance of performance coming out of the cars and the exciting platform of Formula 1. So long-winded answer, 55% of the customers are new for the two reasons I just mentioned.

Lawrence Stroll: Yi-Peng, could you repeat the second question, I'm sorry?

Yi-Peng Khoo: Yeah, so the second question was about your product portfolio and sort of keeping customers within the brand. Right, so is there a clear product ladder? So you mentioned from DBX to DB12. Should we expect that sort of product ladder to be well established within the next few years and customers to be able to stay within the Aston Martin brand?

Lawrence Stroll: Of course, yes. It's the DNA of our business. As we said, we are going to be replacing – we've already replaced DB11 with DB12. Our other two front engine sports cars get replaced both in 2024, one at the beginning of the year, one closer to the middle/latter part of the year. So you will have all new front engine sports cars in 2024, both Coupe and Volante. And then of course we have our DBX which as we said will come with an update to eventually new interior a la the DB12. And then of course we will continue rolling out on an annual basis our specials. We also have our mid-engine Valhalla which we will start to deliver the end of next year and that will take us very strong into 2025. So you'll have ultimately a full portfolio of front engine sports cars, SUVs, mid-engine sports cars and specials. Quite an extensive portfolio.

Operator: Thank you. There are no further questions at this time. I would now like to hand the conference over to Lawrence Stroll for any closing remarks.

Lawrence Stroll: As I mentioned on the last call, it's been a very exciting journey the last – it's now three and a half years. All the fundamentals of the business are now strong, deep-rooted. We have a fantastic launch of our DB12. We look forward in the next coming months to our second launch of our new generation sports car and a few months after that our third new generation sports car. All this on the heels of a very exciting Formula 1 marketing platform that is extensively opening up to a group of new customers that have never shopped the brand before. You could call them petrolheads if you like and it goes very much in line with our new products and the newer higher performance, handling, etc. So look forward to a very exciting year. We will be ahead of what I predicted three years ago. As we said, we will hit our financial numbers in 2024 for what we projected in 2025. And other than a slight delay in ramp-up in DB12 which is now very much behind us, and this will not affect our other new sports car launches because it is the exact same electronic architecture going in the other new sports cars. So on that, stay tuned and look forward to speaking to you on the next call.

[END OF TRANSCRIPT]