ASTON MARTIN

Aston Martin Lagonda First Quarter Results 2022 Conference Call

Wednesday, 4th May 2022

Operator: Good day and thank you for standing by. Welcome to the Aston Martin Lagonda First Quarter Results 2022 Conference Call. At this time, all participants are in a listen-only mode. After the speaker presentation, there'll be a question-and-answer session. To ask a question during the session, you need to press star one on your telephone. Please be advised that today's conference is being recorded. And if you require any assistance during the conference, please press star zero. I'd now like to hand the conference over to your speaker today, Lawrence Stroll. Please go ahead.

Opening Remarks

Lawrence Stroll

Executive Chairman, Aston Martin Lagonda

Welcome

Welcome everybody. Thank you for joining us this morning for Aston Martin Lagonda's results call. I am Lawrence Stroll, Executive Chairman. I would like to make some opening remarks before we take questions on this morning's announcement. Firstly, I would like to extend my thanks and appreciation for all that our outgoing CEO, Tobias Moers, has achieved. He joined Aston Martin at a critical point for the company and brought significant discipline to its operations. The benefit of his actions is clear in the improved operating performance of the company and great new product launches.

Now there is a need for the business to enter a new phase of growth with the a new leadership team structure to ensure we deliver on our goals. Our new organizational framework will support the company to its full potential, foster greater collaboration and more cohesive way of working, both internally and externally, especially with our strategic partners including Mercedes Benz. I'm extremely pleased that Amedeo has agreed to take on the role of CEO. He has extensive knowledge of both Aston Martin's business and the wider automotive industry with an excellent track record and previous experience of leading a major ultra-luxury car manufacturer. His technical acumen and charisma will be inspirational for the entire company.

With the appointment of Roberto, as Chief Technical Officer, we add another world class name to our team. He will help us deliver our future strategy with a particular focus on technology advancements and their in-house engineering capabilities as we move toward electrification. Roberto is a proven innovator and team builder. He conceived some of the world's most desirable performance sports cars. His extensive experience of this sector coupled with his leadership style will contribute significantly to shape our exciting future product portfolio and reinvigorate our technical team. We believe these changes will bring significant long-term benefits to everyone who is involved with Aston Martin.

We continue to make tremendous progress now operating as an ultra-luxury brand and seeing strong demand across all our product range, with sports cars sold out for the entire year and DBX orders up 60% over previous year. Our most recently announced limited edition, the V12 Vantage, was fully sold out prior to its official launch in March and DBX707 is making headlines as a premier ultra-luxury performance SUV on the market in the world. We are poised to deliver good growth in 2022 and remain extremely confident in the medium and long-term prospects as we transform Aston Martin into the world's most desirable ultra-luxury business brand.

And on that note, I would like to hand over and introduce our new CEO who's going to say a few words, Amedeo Felisa.

Opening Remarks

Amedeo Felisa

Chief Executive Officer, Aston Martin Lagonda

Good morning and thank you Lawrence. It gives me great pleasure to join you all today as the Chief Executive Officer of this truly iconic British brand. I would like to thank Lawrence and the board for their trust in me as the company embarks on a new and exciting phase of growth. I have come to know Aston Martin and its senior leadership team very well in my previous non-executive director role as well as Chairman of the product strategy committee. I know there is a highly experienced and impressive pool of talent inside the company. And my immediate objective will be to implement a new organizational structure focused on broadening the technical team on our operational and supply chain team.

Central to this will be our new Chief Technology Officer, highly experienced engineer, Roberto Fedeli. We have a clear objective to continue the transformation of Aston Martin into an ultra-luxury high performance brand and become a leader in our sector, meeting our strategic objectives, financial target and roadmap towards electrification. I will now pass to Doug, our new CFO, and I look forward to updating you more on our progress over the next coming months.

Opening Remarks

Doug Lafferty

Chief Financial Officer, Aston Martin Lagonda

Thank you, Amedeo. Good morning everybody. Like Amedeo, I am delighted to be joining the call this morning as the new CFO of Aston Martin. This is clearly an exciting time to be joining the company and I'm very much looking forward to working with Lawrence and Amedeo and the rest of the team in order to help drive the business forward. I'm also looking forward to engaging with many of you over the coming weeks. But for now, I'll hand the call back over to Ken to take you through the first quarter financial performance and our outlook for the year.

Financial Highlights

Kenneth Gregor

Chief Financial Officer, Aston Martin Lagonda

Thanks Doug. Good morning, everyone. A few highlights of the Q1 financial results. Our Q1 performance was very much in line with our expectations, slightly lower wholesales year-on-year as guided, delivering 1,168 units in the period. Revenue was £233 million, a 4% increase, benefiting from continued strong pricing dynamics with the core average selling price up to £151,000 per unit reflecting continued lower customer retail financing support, which is good to see, and the impact of pricing that we took late last year. We also had higher specials with 19 in the quarter compared to one last year.

EBITDA

Adjusted EBITDA was £24 million with a 10% margin, reflecting the increased Specials delivered that I just described, together with cost efficiency benefits, realised through project horizon completed last year. The operating loss of £36 million reflects depreciation and amortization increasing year-on-year as we guided due to Valkyire programme deliveries and some accelerated D&A ahead of the new front engine sports cars next year.

Free cash outflow

The free cash outflow of £25 million includes capital expenditure, £67 million, in the quarter which is a £19 million increase year-on-year, which I was pleased to see as we invest in the future of our front engine sports car line-up and we should continue to expect to see capital expenditure running at around that level for the balance of the year. That was slightly offset by a working capital inflow of £33 million. We saw our receivables and deposits benefit in the quarter, offset by higher inventory levels in the quarter as we saw increased level of vehicles in transit at the end of March compared to the end of December. I am pleased that we finished the quarter with a strong cash position with £403 million of cash on the balance sheet.

Outlook

Turning to the outlook, as I said Q1 trading was as expected. For the full year outlook, we've guided that our expectations remain unchanged. We've updated the net interest guidance to reflect foreign exchange rates. In particular, that includes the impact of a non-cash foreign exchange revaluation of our dollar debt in Q1, due to the pound weakening. But other than that, there's no change. We're targeting over 6600 units of wholesale volume at 350 to 450 basis point improvement in EBITDA margin and full year Capex in the range of £300 million for the full year.

As this will be my last results as CFO of Aston Martin, I really want to thank Lawrence in particular for his support as well as the team at the company and our partners and shareholders. I'm really proud of what we've accomplished in my time here in terms of shaping the company's future direction, helping to achieve a clear roadmap to profitability and financial stability. I wish Doug all the best as he takes over the reins. Back to you, Lawrence.

New Phase of Growth

Lawrence Stroll

Executive Chairman, Aston Martin Lagonda

Thank you, Ken. Once again, I thank Ken personally for the great two years we spent together. We really, with Ken's help, helped shape the financial part of this company, and I look forward to working with Doug going forward. In summary, we are on a new phase of growth. We have a new team to deliver both in cohesiveness within the organisation and technically on our new product portfolios and innovation. We will maximize that potential. We have all of our next generation sports cars coming next year in '23. I've always said this, what we've done so far is a bridge to get to '23. That's the heart and the soul regardless of the major success of DBX, now 707, the heart and the soul of this company remains sports cars and all three of the sports cars, Vantage, DB11, DBS are scheduled to come next year. It will be a very exciting time.

Electrification

Our path to electrification, we're very well on that journey. We are moving forward already with Valhalla, and we are diligently working on an Aston Martin version of electrification in addition to the option we have to take from Mercedes early next year.

Formula 1 team

Lastly, what's really been transformative to this company is our Formula 1 team. I could not speak enough of what this has done to market this brand in the upper echelon and the highest technical motor sport in the world. We get to meet our customers at 23 events, this week it is Miami. We have over 500 American customers visiting us this weekend. I don't know another sport you get to touch, eat, drink, talk with over 10,000 of our customers over the course of 23 races around the world. This has had a tremendous impact on our sales. I truly believe this is one of the reasons we're sold out on seven-year-old sports cars. It's quite an incredible fact. The brand has never been stronger, never been hotter. I believe Formula 1 has contributed to that greatly and now in addition to the new management team, new products we will be bringing in the future to take us to that famous 10,000 cars I keep talking about in a couple of years, and by the way we’re three quarters of the way there. It's not like we're starting at zero. We'll be close to 7,000 this year, so it's not very far from the 10,000 I promised in bringing the all-new front engines and bringing Valhalla, which will get us to that milestone.

Thank you for listening. Given that Amedeo and Doug are new in their posts, Ken and I will be happy to take your questions. Operator, I pass it back to you.

Q&A

Operator: Thank you. We will now begin the question-and-answer session. As a reminder, to ask a question, you need to press star one on your telephone. To withdraw your question, please press the hash key. Your first question comes from the line of Charles Coldicott from Redburn. Please ask your question.

Charles Coldicott (Redburn): Good morning. Thank you for taking my questions. I have two, please. Firstly, for Lawrence, on the leadership change announced this morning, could you talk to us about the key qualities you were looking for in the hiring process and how this will change the strategy, if at all? In your remarks, I think you mentioned a new organizational structure that Amedeo will lead. What could that look like?

Secondly, on the gross margin. In Q1, it was good to see the gross margin up to 36%. Ken, could you quantify the main drivers behind that improvement and whether we should think of 36% as a new floor for the gross margin? Going forward, input cost inflation is obviously something the whole industry is contending with, and I guess that means that the bill of materials in the new DBX 707 is significantly more expensive than when you had conceived it.

Does that threaten the 40% gross margin you budgeted for that model and will you have to raise the price beyond the $230,000 price point that I believe it starts at? Thank you.

Lawrence Stroll: Let me take your first two questions. Number one, I break this business into two phases at the moment. In phase 1 when I took over the business, we were wholesaling approximately 3,300 [*correction from 2,000*] cars a year, approximately half of what we are targeting at the moment. I was satisfied at that point that one person can have the role of CEO and CTO, A. for the reason I mentioned and, B. because it was much more about cleaning up operationally, about improving our manufacturing, about solidifying our supply chain, about coming to a new agreement which was reached with Mercedes Benz to make bespoke Aston Martin engines, to give us current touchscreens, current infotainment, current electronic architecture. That was really phase 1 of the business and for that Tobias did an excellent job.

Phase 2 of the business is different in respect that it's about growth and innovation and technology and scale. We'll start with scale. The size of our business now will be close to 7,000 vehicles this year. This requires a full time CEO and with the innovation and the amount of our product diversified portfolio, from front engine to mid-engine, to SUV, to PHEV, to BEV, I want a full-time dedicated CTO to concentrate full time on the innovation just as I want a full time CEO now to look over the broader, bigger picture, bigger spectrum of the whole business. I don't want someone who divides their time 50-50 because we're not about 50-50, we're about full on, 100% in getting to those 10,000 cars, again, which we're on the way to do in the next two years. We have sales, we have the product. Now, it's about execution. That was the reason for the change. The management structure, the organizational structure to broaden and to strengthen the whole company and to focus singularly on the technical team.

Kenneth Gregor: Thanks Lawrence. Charles, just taking your other points. Yeah, I'm definitely pleased to see the gross margin around 36% in the quarter. The short answer is yes, I would hope to see it continue in the mid-thirties range in the full year, which is what I said in our full year results call a couple of months ago. Really the drivers for that being obviously we've got a full year of Valkyrie which is helping to support that. We've got continued strong pricing dynamics in the marketplace which enabled us to continue to see lower incentive spending. And the other key driver is, as we've also said before, we're targeting 40% plus gross margin on all of our new vehicle introductions such as DBX707 and the V12 Vantage. Both of which will have more significant quantities of in the second half of this year, so I'd look forward to seeing the margin development supported by that on our journey towards getting the whole business to 40% plus which is definitely our target.

In terms of raw materials, yeah, like everyone else we've seen increased prices in terms of aluminium, nickel, palladium. Electricity, gas, we've seen cost increases across all those commodities and energy costs. Broadly, we've been able to offset that so far with a combination of price increase we took beginning of the year and the continued lower incentive spending that we've enjoyed. We obviously keep those price levels under review and will judge whether we need to react accordingly going forward.

Charles Coldicott: Thank you.

Kenneth Gregor: Thanks.

Operator: And your next question comes from the line of George Galliers from Goldman Sachs. Please ask a question.

George Galliers (Goldman Sachs): Good morning and thank you for taking my question. The first question is also in relation to the management changes and how that prepares you for battery electric vehicles. Do you think with the new management team you are now better placed to prepare for the transition to battery electric vehicles in the second half of the decade? Do you still need to look for incremental talent there or do you think you have the team and the technical competence on board to deliver battery electric vehicles?

The second question was with respect to the DBX performance. Obviously, this was the worst quarter since the product launched in an environment where every other car company is struggling to build enough SUVs with excessive demand across the globe. I'm a bit surprised that the DBX was so weak given the introduction of the mild hybrid specifically for the Chinese market. I guess the question is, is the 707 going to end up being pretty much 100% substitutional for the existing model? If that's the case, will you discontinue the existing model in order to reduce cost and complexity? Thank you.

Lawrence Stroll: Let me take your battery electric vehicle first. First of all, Amedeo who has a great deal of experience, brought with Roberto Fedeli the first electrification to the first Ferrari. After that, Amedeo went on to be Chairman and CEO of an EV tooling company, so focused completely on EV. As far as Roberto Fedeli is concerned, he's regarded as one of the pioneers in electrification. As he said, he started Ferrari's electrification programme. He was poached by BMW. He started BMW's electrification programme, ran their first electric cars. I don't think there's anybody more respected in electrification than Roberto. He will be joining us with an additional team of people that we will be announcing in the next couple of weeks that are further experts in electrification.

We also have some great talent in-house in electrification who we will be promoting to work alongside Roberto and his team. Lastly, do not forget we have the option in the first quarter of next year to take full electrification platform from the high-performance AMG Mercedes. I don't think there's anybody better positioned from a team of knowledgeable people, educated people on EV and from a component point of view, having a better partner than the AMG high performance platform that is our option to take. I don't think anybody better suited personnel or component with our partner Mercedes.

As far as the DBX707 is concerned, firstly in the first quarter we had a boat of another couple hundred going to China that would have made the numbers roughly exactly the same as the previous year that we missed by a couple of days. The St Athan capacity – as you know we have two factories, one to make sports cars in Gaydon and the other to make SUVs in St Athan. The St Athan capacity has been preparing for the 707 ramp up in production. I would say about 65%, and just roughly, don't quote me on that, of our SUV sales this year will be 707.

Contrary to what you said about our first quarter numbers, we are 60 – I don't know if you heard me in my earlier statement, we are 60, 6-0, per cent ahead in our order book this year versus last year on DBXs and that 60% increase is roughly 50% current traditional DBX and Straight-Six and approximately 50% DBX707s. Based on the level of excitement and feedback we've gotten from journalists and now customers through a retail – last week we had all of our American dealers here for a conference, this afternoon we have actually our UK dealers here for a conference. It was mind blowing, the excitement that they're receiving from their customers, to say, you know, now we really have an SUV from Aston Martin. I'm very happy with the traditional DBX, but the DBX a much sportier, most powerful SUV on the planet. We always said that this year, because of 707 ramp up, will be more in the third and fourth quarter. We are delivering demos as we speak on boats, on planes to our dealers. Those demos will be in place literally the next week or two. Extremely confident we will hit our projections in our numbers and this was planned as we prepare for the 707 ramp up in St Athan.

George Galliers: Great, thank you.

Operator: Your next question comes from a line of Thomas Besson from Kepler Cheuvreux. Please ask your question.

Thomas Besson (Kepler Cheuvreux): Good morning. I have two questions, please. The first is on your comment with your sports cars being sold out for 2022. Could you give us just a reference in terms of what it means in terms of volumes? Are we going to see volumes being up year-on-year or is it just a reflection that your plan was to have a relatively small number of sports cars anyway as you're about to replace these vehicles in Q2 and Q3 next year? That's the first question.

The second question is also about the management transition. If l looked correctly, Amedeo is 76 years old in 2022, has a tremendous experience, but probably won't stay as a CEO very long. Has it been taken into account in the decision to work with him as a CEO in the context? Thank you very much.

Lawrence Stroll: I will take the Amedeo question first. If you knew Amedeo as well as I know Amedeo and as long as I've known Amedeo, I don't think I've ever met a more energetic gentleman in my life. He is up for this task, and he is excited about this task. He only left Ferrari five years ago. Since then, he is full time as Chairman CEO for an EV company. Amedeo is very young at heart. By the way, you know when you build a business like he has and bringing it to such a great success, one does not forget how to do that. You don't forget how to ride a bicycle. Amedeo is with us for the foreseeable future, and I couldn't be happier and more thrilled and grateful to have him. No one else in our industry has seen the movie and written the script like Amedeo has done with Ferrari for what we're trying to accomplish here. So it is with tremendous happiness that he's with us and incredible opportunity for the company.

As far as the sports cars are concerned, we sold last year approximately 3,000 front engine sports cars. We budgeted a slightly lesser amount this year, very slightly, because of all the new sports cars coming next year. However, the sales –as, remember I said two years ago, we'll never make another car for inventory – sold vehicles to customers, have gone from 5% to approximately 60% [corrected from 65%] from when I took over to today and we are roughly going to do approximately a little less because I'd like to have less inventory in the market with the new cars, new generation coming on its heels. We will still be close to approximately the 3,000 mark.

We have orders today in-house for over 3,000. We will produce 3,000 or less so there's no inventory to speak ofp on the market when the new generation comes. Quite an incredible number for a seven-year-old product.

Thomas Besson: Indeed. Thank you very much.

Lawrence Stroll: Shows the strength of the brand and I think Formula 1 also – the resurgence through Formula 1 has helped particularly in sports cars for that customer. It shows the strength of the brand, the strength of the Formula 1 as a marketing platform all combined. Formula 1 is on fire. As a brand speaking, Aston Martin is in a great place.

Thomas Besson: Thank you.

Operator: Your next question comes from a line of Philippe Houchois from Jefferies. Please ask your question.

Philippe Houchois (Jefferies): Yes. Good morning, and congratulations to all those appointments. I have three questions. The first one, if Ken can clarify, the gross margin improvement, great news. How much is the specials and how much is the range cars because if we didn't care, we'll lose it further down in the P&L so it's less impressive? If you can kind of split the two, that would be great.

Second question, to be honest I don't quite follow your cash flow. You got 25 million out, the gross equity is okay. I just don't exactly know how to reconcile the working capital which looks like an inflow which would help, and then also I don't quite understand where the 18 million increase in inventory financing fits. My understanding is the Company is continuing to sell more retail than wholesale, so why do you need that incremental financing? What is it for?

The last point, again very impressive that you have this kind of orderbook. I don't think we've had such an order book ever at Aston Martin and especially given regardless of how old the cars are. What I'm trying to understand is who's buying those cars compared to your traditional customer base? Is it a very different customer base in terms of age, preferences, where they come from, location, if you can help with that because that's – if it's a structural shift, that's quite good news, so that would be helpful. Thank you.

Lawrence Stroll: I'll take the last point, then I'll let Ken with the others. It's both. You know, one of the great things of Aston Martin, we have over 109,000 [correction from 120,000] cars delivered in what they call in the car park of customers still driving cars. That is a tremendous amount. Part of this has been a rejuvenation of the brand and reengagement with our very loyal customers of changing in their old cars, buying new cars. 50% we feel is legacy customers coming back, trading in, buying up, and exactly 50% are new customers. New customers that haven't bought the product before, some of them have been bothered – they only wanted an SUV and Aston Martin didn't make an SUV. It's a big percentage of that 50%. It's a combination of both.

We're also seeing younger customers particularly in sports cars which I think is really influenced by Formula 1 and the brand in Formula 1. It's a combination of those three I'd say, 50% legacy, 50% new, part of the new being younger, majority of the new being SUV customers who just want an SUV that Aston Martin never had.

Before handing over to Ken, I just want to clarify something on the gross margin so everybody understands. We said last year the first new car vehicle under our management that we delivered is the DBX707. Everything else was priced, manufactured, etc., before I arrived on the scene. 707 is the first new delivery vehicle under our regime. I said for every vehicle we deliver starting with 707, we will have a 40% minimum, minimum 40% gross margin. All the next generation vehicles that are coming out next year will have a minimum of 40 – I'm not talking about specials or front engines – will have the minimum of 40, and by the time you put options could go up to a 50% gross margin, which is almost double what the previous gross margins were for similar vehicle prior to us changing product and changing strategy of luxury, changing strategy of only making cars to order, changing strategy of supplying demand, increasing residual values which are significantly up around the world for Aston Martin. That number that you're seeing starting now only gets stronger and more consistent with every new vehicle we introduce. Critical point.

Kenneth Gregor: Very good. Thanks, Lawrence. You asked a few different questions. One was also on the gross margin asking about the drivers of that. On the investor website is the investor presentation which has got a bridge year-on-year on EBITDA. If you look at that bridge, you see in last year, it's obviously 21 million, this year 24 million. You can see a couple of the drivers of that. What you see is wholesale volume is higher driven by – in financial terms, driven by the Valkyrie units, so that is a contributor. You also see that net pricing is stronger year-on-year and that's driven by largely the pricing action we took at the beginning of the year and the lower incentive spending. In terms of the gross margin improvement, it's a combination of both of those factors and I'm pleased that it is, it is both revenue and mix.

You also asked about cash flow, so just cutting through a bit the cash flow, so our working capital inflow in the quarter, yes, of about £32 million. Within that working capital inflow was both a receivables inflow connected with the collection cash associated with vehicles we wholesaled at the back end of last year, and partially offset with growth in inventory connected with more vehicles in transit at the end of March than had been the case at the end of December – Lawrence referred to part of that which was vehicles on the way to China, for example. Just kind of normal ebb and flow of receivables and inventory in the quarter, leading to a net inflow, supporting the net inflow from operations of circa £43 million, and that being offset by investment of circa £67 million in the quarter, as we ramp up the investment in the next generation of our sports cars. Those things driving the modest cash outflow of just around £25 million net of investments in the quarter.

Yes, we also, drew £20 million of inventory financing in the quarter, that's something that does ebb and flow for operational purposes through the year. There's nothing really significant. It's been at this level before. Sometimes we have it drawn at a slightly lower level, sometimes we're drawn to the higher level. So that's just the operational detail really.

Philippe Houchois: However, it is an increase in the amount of cars you financed that stay with the dealers right now. I'm just trying to understand the movement.

Kenneth Gregor: That inventory finance actually relates more to working capital in the factory rather than finished vehicles.

Philippe Houchois: Right. Okay. You're still selling more cars retail than you're selling wholesale?

Lawrence Stroll: 100%. We are retailing more than wholesale.

Kenneth Gregor: Yes. We don't disclose the number, but absolutely, that was the case in Q1.

Lawrence Stroll: As was the case all of last year.

Kenneth Gregor: Correct.

Philippe Houchois: Yes, exactly. Okay. Great. Thank you very much.

Lawrence Stroll: Thank you.

Operator: Your next question comes from the line of Christoph Laskawi from Deutsche Bank. Please ask your question.

Christoph Laskawi (Deutsche Bank): Hey, good morning, and thank you for taking my question. It will be one also linked to the management transition, and essentially implementing a bit of a new structure in the organization and hiring a new staff. Also, for R&D and the technical development. Do I read it correct that, with all the changes, you're planning to do more in-house again, say broadening the scope of what you are developing and then only potentially using the technology that you could receive from Mercedes?

If that's the case, are there any changes in your foreseen R&D spend going forward? And is that tied into the midterm targets already, or should we expect at some point, an update overall? Thank you.

Lawrence Stroll: Very astute of you. You're absolutely correct. What we are doing by bringing in a new technical team, and as I said earlier, by promoting within, a great technical organization we already have, is significantly increasing our in-house capabilities. That is something I've been planning for a long time. It is great to have Mercedes as a technical support and partner for the bits we need from them. Going forward, we want to have almost complete capability to do what we can in-house, hence the organisational shift, changes, promotions, etc.

Having said that, there is no at this point, additional spend that is not already budgeted. So this new structure is already in our budget. If we do more in-house, we take less from outsourcing, so it's kind of awash. But from a technical technology transfer point of view, clearly going forward. We're better to have our own full in-house capabilities.

And remember, we're taking a tremendous amount, starting a tremendous amount of technology coming from our Formula One team, which this company never had before last year. So a lot of this electrification a lot of the hybrids that we have in our Formula One team, is what our engineers are learning from, and bringing to our road cars, we didn't have this luxury until we had a Formula One team. So not only from a marketing point of view is Formula One transforming the recognition to the brand, but from a technology point of view, to take this technology in a watered-down version, and bringing it into our road cars. Because I think legitimacy, transparency, is what we all live in the social media world today, so we want to show that we can take technology from our F1 team, and bring it down, particularly into some of our mid-engine products to start.

Christoph Laskawi: Thank you. Two follow ups, if I may, the first one will be on the transfer between the F1 team and the Company, at what sort of price is that done? Is it just the cost plus – is it completely different than that? And with the new team in-house, when do you expect the first in-house technology to ramp up into the car launches that you see in the future from the new team?

Kenneth Gregor: For your first question, from the price point, there is a transfer price. I think it's cost plus 10. I don't remember – something very marginal. Since Lawrence Stroll is really involved in both, it's not about making profit in Formula One, it's about the overall business growing.

Kenneth Gregor: And for the second question all the HMI will be done in-house for our next generation cars to start with. We will then see a lot more of this technology coming in our Valhalla.

Christoph Laskawi: Thank you, very good. And last statement, Ken, I think this is your last call – all the best for the future, and thanks for the collaboration.

Kenneth Gregor: Thank you.

Operator: Thank you. Your next question comes from the line of Horst Schneider from Bank of America. Please ask your question.

Horst Schneider (Bank of America): Yes, good morning, and thanks for taking my questions. Three, please. The first one is on supply shortages that you mentioned in your presentation. I just want to understand if that could be a bigger risk going forward. If that could maybe trigger some more shortages, Q2, Q3, Q4, that maybe then the full year target gets at risk at some point of time.

The second question that I have that relates to the long-term incentive plan targets of your new CEO, will these old targets have to be in place or whether new targets are going to be set, and to what extent will they change?

The third question maybe a tricky one. I'm sorry for asking that. But we heard you in the German press, particularly, that you were maybe looking for a new partner Formula One. But Audi, for example, is also searching for a new team, your name was mentioned as well as a potential new partner. I don't know, could you maybe comment on that or could you maybe just say that the partnership with Mercedes, you're fully committed to that? But should that change in 2026, could it also change your existing partnership on general Aston Martin business? Thank you.

Lawrence Stroll: I'll take the last question first. Formula One is great for these sorts of things. Have we been approached by Audi? Yes. Are we very happy with our Mercedes relationship? Yes. But Formula One Paddock is full of these – full of these stories. As far as Mr Felisa's compensation is concerned, that's something we don't comment on, and it won't be significantly different, but I can't really comment on it. And the first question was on supply chain disruptions.

Kenneth Gregor: Should I take that? I mean, yes, we see, you know, we've been navigating our way around supply chain disruptions through the last months in common with others in the industry. And obviously, we continue to do so. We've managed to navigate our way, our path through that, one way or another. It's day to day – it's a day-to-day challenge, but we navigate our path one way or another.

Horst Schneider: What kind of disruption is it? Is it mainly affecting transport, or is it supply of parts?

Kenneth Gregor: Yeah, we have seen, for example, transport and logistics disruption, for example, such as transport is taking longer to get to places than we would have originally planned. So we take that in our stride. And we worked carefully with the various different suppliers to ensure the smooth supply of parts that can sometimes be disrupted either by logistics shortages or raw material issues. So a variety of suppliers. But one way or another, we have managed to figure you know, navigate our way through it and the logistical challenges ultimately are about timing. You know, it's got a close degree of attention by us, as we go forward. And it's, for sure, a risk, but one that we've managed to navigate.

Horst Schneider Alright, thanks. And maybe one last follow-up, pretty easy one. So, since you have a CEO change, can you still confirm all launch plans for 2023, there is not going to be a delay, you can rule that out at this point of time, right?

Lawrence Stroll: At this point of time, that's correct.

Horst Schneider Okay, thank you. Great. All the best.

Lawrence Stroll: Thank you.

Operator: Thank you. Your next question comes from the line of Gabriel Adler, from Citi. Please ask your question.

Gabriel Adler (Citigroup): Hi, thanks. Two questions from me. First, on the business reorganization. What led you to the decision here, to shift to the more in-house focus that you mentioned and why you're making the shift now. It relates to those comments you made around phase two, really being about scale and innovation, and just the fact that it wasn't possible at an earlier stage, or is there something else behind the decision to make the change?

And then my second question is on China. How much of the decline in China volumes that we saw in Q1 relates to dealership closures because of lock downs? And do you have any concerns that continued or new lockdown in China may disrupt your schedule for the DBX707? Thanks.

Lawrence Stroll: As far as the first question, phase one and phase two, we did it in an orderly manner. As I mentioned earlier, taking over from phase one, was getting some operational disciplines to the company, production disciplines, supply chain disciplines. So it was in a bit of a disarray. So before one can consider growth, one has to have deep rooted foundations of the operational manufacturing supply of the business, which wasn't the case when I took over the company. Tobias did a very good job in doing that.

Once that was secure, it was always my intent to bring more in-house capabilities to Aston Martin, and be less reliant on outsourcing, whether Mercedes Benz or other people, we outsource to other people as well, not only Mercedes Benz. And a company of this stature, wanting and will be the next greatest luxury high performance brand, and with all the great engineering that takes place in this country.

This country has the greatest amount of high skilled automotive engineers in the world. You simply have to look at Formula One, there hasn't been a non-British Formula One team winning a world championship since 2007. The reason for that is people. And where we're based, we have the best people around us. And there's no reason based in this country, that we shouldn't, we're not in some remote land that we should not have much more significant in-house capabilities.

Previous shareholders, previous managements wanted to outsource more. I think with the change in direction of innovation, which taking our technology from a Formula One team that they never had the opportunity to do before, this is something we should be doing in-house.

So thank God, we've been able to put the team together, with more, as I said, names to come the next few weeks, who's joining this incredible technical team, that have the experience to be able to do that. There aren't millions of people that could do it, but there are several, we've managed to get many of them to join us. And again, we have great internal talents and great talents right around the corner from us.

So it's imperative to be honest, transparent, and the more of our own capabilities going into our product, more, demonstrates our luxury, performance brand that we're building.

In China – China, in quarter one, we had no effect, basically, numbers were our numbers. Going forward, we're in the same position as anybody else. We plan on relocating some units. Thank god we're in a very good position, that mostly were oversold. So we're relocating a lot of the inventory from China, to countries that aren't closed.

Gabriel Adler That's great. Thank you.

Operator: Thank you. Your next question comes from the line of Stephanie Vincent from JPMorgan, please ask your question.

Stephanie Vincent (JPMorgan): Hi, thank you very much for taking my question, that just has to do with an update for credit investors on covenant levels. I realize that if you have over 40% drawn, you do have some leverage covenants under your bank facility. And given all the uncertainty in the market, would you consider, or have you already considered resetting those covenants, despite the fact that you feel pretty confident on your financials into 2022, 2023, just to give yourself some wiggle room, versus an uncertain backdrop, fundamentally.

And then also on covenant levels, you do have some differences, of course, in the way that you calculate EBITDA, versus how you present EBITDA to investors normally, and I was just wondering if you had an update on either the ratio for senior secured debt to EBITDA or just your levels of quarters in production EBITDA is adjusted versus what we can calculate that you've reported so far? Sorry, it's a complicated question.

Kenneth Gregor: To be honest, yeah, probably a bit more complicated than we can go into right now. But the short answer is that, when we looked at our financial planning, we've taken into account what we see as the covenant levels and we've thought about that as we look at our financial modelling going forward. So that's taken into account. We haven't discussed or considered discussing changing the covenant levels on the revolving credit facility, which is really where they are with our banks. That's not been something we've discussed at this point in time.

Stephanie Vincent Okay, those were my questions. Thank you very much.

Kenneth Gregor: Thank you.

Operator: You have no further questions. At this time, I'd like to pass back to the speakers for any closing comments.

Lawrence Stroll: I would just like to thank everybody very much, for attending the call today. And rest assured, this company is going from strength to strength. We're going to hit our numbers. It's incredible to be sold out in sports cars and have a 60% increase in DBX. Formula One's generating tremendous excitement to the brand, and strengthening the leadership team with Amedeo and Roberto, and being more innovative on technology, we believe will be transformative for the future.

So stay tuned. It's going from exciting, to very exciting. And as I keep saying, we keep delivering on what we're promising quarter after quarter, and we will continue to do so. Thank you.

Operator: This concludes today's conference call. Thank you for participating. You may now disconnect.

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