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Presentation

Penny Hughes

Right, it is 09.30, so let's commence. Good morning everyone and welcome to the first financial results presentation of Aston Martin Lagonda Global Holdings PLC. I'm Penny Hughes, I was appointed chair of the board of directors at IPO.

2018, of course, will always be a landmark year for Aston Martin Lagonda, as the company listed on the London Stock Exchange. But to also progress key phases of the company's Second Century Plan and to deliver strong financial results is indeed a very significant set of achievements. The work that is required of a new PLC board is progressing well. I've been pleased to review our operations at Gaydon, St Athan, Wellesbourne and Newport Pagnell. Creating beautiful high-performance cars requires much skill and passion and I've been delighted to see it evidenced everywhere.

The company nurtures a very healthy culture, living the Aston Martin way and places great importance on skills and learning, creativity and safety. Our cars win best in class awards and you'll hear more from that from Andy in a minute. But what he may not say is that our leadership also wins such awards. So it's not the easiest of market conditions to lead through but we are extremely focused on delivering significant profitable growth in order to create value long-term for all stakeholders. So now let's hear from Andy on the 2018 results.

Andy Palmer

Good morning everyone. It's an early, early start for us all. So, welcome to Aston Martin Lagonda's first full-year results as a listed company. I'll start by walking us through the financial and business highlights for 2018 and then Mark, our CFO, will cover the financial results in detail. And then you get me again; I'll come back to update you on the business outlook and indeed the objectives going forward. Obviously we're going to have a lot of time to answer all of your questions, I hope.

As Mark will explain shortly, we delivered strong growth in financial metrics and from a very clear point of view, we had a record year. I'd like to call out some of the highlights of which we are rightly proud but bottom line is we told you what we were going to deliver and we've delivered this and we'll continue to deliver.

So, some of those key metrics: record revenues of £1.1 billion, which was up 25% over 2017; record adjusted EBITDA of £247 million, up 20%; a 26% increase in total volume and a 30% increase in core car volume. Now, you'll know that you have to compare that to the overall market and for example, the SMMT numbers that you saw this morning, which were down 18% in the UK, so bucking the trend. And more than that, we executed on our plan, we successfully introduced two new models, with the Vantage and the DBS Superleggera, thereby completing the core car refresh. I can confirm also that the development of the first SUV, the DBX, is absolutely on schedule and pre-production vehicles will be on the production line in St Athan this April.

Our St Athan facility is materially complete, there is a car factory in Wales right now and our specials continue to be in high demand, as shown by the DB4 GT continuation, of which we finished the complete run in Q4. Now, on that I'd like now to welcome Mark onto the stage and he's going to take you through the detail of the financial reports and then I'll come back to you with the operational report. Thank you.

Mark Wilson

Thank you, Andy. And good morning to you all. So, to start then, we've made good progress against the key KPIs that we use to manage the business at the very highest level, starting in the top left and of course the major driver of revenue growth: wholesale volumes are up 26% this year, at 6,441 units and, crucially, growing in all regions globally and improving our regional balance. And it's this unit growth that largely drove the 25% uplift in revenue to £1.1 billion. We continued to deliver strong growth in adjusted EBITDA, up one-fifth, at £247 million and in line with expectations. We're calling out adjusted EPS here, clearly a key financial KPI for us going forwards but with no comparator highlighted, for obvious reasons. And to make, obviously, 2018 a meaningful comparator going forward we're using the number of shares in issue since IPO.

Adjusted leverage, 2.3x adjusted EBITDA, reflects our disciplined approach to growth of investments and it's stable, year on year, at 2.1x adjusted EBITDA when we adjust for the IPO and those one-off related cash costs, £39 million in all, for the IPO. And finally, return on invested capital, another new KPI for us but important, measuring our efficient use of capital, with 12.8% up year on year and that's in spite of the continued period of heavy investment in future products but of course this is supported by continued strong earnings growth.

So, looking into the unit growth in more detail, on the right-hand side of this slide, you can see the transformational growth we've delivered in Americas and Asia-Pacific and China, with 38% and 44% growth respectively, a really strong performance. The size of the circles on the map here represents the volume balance we now have across all four regions, as those growth markets start to make up a larger proportion of overall wholesales. I have to say I'm particularly pleased with the progress in the United States, where the brand has historically performed below its natural share and we have now righted that issue. And of course in China volumes up 31% year on year, showing the enduring value of the Aston Martin Lagonda offering, in spite of well publicised headwinds that I'm sure are familiar to you all.

While the UK and Europe, Middle East and Africa both posted solid percentage growth, these markets are more mature and the slow growth rate was in line with our expectations. In particular, the relative softness in the European market that we flagged at Q3 continued into Q4. That having been said, a more balanced global spread, targeting product growth into higher-growth and higher-demand markets does give us some insulation from those more localised fluctuations, a cornerstone of our strategy, as we articulated clearly at the IPO.

Whilst looking at wholesales, I do need to highlight and bring your attention to the fact that we did see some supply chain disruption in October and November and we resolved that fully in December. This meant we had particularly high wholesale volumes in the final month and indeed weeks of the year, as we caught up with deliveries to the network.

In terms of model mix, the chart you can see in the bottom left, you can see the strong shift from V12-engined vehicles to V8-engined vehicles, as we indicated that we would do. And given the launch cadence that we've had this year – and of course that's most notably shifting out of DB11 V12 into DB11 V8 and the V8 Vantage, launched in June. Just as a reminder, we do expect the Vantage – the V8 Vantage to be our highest-volume car during 2019.

So let's take a look at this mix shift in the context of an important KPI, average selling prices. Overall down, as expected, year on year, at £141,000 for core cars. And the headline, very clearly, as per the previous slide, is very simply that huge swing from V12-dominated cars in 2017 – almost exclusively the DB11 V12 – towards the V8 variants, spearheaded by, as I said before, the Vantage and the DB11 V8 variants. And those three cars, with lower average selling prices than the V12, are the key reason that ASP for core cars has fallen. And you can see this very clearly from the bar graphic we have here.

Looking forward, we'd expect that mix to be broadly 60/40 in favour of V8s and ASPs will, of course, grow gently as the product portfolio matures, again in line with the strategy set out at IPO. Our successful, proven and maturing specials strategy has, of course, the beneficial effect of pulling up average selling prices back the other way and you can see very clearly, from the chart in the bottom left, the relatively larger weighting carried by those cars mitigates the planned fall in group ASP to a very modest 1%.

25% revenue growth, moving on to revenue, was overwhelmingly led by the sale in the growth of vehicles, although modest improvements to sales mix, both geographic and of course in terms of options uptake and increasing personalisation also played a part. Parts and servicing continued to grow strongly, benefiting from the increased number of vehicles sold in recent years and we now have a business that generates over £75 million of revenue combined, posting growth of £10 million in that segment.

Finally, brands and motorsport is a new segment for us this year, following the acquisition of Aston Martin Brands in 2017 and revenue streams in that segment include sponsorship, race car sales from our entry into the World Endurance Championship and of course the subsequent sale of GT3 and GT4 cars. And AM Brands manages 18 partnerships and licencing accounts, including Tag Heuer, Beats, Waldorf Astoria and Sky.

Moving down the income statement to the first of the important profit metrics that we focus on, adjusted EBITDA increased by £40 million to £247 million, representing growth of 20%, or in fact 26% adjusted for constant currency. The adjusted EBITDA margin was 22.6% and the growth in gross profits, driven by wholesale increases noted earlier, flowed through, contributing £66 million of growth. And despite that negative average selling price movement I highlighted previously, you can see here that mix was, again, a net benefit to profit, highlighting the move to more profitable markets and increases in personalisation that we see across all of our ranges.

The largest driver of non-vehicle profit is £20 million of income from a contract that related to the sale of certain legacy intellectual property and of course that's something we don't expect to repeat in the coming year. Just important to draw your attention to a technical point here: this income has been reclassified as other income, where previously it was reported in revenue, a change from where we reported in November and the reclassification has had a small negative impact on gross margin. And prior to the change, adjusted EBITDA margin would have been around 22.1%.

Looking at SG&A costs, as planned we continue to grow the business to support our product ambitions, supporting five model launches this year, the largest model launch year we've ever had in our history. We invested also in rebalancing geographical mix, with marketing and other localised selling costs. We invested SG&A money in ensuring we have the appropriate distribution for our sportscar range of today and the cars that, of course, we will continue to launch as the product lifecycle goes along. Additional running costs also pertain to the St Athan factory. As Andy said, it's online now and we ramped up headcount facilities at the site and in advance of first production and prototype builds, which start, as Andy said, very, very shortly. In addition, with the December catch up on volumes, we incurred higher than expected logistics costs, both inbound and outbound and other frictional costs, touched upon earlier.

Now, I'm conscious that we IPO'd in 2018 and the costs associated with this one-off event impacted both our reported and our adjusted numbers this year and I think it's important now just to walk you through the full impact on the range of profit metrics for 2018 of the IPO.

So, starting on the left-hand side, with adjusted EBITDA of £247 million. Below EBITDA, D&A of £100 million was up year on year, reflecting new product launches and this resulted in adjusted operating profit of £147 million, up 18% year on year at a margin of 13.4% and that's 13.2% prior to the reclassification of that consultancy income. And again, this clearly is in line with guidance.

Capitalised R&D was down £11 million, at £202 million, as the new Vantage and the DBS Superleggera continue to benefit from the carry over, carry across principle that we explained at IPO. This carry over, carry across principle is a cornerstone of the Second Century Plan, with every significant component for a vehicle utilising a part from a previous model, or in fact generating one for future models.

Adjusting items were £136 million, of which only £29 million flowed through to cash, a distinction for you to note and that represented the costs associated with the IPO. These were split: £74 million of operating items principally relating to the crystallisation of pre-long-term incentives and that makes up, as you can see from the chart, £61 million of the £74 million and then the balance being professional fees and that number compares to the estimate of around £95 million given at Q3. In addition, below operating profit and clearly non-cash movements, £62 million related to the conversion of preference shares into normal equity, again a technical movement, not something that impacted cash. And these combined drove a reported loss before tax as you see here. And excluding these items, adjusted profit before tax was a symmetrical £68 million the other way.

Just to close on this slide, the tax credit on adjusted PBT of £1 million predominantly reflected the benefit of £19 million of previously-unrecognised tax losses that we were able to utilise during the year, corresponding to an effective tax rate on PBT of 0.9%. The tax credit for the year was £11 million, with reported net income, finally, of £57 million. The difference versus guidance was due to the crystallisation, on tax, of prior-year losses that weren't originally confirmed as being able to benefit from this year but it's a positive movement for us, clearly.

And finally, on the P&L, I'd like to highlight the impact that the adoption of IFRS 9 has had on our P&L, important to understand this. Looking at last year's adjusted PBT and applying the same standard would have reduced this from £73 million of adjusted PBT to £41 million. So therefore, on a like for like basis, the adjusted PBT of £68 million we've reported today would have been up by 67%.

Moving on to cash, overall the business has generated strong underlying operating cash and of course there are a number of moving parts within this which I think it's critical you understand. As we said earlier, there was a significant impact on cash from working capital outflow in the year, from a temporary increase in receivables, of which about £90 million was associated with supply chain disruption in Q4, impacting an otherwise strong result in cash-generating activities. Important to understand as well that, as we stand here, approximately two-thirds of that £90 million has now reversed and has been collected and we expect the rest to flow through within the first half.

Inventory grew due to the increase in volumes and as we expected because the factory is now producing five variants of the core car, as opposed to two in the prior year and offsetting this movement, trade payables increased as expected, reflecting the absolute growth in the business and the associated spend and scale with engineering projects.

In terms of investments we continue to make in the business to deliver the plan, £311 million of CAPEX and R&D, up from £294 million last year, as we continue to invest in our well-explained portfolio expansion, including the factory at St Athan. And it was behind our guided spend due to a revised profiling of spend on major programmes and genuinely that our guidance on these – on CAPEX matters tends to work this way. And with the growth of top line, the capital intensity is now reduced from 33% last year to 28% this year and this is a positive trajectory that we expect to continue as we continue to invest in a disciplined way in future products and facilities during the growth phase of the Second Century Plan.

I'll pick up on financing in a later slide, when we discuss current leverage, and so finally on this slide I'd like to highlight the £39 million of IPO and other one-off cash costs, £29 million, as I said before, of income statement IPO costs and £10 million relating to a pension settlement for selling shareholders which had no income statement impact. Adjusting for these, we were broadly cash-neutral, year on year, at £183 million.

Net leverage was broadly stable through the year, taking into account the impact of those IPO cash adjustments. Borrowings were up, due to a currency revaluation of the dollar tranches of the senior secured notes and the RCF was drawn down to fund appropriate investment for the future and mitigate, as I say, that £90 million receivables impact we discussed previously, two-thirds of which has been collected. Other loans related to short-term asset financing at St Athan and back-to-back China working capital facilities. This resulted in a closing net debt of £560 million, with a leverage ratio of 2.3x adjusted EBITDA, excluding the £39 million of one-off IPO and other cash costs. Leverage, as I said before, broadly stable at 2.1x adjusted EBITDA.

Finally, on return on invested capital, an important KPI, in 2018, at 12.8%, it was up from 12.4% in the prior year and we continue to expect this positive trend in the future as we continue to apply a disciplined financial framework to our business decisions, which includes the continued investment in new product launches.

This closes the formal financial review but a few more slides before I hand back to Andy which I hope you will find interesting and useful. Firstly, I would like to remind you of our long-term capital allocation framework, growth and margin expansion generating strong, compelling cash flows.

In terms of investment, in this investment phase we have a very clear and very disciplined policy. We will reinvest the cash generated from operations into product portfolio expansion and that will happen until our product portfolio matures. All our investment projects are assessed against strict returns criteria, with near-term investment focused very much on the DBX and then the mid-engined cars and longer-term investment driving Lagonda and electric vehicle development. Underpinning this, of course, are our special projects, which continue to show outstanding returns.

We follow a prudent leverage policy and we expect adjusted leverage to reduce over time. Over the medium term, we expect the cash generation that we've just talked about to underpin a further structural reduction in leverage. Cash returns policy, with no current dividend proposed will, of course, be reviewed as the product portfolio itself matures.

So, turning to very specific guidance for the coming period, excluding the potential impact of either a no deal or a disorderly Brexit, on which a little more in a moment and of course mindful of the increased geopolitical and economic uncertainties, particularly in the UK and Europe and in trade discussions between the US and China, we maintain our volume guidance for 2019 and for the medium term, remaining committed to the targets that we've shared with you on previous occasions.

To help with modelling, in addition to the volume target of 7,100–7,300 units, we've given an indication of interest, D&A, tax and CAPEX and R&D for 2019, alongside EBITDA and EBIT margin targets which you can see here on this slide.

Specifically on D&A, again, is to help with your modelling, this is higher than prior year, partially used due to IFRS 16 leading to an additional £11 million right-of-use depreciation charge but primarily because it reflects our progress through the core strengthening phase of the plan: more cars equals more D&A, that's clear. With the investments we're making in the future of the business flowing back through the P&L, we would expect this growth in D&A to continue for the next few years and I also want to highlight some important phasing differences between half one and half two EBITDA performance this year.

For half one we expect modest growth in contribution from car sales to be somewhat offset by the non-repeat of the £20 million consultancy contract, increasing SG&A intensity as we open St Athan and of course there are relatively few deliveries of specials planned in this first half. Also, do remember that Q1, of course, is seasonally our smallest quarter and that is no change for 2019.

For half two we expect overall growth versus 2018, with an increasing value associated with deliveries of special vehicles, those vehicles very much phased towards the end of the period.

It wouldn't be right to leave, of course, without a few words on Brexit. We've done a lot of thinking on Brexit. We've done a lot of wargaming on Brexit and we have now put plans in place that we believe will mitigate the significant impact on business from potential supply chain disruption in the event of a disorderly Brexit outcome. And so, in doing that, we're calling out today, that plans of up to £30 million for a mixture of advanced working capital and operating expenses have been approved by the board and if enacted, these one-off items will be reported separately through the year. And to date, just so you know where we are on this, we've spent a minimal, negligible amount on racking and packaging as we build some supply chain resilience and inventory resilience and we've committed but not spent around £2 million on revised supply chain routes which, of course, depending on the outcome, is revocable. We don't have to spend that if it's not a bad outcome.

So, important there to give you that guidance on Brexit, which in the short term will be primarily advanced working capital focused. And we hope, once we understand how the Brexit landscape pans out, that we will be able to manage that through.

In conclusion, then, 2018 was a hugely significant year, financially, for the company and we continued to deliver on the plans we shared with you back at the IPO. Revenues up by a quarter and EBITDA up by a fifth demonstrate the ongoing success of the product offering and our approach to growth. As I said, we're doing exactly what we told you we would do back at the IPO. And whilst the fourth quarter brought some operational challenges, we did deliver on our promises, driving the business forwards into 2019 on a very firm footing.

With that, I will hand back to Andy now and conclude the financial summary. Thank you.

Andy Palmer

So, thank you Mark. So 2018 was indeed a historic year for Aston Martin Lagonda, marked by those record revenues of £1.1 billion and that adjusted EBITDA of £247 million. It was further marked by our listing on the London Stock Exchange in October. In doing so we became the only automotive company in nearly 30 years and only the second luxury company to be listed on the main market in London. Our stock market listing marked another milestone in the transformation of this 106-year-old business. That transformation has gathered pace since we launched the Second Century Plan four years ago.

In 2018, we continued to execute against that Second Century Plan and saw the substantial completion of phase two, which we called core strengthening and of course that's with the launch of the Vantage and the DBS Superleggera. For information, the convertible derivatives of those two cars will be revealed later this year and with this we complete phase two.

With our core sports car range now refreshed and extremely well received in the market, we're now actively embarking on phase three of the plan, which is the portfolio expansion, as demonstrated by the construction of the St Athan manufacturing facility and the development of the DBX.

In parallel, we're meeting all of the milestones on the development of the Aston Martin Valkyrie, the Aston Martin Valkyrie AMR-Pro and Project 003 and of course that's followed by the mid-engined sports car. We'll complete the third and arguably the most exciting phase of our plan with the relaunch of the Lagonda brand but more about that in a moment.

The Second Century Plan is our roadmap for taking Aston Martin Lagonda to sustained profitability and for setting the company on the track to be a leading global luxury company. To safeguard the future of our business and to deliver a series of successful products, we have to understand who our customers of the future are and what they expect from their vehicles. Of the broadly 80 million high net worth individuals worldwide, our research identified seven key customer clusters and behind me is the map of all of those customers in the high-luxury segments, based on whether their purchase decisions are emotional or rational or whether their vehicle of choice is focused or versatile.

The principle of the Secondary Century Plan is to develop one core car for each of these seven major customer clusters. This means we are always developing products with the customer at the forefront of our mind and the decisions that are made on these vehicles are based on the needs of the customer and not the whim of the CEO, the CFO or an engineer. With this in mind, we've replaced our core range of cars with the DB11, the Vantage and the DBS Superleggera and these represent clusters one, two and three in the cluster chart behind me. As you can see, outside of these clusters there's demand and space in the market for us to expand our portfolio, notably clusters four, five, six and seven. So we'll be targeting these spaces with the launch of the

DBX, our first SUV, in cluster four, the rear-mid-engined sports car in cluster five, which will have the same V6 engine as our Project 003, and Lagonda will enter the space that is currently occupied by the duopoly of Rolls-Royce and Bentley in clusters six and seven.

As you know, we started in 2016 with the launch of the DB11, the ultimate grand tourer. This is a segment in which we've always excelled but previously had three cars competing for the same customer base: the DB9, the Vantage and the Vanquish. The DB11 is the inaugural product, under the Second Century Plan, helping drive up volume and revenue. It's available in V12, V12 AMR, V8 and Volante derivatives and the DB11 V8 was the first car in our history to win the What Car? Award.

Then, we launched the Vantage in 2017, our two-seater sports car aimed at a different demographic to the DB11. The styling, the ride and the handling are purposefully more aggressive than the DB11, as they aim to draw customers newly to the Aston Martin brand. It's beautiful but it's still unmistakeably an Aston Martin, yet it is our archetypal hunter.

Then we launched the DBS Superleggera in 2018, it's our halo car and the most powerful production car that we have ever produced, with 715 brake horsepower, 900 Newton metres of torque, 0–60 in 3.3 seconds and a top speed of at least 211mph and it's over 70kg lighter than the DB11, with mainly carbon fibre exterior. The DBS Superleggera received five-star awards from both Autocar and What Car? It is a real brute in a suit; a car that signifies out intention to go head to head with the best cars that our competitors have to offer.

With these three cars, they've been widely celebrated by the press and this slide demonstrates that all of our products are comparable to the best in each segment. More specifically, there are no longer any excuses for our products.

So, we know that we have competitive cars, so how are these cars performing in the market. Our broader portfolio of core products now appeal to a wider range of customers across all of our key regions and this is demonstrated by the fact that, in the last two years, we saw total wholesales in the Americas and in Asia-Pacific double. In particular, we've seen continued success in China, where we've seen nearly 150% growth. While there has been some well-publicised recent softness in the Chinese economy, our new product portfolio and frankly the strengthening of both local team and our dealer network in China, has seen us absolutely buck this trend. Our local team has allowed us to homologate our cars under the new China 6 emissions regulations in December, which has meant that we didn't have to build stock in China in the same way that most of our competitors had to.

Sales of luxury cars have grown 5%, to £495 billion last year. Chinese consumers contributed 33% to the total global luxury spend, with the luxury car segment in China, including the SUV, seeing a record +26% year on year growth. This shows us how important China is as part of our future, particularly when we're about to launch the DBX. We also saw our presence in China strengthened as we recently opened, in Shanghai, our first overseas design studio and our brand-new brand centre, which is called the House of Beautiful.

Now, to support this and global growth we need to ensure that we have the right footprint of customer service in each of our markets. It's therefore important that we strengthen our dealer network across our markets by expanding the footprint into newer growth territories, while upgrading capabilities in others. So, to that end, we now have 162 dealers and over the last three years we've opened and refurbished 32 new dealers worldwide. By 2023, our dealer network will be expanded to 200 dealers for Aston Martin and a further 50 for Lagonda.

To ensure that we're well-positioned to grow in these dynamic markets in the year to come, we also have to have the right products. To fulfil the demands of our customers, we've embarked on the biggest expansion of our product portfolio in 106 years. Now, around 70% of our customers own an SUV and that of course brings me to the next part of our plan, with our first SUV, the DBX. Luxury SUVs is a rapidly-growing segment of the HLS market. The premium SUV sector is forecasted to grow, with an average of 900,000 premium SUVs expected to be sold per year between now and 2030. On top of the premium SUV sector is a rapidly-evolving luxury SUV segment, which is expected to grow by 30% during the same period. Our DBX allows us to design and deliver a product that targets that group of wealth and highly-influential individuals that desire beauty where, frankly, today it doesn't exist.

We remain firmly on track for the highly-anticipated launch of the DBX. As you know, the DBX will be unveiled later this year and we've already achieved many of the milestones in the numbers. We've successfully completed what we call the M1 prototype build, which is essentially a fully production-representative underbody. And you may have seen it parked outside Number 10 yesterday. We've finished the initial crash testing, which has shown that we've achieved excellent correlation between actual crash tests and our simulations. The design of the product is now frozen, platform testing is largely complete and all of the engineering CAD models have been finished and released to suppliers. Tub and body parts are now practically complete and their assembly will commence in St Athan, off production processes, on 15th April, very specific. Trim and final parts will be delivered one month later. Full production of the vehicle will start in H1 next year. And to reiterate, all is on schedule, all is on plan.

Obviously, for a new car, we need a new factory. We announced in 2016 that we would bring our second manufacturing facility to St Athan in Wales. I'm pleased to say that we've now materially completed our new state-of-the-art manufacturing facility. The production line has been installed. The state-of-the-art paint shop has been commissioned and we're now getting ready to build those first production-trial vehicles in April. Again, all in line with the build plan and I look forward to being able to show you the site this summer.

Two years ago, we recruited more than 70 manufacturing employees from St Athan and the surrounding areas. Since then, we've been basing those people in Gaydon and our headquarters, learning the "Aston Martin Way". Now we've returned them to Wales and they are the team that will be overseeing the first pre-production build. These highly-skilled employees will now train the new manufacturing employees and in doing so, the production ramp-up is essentially now de-risked.

In addition to the 70 new employees, we've relocated around 100 employees from certain key functions within the group, including manufacturing, operations, quality, purchasing, manufacturing and production engineering. These teams will be located at St Athan and will support the production readiness of both plant and cars. So, from now until commencing production of the DBX, in spite of the current economic and political uncertainty, we will go on to create over 700 highly-skilled jobs at St Athan alone. This means that by 2023, we will be one of the largest automotive employers in the United Kingdom.

Aston Martins and Lagondas need to be at the cutting edge of technology but they also have to occupy different spaces. By the mid-2020s, all Aston Martins will have the option of being gasoline hybrids. On the contrary, Lagondas will be 100% battery electric vehicles in all of its configurations. As a result, St Athan will become our home of electrification and the manufacturing home of not only the DBX but also the Lagonda and the Aston Martin Rapide E, which is our very first fully electric Aston Martin.

A little more detail: Rapide E is strictly limited to only 155 units, with powertrains and motors derived from those used in the Aston Martin Valkyrie. The Rapide E will be the fastest-accelerating Rapide ever. Last year we revealed the technical specification of the Rapide E, which included an industry-first 800V battery system that largely solves the problem of battery charging speed. This year we will be unveiling the car, so watch this space.

Completing our portfolio of core cars, our exclusive special editions continue to be in high demand. The Vanquish Zagato Speedster and the Vanquish Zagato Shooting Brake continued the success and our first Continuation model, the DB4 GT, completed production in the fourth quarter. Last year, we also confirmed our intention to build upon this success, so to mark the centennial of Zagato, we announced the DB Zagato Centenary Pair, comprising of an ultra-exclusive DB4 GT Zagato Continuation paired alongside a contemporary DBS Zagato. We will produce only 19, with the first of these cars planned for delivery later this year. Needless to say, very expensive cars. We also announced the *Goldfinger* DBS Continuation, planned for 2020, with only 25 cars. And of course we have the Aston Martin Valkyrie line, which as you know is many-times oversubscribed. Build of the Aston Martin Valkyrie is now in motion, with shipments to commence by the end of this year. We're continuing to make good progress with the development of the track-only version, the Aston Martin Valkyrie AMR Pro and in a few days' time we will launch the Project 003, sometimes called the son of Valkyrie, which will be unveiled in 2021. Our carefully-crafted special editions continue to resonate very strongly with our customers and is an important ongoing component of our strategy.

As we normally do, let me brief you on our actions in Q4, which helps promote our growth and reinforce the milestones that we've reached on our products. These include the unveiling of the Aston Martin Valkyrie engine specification, the reveal of our technical specification of the battery for our Rapide E, the announcement of our EV solution in our Heritage models and the announcement of the DBS 59 edition. On the corporate side, Aston Martin Silverstone has become the new home of our Vehicle Dynamics team, while we have a brand-new brand centre and design studio in Shanghai. We're also proud to announce our new global partnership with the iconic luxury hotel brand Waldorf Astoria, which will bring together two enduring icons of global luxury to launch a new era of performance and hospitality.

In summary, 2018 has been an extremely busy, exciting and record-breaking year for Aston Martin Lagonda. Most importantly – and I'll reiterate and reiterate this point – we've achieved what we set out to do. We have substantially completed phase two of this growth plan; we're on track with the third and final phase. This includes the new factory, having been substantially complete and the first production trials of the DBX starting imminently. We acknowledge that the external climate is both challenging and uncertain and we've controlled what we can with our various contingency plans to mitigate any potential business disruption. We've delivered record-breaking results and the underlying growth that reflects the quality and value-creating potential of this company. Aston Martin has been successfully transformed into a global luxury business, focused on creating the most beautiful and accomplished automotive art in the world. It has been scaled to address the whole spectrum of luxury customer needs.

2018 was a great year for the company but it was only possible due to the great people that I'm privileged to work with. The growth has been achieved through their passion, their tenacity and their hard work and I'd like to formally acknowledge them in achieving these results. We very much look forward to sharing with you the continued journey of this great British car company.

Thank you and with that, Mark and I will be very happy to take your questions.

Q&A

Charlotte Cowley
Can I just ask you, when we select people to take questions, please introduce yourself to the room and in the interests of time, please just do limit yourself to a couple.

Sure, let's take a question there, please. Have you got a mic? Thank you.

Giulio Pescatore
Hello, morning. Giulio Pescatore from HSBC. The first question would be on ASP. So I know that sequentially the ASP only grew marginally if you look at range cars, compared to Q3; the share of V12 versus V8, Q3, was much higher in the quarter. So my question is are you offering discounts on the V8 engines? What is causing the difference sequentially – why is it not higher? Then I have a follow-up.

Mark Wilson
Thank you. So, if I have understood your question, you're seeking to understand why ASPs have fallen relative to where you expected them to be, V8/V12, right?

Giulio Pescatore
Sequentially, sequentially, not year on year.

Mark Wilson
Okay. It's to do with the relative prevalence of Vantage in that mix, very, very simply. So as the year has gone on, there have been a greater proportion of Vantages in the sales. Vantages are our entry-priced car, if you like, for Aston Martin and therefore in swapping out what were, in the previous year, V12 DB11s for, relatively speaking – and this is – relatively is the important bit – more Vantages, you bring the ASP down.

Now, just a point – and I made the point in the presentation earlier on Vantage – Vantage will make up the largest proportion of sales in 2019 and that would be as you would expect.

Giulio Pescatore
Okay but you do confirm that you sold around 700 V12s in Q4 and only about 300 in Q3. So you would expect it, sequentially, an improvement in the ASP for core cars.

Mark Wilson
I don't think we did confirm that, did we, V12s? So that's your hypothesis, I'm guessing, rather than anything we've said.

Giulio Pescatore
Well in Q3 you sold 192.

Mark Wilson

V12 cars, yeah but so the point is, sequentially, you've got relatively more – or am I missing the point here? You've got, relatively speaking, more Vantages. I'm not quite sure, forgive me, I understand the point. It's to do with the mix of Vantages within that overall proportion. So there are, just to be clear, more Vantages, proportionally, in Q4 than there were in Q3.

Giulio Pescatore

Okay Mark, thank you.

Andy Palmer

And just a reminder that, as you go forward, at the back end of last year we launched the DBS which does the opposite. That's our halo car, so obviously you expect that to affect the mix as we go forward and DBS is only a V12.

Giulio Pescatore

Okay, thank you. Then maybe a follow up on the dealer stock levels, does it worry you at all? Do you think there could be a problem as you launch the DBX, if the dealers already have a high level of inventory?

Andy Palmer

I don't think so and I don't think that they're at an unnatural level of inventory but there are three things at play. So the first thing is normal: we're launching new cars. Whenever you launch a new car, you need to put showroom stock and test drive stock into the dealership, right? And as you expand your portfolio, you need showroom stock and test stock for those vehicles, otherwise you can't sell the next car.

So that's the first thing that's happened: as we've launched new cars, we've had to put those assets into the dealer network, the first key point. The second key point: we had an issue with our supply chain in Q4, as we ramped up our volume and I indicated this in the Q3 results call. We had four suppliers that gave us supply issues and one supplier in particular that there was quite a big disruption. Now, we didn't sit and moan about it; we got on and fixed it and we fixed it within the quarter. But the consequence of that was that we had a lot of cars sitting around us in October and November, which were then retrofitted with the missing parts in December and a lot of cars were shipped in December. Essentially, if you want, a full quarter went into the dealer network in the last two weeks of December, frankly and that creates some indigestion. But that indigestion works its way out because for every one of those cars, there was a customer marked so then you have to work those through.

And the last part – I mean I've been fairly clear. Part of our Brexit contingency is to build a stock of strategic vehicles in theatre and that means that we're holding cars in each of the markets in order to make sure that we can keep retail sales alive in case of a no-deal Brexit. And look, on Brexit, at the moment the only thing that I can assume is no deal. We have a 12-week planning lead time for ordering parts and scheduling to line. Now cars that I'm building right now are going to be sold in April and May; that's already past the – what we understand to be Brexit, so we have to assume that there is no deal right now. Hopefully that won't be the case as we go forward but in consequence of that, I put finished inventory into the market so that if we do have friction at the ports, we can keep our dealers alive and that's really important. And that might look like inventory in the dealers right now but my God the dealers will love us as a result of having done that, if we do get to a no-deal Brexit.

Giulio Pescatore

Okay, thank you, very clear.

Andy Palmer

Thank you.

Charlotte Cowley

Okay, down the front here, please.

Kai Mueller

Thank you very much, Kai Mueller from Bank of America Merrill Lynch. The first one, coming back to the supplier issue in Q4, can you give us a little bit of a magnitude in terms of the cost involved, holding all these semi-finished cars in your factory and to what extent did it limit you maybe even shipping more units in the quarter?

Andy Palmer

We – I think it's true to say that we lost a small number of cars as a result of the complexity of that supply chain. I mean when you have indigestion, obviously you're having to store a lot of cars in semi-finished states and some of you may have been around the factory and you'll have seen the bits that are missing. So we could build the car but we had missing parts. So I would say, as a result of that, we lost around 100 units. But we still – as you see, we still managed to get the volume above the top end of guidance as a result, so I think the recovery was – frankly, I've been in a lot of supply chain issues over my 40 years in the industry, including a tsunami in Japan and the guys did a job on recovery like I've never seen before and that was obviously 24/7.

What it did do, in terms of financial effect, was that, as Mark said, obviously you – where you'd planned a floorplan of October, November, December cars going out to the dealer and then therefore the dealers would normally have absorbed that, in fact when you do one-quarter's worth of volume in the last two weeks of December then basically that's an awful lot of cars for the dealer network to digest and as a result we had to put some of those cars on credit and as Mark said, you see us now, in the first quarter, starting to wind back that credit and collect on those debts.

So it's disruptive in, essentially, the first quarter. We lost 100-odd cars but we're still above guidance and I'm glad to say that the supply chain is relatively stable, as I speak today.

Kai Mueller

Which is a follow-up, given you obviously want to go to 14,000 units– and you're running into some of these issues. How are you ensuring that that's not going to happen?

Andy Palmer

You know, I think some of you asked me in Q3 what keeps me awake at night and I said it's the supply chain. And if you think about 14,000 units, it sounds like a very low number but if you talk about 2016 to today, doubling your production and you talk about doubling your production towards 2020, in those quantums that's quite big. And that means that what we're doing in many cases is we're having to change our supply chain from, on the one side, cottage-industry-type suppliers to more professional suppliers. But we also have to be mindful of – again, we come back to a no-deal Brexit, local content. So if I talk about the local content, assuming that the UK is operating under WTO terms, you have to reach a local content, nominally, around about 55%. In launching the new series of cars, the DB11, the Vantage and the DBS, we've been able to get to a local content that is higher than 55%. So over the last two years we've been able to plan for that worst-case Brexit and we would conform to WTO.

On the other hand, obviously, you do need to get your supply base ready for that and to that end, as you may know, I've recently appointed John Griffiths from Rolls-Royce as Vice-President of Supply Chain and therefore taken it out of being a manufacturing function and bringing it directly onto my first line, making supply very, very clearly a strategically important part of the plan. And John basically controls purchasing and scheduling.

Kai Mueller

Okay and then if you think, lastly, in terms of your ASP by region, obviously the mix has shifted to an extent. You said next year we should see more DBS Superleggera offsetting some of the headwinds on the V8 engines. Why do you not expect, then, a bigger margin step-up, given you also have Valkyrie coming up, which is, I guess, at those price points a very profitable model.

Mark Wilson

So you've got two things going on. Firstly, you've still got growth in Vantage so clearly we only had half a year of Vantage and we had one quarter of DBS. So as you extrapolate those out, you get relatively faster growth of DBS but of course in absolute growth terms, Vantage is still a very, very substantial proportion of what we do in 2019. So I think it's a sort of offsetting, rather than a growth factor, if you assume all things are equal.

The second thing you've also got going on – obviously DB11 is our oldest car; it's been extraordinarily successful for us to date, we expect it to continue to be successful but relatively speaking, it will take a smaller share of that overall model mix. So really what you've got there is that ASPs are flattish to gently up. We had a strong result for ASPs, including specials, as well in 2018, because of the volume of specials going through in the year and the price of some of those cars, DB4 GT Continuation; that's a £1.5 million car and there quite a number of those going through, so don't expect too much of a step up in that sense from specials, especially noting that they are more heavily weighted towards Q4.

Andy Palmer
Just on your point of Valkyrie, we do launch Valkyrie this year but the numbers that we sell this year are quite small. The vast majority of Valkyrie goes through 2020 – the vast majority. So you'll see that ASP effect from Valkyrie in 2020.

The gentleman behind you.

Daniel Schwarz
Thank you, Daniel Schwarz from Credit Suisse. Regarding the free cash flow in 2019, should we assume, as guided before, a positive underlying free cash flow and should we be adding the £90 million reversal from working capital on top of that for 2019?

Mark Wilson
Yeah, I mean we've never given a strict figure on free cash flow guidance for 2019 but we've said gently positive and we expect that to continue. That's, of course, pre-Brexit, so we've also guided that there could be some frictional effects in working capital if there's a hard Brexit, so you might have to take that into account. Obviously we are ramping up now because we have a 12-week lead order time, so clearly we're already into Brexit as far as our production scheduling is concerned and we'll have to see how that winds out as the year goes on, as to the impacts on free cash flow. So yeah, I mean we are where we were before, which is gently positive. Clearly, with the impact of the £90 million, that helps as well. We've got some CAPEX timing later in the year, this year, so actually one of the things we've said on CAPEX is we've guided a set of numbers, £320–340 million. That's more back-end loaded, so that might weight a little bit the other way as well, in terms of how we see that impact in working capital but generally, as we were on free cash flow, with a gentle benefit from the additional receivables coming into the year.

Daniel Schwarz
And then regarding the £30 million Brexit effect. Is that up to £30 million operating costs and would the working capital affect the top of that or has that – how does that fit?

Mark Wilson
No, so what we've tried to do here is lead on our thinking with Brexit and give you as much guidance as we can, caveating the fact that frankly, until we know the direction of travel, we can't be certain. We've wargamed innumerable scenarios and the £30 million is basically made up of advance working capital, some of which may or may not flow through to operating costs. But our initial suggestion is that you're going to see increase in inventories, you might see some small frictional costs in port costs and shipping but effectively it's working capital, it's contained within that £30 million. Once we know what the new normal looks like, post-Brexit, clearly we'll look to squeeze that back out again. It could be up to £30 million, it might not be that much. So initially think of it as working capital and we'll have to see what the impact is once we understand what the direction of travel is on expenses.

Andy Palmer
Clearly it doesn't cover anything in terms of revenues. Our assumption is that any tariff cost minus the benefit of FOREX would be passed straight onto the customer.

Daniel Schwarz
My, probably, last question would be could you give an indication of specials, what the impact on working capital will be in 2019?

Andy Palmer
So clearly we are ramping up Valkyrie. Valkyrie is, in itself, a high-cost car, in terms of bill of materials, so we would expect, as we go through the year and we ramp up towards that bulk of Valkyrie builds in 2018, that sort of weighs on inventory, which is why I was talking about free cash flow earlier as well. But by and large remember as well that, as we take deposits on specials, we're always looking to cover off any build and working capital costs with those deposits, so we hope to defray. But Valkyrie, at the back end of the year, may increase inventory, we will have to see. But that's as expected and it's within the guidance that we said, which is gently free cash flow positive at IPO for 2019.

Daniel Schwarz
Thank you.

Charlotte Cowley

Down here, let's got to Jose.

Jose Asumendi

Thanks very much. Two questions, please, the first one on – Mark, on depreciation, D&A, the step-up in 2019. Can you just help us bridge, a little bit, the increase between 2019 and 2018 and also D&A and also, as we look over the next years, is it going to stabilise at this level or what kind of projection are you looking to see in this category.

Second, on the Rapide E, I think there is a big chance this car could be much more successful than what you're planning and you mentioned some units that, obviously, you have already in the pipeline. Can you talk about the specs of the car, the fast charging sounds like a very unique selling point as well on the vehicle, any details you could share on the car, please.

Mark Wilson

Yeah, thanks for giving me the opportunity on D&A because I know it's a question on which we have a wide variety of views within the forecasts and whilst we've been very, very happy with everything down to D&A, I think we've seen a wide variety in analyst's forecasts on that. So it's good to be able to give the guidance this year and that's why we've given it, to support your modelling.

In terms of the walk, obviously £11 million of it is IFRS 16, so obviously that's one easy difference and the rest is simply then the ramp-up in the full-year effect of Vantage, the full-year effect of DBS and a little bit of Valkyrie and the DB4 GT Zagato Continuations as well that come in at the back end of the year.

What you should expect to see is, as the product portfolio matures, that D&A will start to mature and obviously you know our product portfolio well so you can summise when that maturity is going to start. But you should expect that continuing growth in D&A as we go through the period but clearly scale and volume are starting to offset that to drive greater returns as you go through to the medium and later term of the Second Century Plan.

Andy Palmer

So, some of you may know that I was the architect of the Nissan Leaf, so I'm pretty positive when it comes to electric cars but I also – it was a heck of an experience, developing that car and one of those experiences, not necessarily positive, was trying to understand how the customer used, in that case, a C-segment hatchback. There are no luxury EVs in the world today and we can sit as planners and we can say, 'Look, we know that the average journey distance of a luxury sedan is 11 miles.' I mean that we know that the average daily mileage is 23 miles. So your natural conclusion, as an engineer, is, 'Well, you only need a very small battery.' But we all know that the customer can be irrational and it's important that we understand that irrationality, if you want to call it that and the usage of the car.

So we decided to create, essentially, a test fleet. And obviously, with a test fleet, you can put a data logger in the back and you can record all the quantitative information but what you don't get is the qualitative information, the stuff that the customer is worrying about, things that they like and they don't like. So what we decided to do was do it as a special, take deposits up front, sell it as a special but part of the deal is we get to pick the customer and the customer volunteers to be, essentially, a test driver for us and basically help us in the development. And you can imagine that's quite attractive for a lot of people, to be part of the development of the first Aston Martin electric car and that's why we limited it to 155 units. 155 – why – the car is capable of 155mph, so it's as dumb as that in terms of the volume. We'd have probably normally gone with 150 but 155. The customers work with us, they become part of our development team. Obviously, it's limited volume, therefore normally the residual price goes up and all of that learning, including the 800V battery – obviously a Tesla uses a 400V battery. You remember your physics at school, you double the voltage, you halve the charging time. So we get over, we think, one of the key downsides of the electric car, which is the charging time and all of that learning goes into Lagonda. And basically the Lagonda is, you can say, arguably competing with the duopoly of Bentley and Rolls-Royce but in fact we think will sell to a very different type of customer: somebody that can afford something more expensive than, let's say, a Tesla S, wants a storied brand but hasn't got one that they want to go to. And we think that putting Lagonda in that space, we're more likely to attract entrepreneurs in Silicon Valley and Beijing Valley than we are traditional Rolls-Royce-type customers. But certainly, we don't want Lagonda to be an experiment. We want to have done all of our testing through the Rapide E programme.

Charlotte Cowley

Philippe.

Philippe Houchois

Good morning, Philippe Houchois, Jeffries. A few – Mark, could you tell us, what is the amount of customer deposits you have on your balance sheet today for your special editions? Thank you.

Mark Wilson

Yeah, thanks Philippe, it's a question you always ask me. So, at the moment, we don't declare it, I'm not going to break that habit but I would say it's a few hundred million.

Philippe Houchois

Right, okay.

Mark Wilson

We're not going to put a specific number on it.

Philippe Houchois

Understood.

Mark Wilson

And it matures this year, I would say, so we're clear to understand and I think we've been clear with everybody previously. This is not a pot that keeps growing. This year, we expect the balance to mature. And part of the strategy of having the two specials a year and the historic special is that we can allow that balance to be replenished as cars are delivered and therefore it becomes a differentiating part of working capital that if you're not a luxury brand, you can't do it. So that's where we are and thank you for asking.

Philippe Houchois

Right, you're welcome. Andy, if I can test your confidence, I know it's still a few quarters out, on demand for luxury SUVs. The reason I'm asking is because I'm getting mixed data points, basically. I think Urus sold – or they delivered 1,700. I saw Lamborghini in September, they were run rate at 4,000 units at the time. I think Land Rover – or Range Rover cancelled the special edition and I'm just trying to kind of test your level of comfort that there is, indeed, a market for SUVs at that level of volume, at that price point, because it is still a bit uncharted territory still.

Andy Palmer

Well, you're right. I mean there is uncharted territory because the segment is basically new. When we model it, we think that the – as I said in the introductory position, we think that it's growing at a rate of 30%. There's a grey zone between premium SUV, I would say the top end of a Range Rover or the top end of a Porsche Cayenne and the bottom end. And even now, in that luxury segment, you have quite a wide spread. You have a relatively low entry point of a Bentayga all the way up Rolls-Royce Cullinan, for example. Now, look, we've modelled it at around about 4,000 a year. We've installed capacity at St Athan for that car at 5,000, so obviously we expect a delivery peak and then basically falling away. St Athan itself is ultimately capable, with a second shift, of 7,000 and to that end we have two cars going in, the two Lagondas.

So as always what we try to do is we try, if you want, against the installed capacity at, let's say, Gaydon, we think when we've got the four sports cars against an installed capacity of 7,000, we try to have a demand of around about 10,000. Likewise, for the large cars, we start with a smaller installed capacity. I don't know, I'm actually little bit more confident. I actually think 5,000 might be a problem and we might have to move to a second shift more shortly thereafter. But what's true is we can only go to 7,000 and we're going to have three cars at St Athan. So I think ultimately we're always having to choose which cars we don't supply, rather than the opposite, which is cars that we do supply. You'll have to make your own assessment on the car itself. Our goal with DBX is it should be beautiful, I mean it should be an attractive car and we don't think there is a car there at the moment that ticks that box. The two cars that are out there are derivatives of Audis. Our car doesn't have any resemblance to any other car; it's a pure Aston Martin and as a result of that, we've been able to control the proportions of the car.

So my view is that the Urus has been received reasonably well. It's differentiated from a normal SUV. Again, ours is differentiated in its beauty and in that sense, I'm more confident than the 4,000 that we planned but we've only installed capacity at 5,000.

Philippe Houchois

And if I can – apologies it might be misused in the conversation here. I think your stock is down 17%, which I find quite severe. Part of issue, since the IPOs is there is very little liquidity and 20% free flow isn't enough. So since one of your adds is governance, are you having discussions with existing shareholders that it is – I think the lock-up period ends around April, May. Are you having a discussion about what is the right amount of liquidity? I know they would take the hit from the sort of £19 that they got at the time of the IPO but it seems like it's a missing part in the equity story.

Penny Hughes

You wouldn't expect me to comment directly on that. Obviously those founder shareholders are long-term committed to the business, as they've demonstrated already and so obviously they're as interested as all shareholders in long-term value creation and we will stick to delivering the results that will deliver that appreciation, overall by shareholders.

So, of course, yes, the lock-up comes up. Those are decisions for those shareholders and so you wouldn't expect me to make further market commentaries on that.

Philippe Houchois

Thank you.

Mark Wilson

I think we've probably got time for one more question. Straight at the back there.

Max Warburton

Thanks, Max Warburton of Bernstein. Hi Andy, hi Mark. Just two questions to finish up, please. The Vantage – this is my view, obviously not the company's view but Vantage doesn't seem to have got quite the market traction that we would have hoped. What can you do to relaunch, reposition, restyle that car to get it going again?

And then, second question, on DBX, huge product launch significantly increasing the size of the company. I'm surprised you're not talking about launch costs. Some of the bigger OEMs, that we're all familiar with, often talk about significant launch costs on a product that's quite a small part of their volume. Are there not special, significant one-off costs this year or next to get DBX out the door?

Andy Palmer

On Vantage – I'm less down on Vantage than you are, Max but we do see different speeds of adoption but seem to have now hit the sweet spot, particularly in the United States, with lease price point and we're taking those lessons across to Europe, where take-up has been softer. That's important because, when we look at the feedback from the car, generally speaking when we launched it we had some noise around the look of the car, it's a much more aggressive car but as I tried to explain earlier, that we were looking for a different customer, a younger-thinking type customer, so I don't think we see the style of the car as an issue, we see it as a strength. We did see pricing as an issue. The car, particularly with getting out of an old Vantage and into a new Vantage, that step was quite big and we've seen the solution in the United States coming largely through the lease, helped by very strong residual value assumptions, softer in the United Kingdom and in Europe, relatively strong sales in China. So the question for us now is getting those lease issues and indeed some issues around familiarity out into the market.

In terms of new products or product repositioning, we do have the Roadster coming quite soon and the Roadster does give us a second bite at the cherry to launch that car. And as you know, the Roadster version is worth normally about 50–60% of the mix. So if you like, at the moment, with Vantage we're playing with one hand a little bit behind our back. And frankly I would love to have got the Roadster out a little bit early but it is what it is. It was dictated by managing the cash flow and that's where it is. And I think when you see the Roadster, I think it'll answer some of your questions, perhaps, on the style of the car.

Mark Wilson

And in terms of ramp-up cost, Max, so there's two things to say. One is relativity. So clearly we had some launch costs with Vantage and DBS in 2018. They're not significant; they're certainly not the significance you would see from an OEM that is throwing out a car every five minutes, or less than that. I mean our – our takt time is efficient but of course we have longer to push it through the production.

So, no, relative to 2018 we're not calling out any additional frictional costs. Remember that in building a new factory as well you're taking a lot of that in your capital spend. So it may well be, whilst there aren't operating costs in that capital spend, a lot of the learning and the trial work you can get done in there.

We also run and very successfully – and I think it's been one of the secrets of the success of DB11 and the subsequent sports car launches – we run a very clever pilot line at Gaydon and we'll do the same again at St Athan and that allows us to do some very efficient learning, with existing resources built into our engineering plan, before we get into full production.

And I think, remember finally that DBX – the production line – whilst the factory is new and the production line and the kit in it is new, the methodology is entirely the same as we see at Gaydon. Arguably, the largest frictional costs we will ever have had associated with the launch were with the DB11 V12, when we were doing entirely new everything. So not significant, they're in the operating and SG&A costs for the business; they're not significant.

Max Warburton

Can I just add one extra question? Can you just remind us: when do the press get in the car and when can we place our orders?

Andy Palmer

You can place your order now, Max, if you want. The – formally speaking – so we're building our first production trial 15th April. There's then a second production trial – remember the first production trial is basically cars to go on test, so they are your crash test cars, they are your durability cars; it's mainly for engineering. Counter-measures from testing then go into a second production trial, which is also fully off production tool, fully off production process. So they're you're starting to stress the supplier and that's around about the middle of the year. And then third production trial is basically towards the end of the year and that's all about operative training. So engineering is essentially finished in June.

We will start what we call confidential, which is – you remember I said 72% of Aston Martin customers have an SUV; we'll be inviting those customers to our regional headquarters but let's call it, for the sake of argument, Gaydon. And in Gaydon we, essentially, show them behind the curtain and they get the opportunity to spec their car and put a deposit down on their car. So, between September and early December, we'll be building the order book. Early December, we unveil the car to the world and in January we'll have the press driving of the car, normally embargoed, as you know, so it normally comes out around about April and then you're into full production.

Charlotte Cowley

Great, thank you very much for your questions and we look forward to continuing talking.

Andy Palmer

Yeah, much appreciated everybody. I mean hopefully the summary of today is basically we told you what we were going to do, so far we've done it and we'll continue to do it. Thank you.