ASTON MARTIN

Aston Martin Lagonda Full Year Results 2021

Wednesday, 23rd February 2022

Introduction

Tobias Moers

CEO, Aston Martin Lagonda

Overall performance review

Good morning everyone.

Before I hand over to Ken for a financial review of the year, I want to provide a high level review of the overall performance of the Company last year.

2021 was a year of extraordinary progress for Aston Martin. Executing on Project Horizon, we made considerable changes throughout the Company and are now operating as an ultra-luxury brand.

There have been three key catalysts for the improved performance:

- We successfully rebalanced front-engine supply to demand early in the year and have become a truly retail-driven business, with retails outpacing wholesales by a significant margin
- We delivered over 6,000 core wholesales, in line with our plan and this, combined with historically high pricing, led to a near doubling of revenue
- Our adjusted EBITDA improved significantly, delivering a 13% margin and free cashflow showed a considerable improvement, as Ken will explain shortly.

On the product side, we launched and delivered exciting new additions to our breath-taking product portfolio:

- DBX accounted for around half of our wholesale volumes in its first full year, taking an estimated 20% market share.
- The DBX product portfolio is expanding with our first derivative launched in Q4, the Straight-Six mild-hybrid and the DBX707, which is the world's most powerful luxury SUV, unveiled this month.
- And of course, we started delivering the era-defining Aston Martin Valkyrie programme to customers in December. Although the quantity was less than we had initially hoped for, we refuse to compromise on quality, and I am extremely proud of how we've reached the summit of this engineering challenge despite the difficult supply chain environment

We have heightened both brand awareness and desirability, investing in various initiatives across multiple platforms to expand our reach and product familiarity.

Operationally, this has been a strong year of delivery with many initiatives accomplished in an incredibly short amount of time, highlighting our transition to becoming a more agile business.

- Plant efficiency initiatives have driven a c.20% reduction in manufacturing costs across our sites, with further manufacturing cost saving targeted for this year, which will help offset supply chain pressures.

- Additionally, we have brought in a raft of talented hires to strengthen commercial, technical and operational teams as we transform into a tech-orientated business, whilst fostering engineering excellence within our corporate DNA.

I am also proud to announce today that we our taking significant strides to meet the challenge of becoming a world-leading sustainable business with a commitment to the Science Based Targets initiative net-zero standard

But first I will hand you over to Ken, who will take you through the financials.

Financial Review

Kenneth Gregor

CFO, Aston Martin Lagonda

Financials

Thank you, Tobias, and good morning everyone.

2021 was a transformational year for the Company as we executed on Horizon and delivered strong growth throughout the business. Although challenged by the ongoing pandemic and supply chain disruptions, we delivered over 6,000 units and significantly improved profitability, in particular on the core business.

- Starting at the top left, wholesales increased 82% to 6,178 units, following the rebalanced GT/Sport stock level and a full year of DBX, which contributed over 3,000 units. This also represented a 5% improvement over 2019, with a substantially healthier stock level
- Revenue saw a 79% increase over 2020, and 12% improvement over 2019, driven primarily from the increased wholesales and record pricing from our core portfolio
- Adjusted EBITDA of £138m benefitted from the wholesale and pricing dynamics mentioned earlier, as well as from Horizon benefits.
- Please note, core profitability is substantially stronger compared to 2019 – with less reliance on Specials and stronger, more robust retail demand and pricing
- Free cash outflow of £123m was a £416m improvement year-on-year, largely driven by the improved operating performance of the business

Finally, net debt increased to £892m and liquidity remained strong with £419m of cash on the balance sheet.

Looking at full year wholesales in more detail…

Firstly, on the top left hand side, we have the breakdown of our models, with DBX representing almost 50% of the mix. Both GT and Sport improved, and dealer stock levels ended the year at one of the healthiest levels on record.

On the bottom left is Average selling price. Core, which was a historical high at £150k per unit, benefitted from a full year of DBX and a significant decline in customer and retail financing. As I mentioned previously, this is a 14% increase compared to 2019 and a 10% increase over 2020. Total ASP was also strong at £162k per unit, supported by more Specials in the year.

Our geographic wholesale split is on the right. As expected, the regional split has shifted towards APAC, up 131%, and the Americas, up 115%, reflecting the impact of DBX. Within APAC, China, a key geography for us, recorded its best year ever, delivering over 1,000 vehicles for the first time. EMEA and the UK also saw positive increases of 47% and 35%, respectively.

Slide 8 shows the revenue impact of higher volumes and pricing dynamics, which were the largest catalysts of the 79% improvement to £1.1bn.

Moving down the income statement we have adjusted EBITDA of £138m with a 13% margin.

- The most significant benefit to adjusted EBITDA was the flow through of higher wholesales year-on-year
- Net pricing reflected the lower retail and customer financing and stronger pricing dynamic seen across the industry
- Net operating expenses increased by £25m on the year, due to investment in fixed marketing, ahead of our exciting new product launches, as well as the non-recur of furlough credits

Below EBITDA,

- D&A increased by £57m to £212m, as we delivered a full year of DBX and started deliveries on the Aston Martin Valkyrie programme. This is slightly below our original guidance, reflecting a timing shift associated with Valkyrie deliveries.
- The adjusted net financing expense increased to £171m due to the larger balance of notes in issue and a £12m revaluation headwind from FX movements
- Finally, a word on the non-cash adjusting items of £32m primarily relating to the £34m fair value movement of outstanding warrants attached to our second lien notes
- And this all led to a loss before tax of £214m, over a 50% improvement year-on-year.

Moving onto cashflow on slide 10:

From the loss before tax,

- Adding back D&A and other non-cash items detailed on the slide resulted in £124m of cash generated
- The working capital inflow of £56m was comprised of
- a receivables outflow of £75m related to supply chain issues pushing more deliveries into December than originally planned, which is now unwound
- This receivables outflow was broadly offset by a deposit inflow of £70m highlighting the strong demand for both Valkyrie Spider and Valhalla
- There was a payables inflow of £53m
- Capex was £185m, which was lower than originally guided, as product development plans matured.
- Net cash interest paid was £117m

These movements resulted in £123m free cash outflow in 2021.

Now turning to cash and net debt.

Our liquidity position remains strong, with £419m of cash at end of December 2021

Net debt increased to £892m, reflecting the cash outflow and FX headwind on our US dollar-denominated notes.

We will continue to review our liquidity on a regular basis with a view to maintaining our diversified and prudent funding position

Looking ahead:

For 2022, we expect to deliver significant growth, with core volumes planned to increase by c. 8% and wholesales to step up to more than 6,600 units, driven by the launch of the DBX707 and the V12 Vantage

Both of those cars have improved margins and together with the Horizon efficiency actions taken in 2021, which will annualise this year, we expect a c.50% improvement in adjusted EBITDA from the core business

In addition, we expect to ship 75-90 Aston Martin Valkyrie programme vehicles in the year

So for the whole business, we expect to see about 350-450 basis points expansion in adjusted EBITDA margin year-on-year

In terms of the shape of the year:

Q1 is expected to be the smallest quarter, given the timing of product launches and as we maintain a quality focus for our Aston Martin Valkyrie programme vehicle build.

Volumes will build in H2, when DBX707 and V12 Vantage deliveries will be running at full pace

It is worth noting that supply chains globally continue to experience disruption and our teams remain focused on mitigating any impact on production

We have also given guidance today on D&A, stepping up to between £315m - £330m, due to the Aston Martin Valkyrie programme and accelerated amortisation of old technology ahead of the new front-engine vehicles in 2023;

We are guiding to interest expense in the P&L of c.£170m (at current exchange rates).

Our Capex and R&D of c.£300m

and we have re-affirmed our medium-term targets as shown on the chart

So in summary, our financial position and trading performance has improved substantially over the past year and positions us well for further growth in 2022 and beyond.

This, coupled with efficient capital investment, supports our expectations of becoming free cashflow positive in 2023 and of maximising shareholder value through sustainable, profitable growth.

Thank you and I'll now hand you over to Tobias.

Take-off into the next stage

Tobias Moers

CEO, Aston Martin Lagonda

Vision and the future

Thank you, Ken,

As we have mentioned today, and can be seen on the slide, we have been incredibly busy this year executing on Project Horizon. In the interest of time, I won't go into detail again on all of these points, but as you can see, we have truly touched every single aspect of the business.

Moving onto slide 15 – this is the Vision and future of Aston Martin.

Building on the strong foundations laid last year, we are now ready to take-off into the next stage of our journey to become the world's most desirable, ultra-luxury British brand

The four pillars seen here on the slide underpin our corporate strategy and the roadmap towards becoming an ultra- luxury business. These are Brand, Product Innovation, Sustainability and Team. These are the core principles on the next phase of our journey to accelerate growth and drive profitability, which I will now describe in a little more detail

Starting first with our iconic Brand, which is draped in over a century of history and underpinned by fiercely loyal customers.

Having enjoyed global affection, passion and loyalty for 109 years, Aston Martin is now igniting a new breed of customers with our next generation of product, ultra-luxury customer experience and return to Grand Prix racing.

50% of our customers are now new to the brand which is a remarkable achievement. Our customers are at the centre of everything we do, and it is important not only to retain, but grow the customer base, appealing to new audiences and markets.

The addition of the DBX has been instrumental in growing our customer base, and DBX now commands an estimated 20% share of the luxury SUV market – a market which is growing strongly particularly in North America and China.

- We have also maintained our double digit market share in front-engine sports cars.

What's really impressive is that we achieved all of this brand strength whilst dramatically reducing our variable marketing spend. The demand you see now is true underlying demand.

This has led to a 75% increase in new dealer inquiries, as we focus ever more on exclusivity and luxury proposition.

Finally, I must mention the return of Aston Martin to Formula One after 60 years, which has enabled us to reach a global audience of 2.8 billion people.

- This audience is growing very strongly, particularly in the US, which is a key target geography for us
- That exposure is translating into a 25% increase in visits to our websites and configurator on weekends where Aston Martin supplies the official safety and medical cars, as well as a direct boost in sales leads to dealers.

- You are now going to see a short video highlighting 2021 for Aston Martin

Moving onto the 2nd pillar of this new era, let's talk about product innovation.

Aston Martin has one of the most comprehensive portfolios in the luxury automotive market, with exciting launches coming which will continue to expand our product portfolio.

- Our core front-engine sports cars continue to perform strongly, and the V12 Vantage is generating excellent customer demand ahead of deliveries scheduled for Q3. I have driven this vehicle and I can attest it is a fantastic ode to the last of an era, and customers seem to agree
- In the SUV segment, we released the first derivative, the mild-hybrid, in China in Q4 and we are excited to start deliveries this year of the DBX707, the highest performing luxury SUV on the market and the new benchmark for performance luxury
- We are preparing to launch the next generation of Aston Martin sports cars in 2023 and subsequently our first PHEV vehicle. The performance-oriented electrified PHEV powertrain will underpin the mid-engine range now in development.

As the core business continues to strengthen, with improved pricing and profit margins, the Specials programme will become more synergistic. They will focus on personalisation and be strategically-aligned to our core portfolio as we move into the ultra-luxury segment.

Of course, electrification is a key focus of our product development going forward

- We already launched our first mild-hybrid product last year with the DBX Straight Six and in early 2024 we will launch our first plug-in hybrid.
- This will be followed in 2025 by the first Aston Martin BEV
- And by 2030 we will offer a fully electrified portfolio of sports/GT cars and SUVs.

Let's take a look now at a short video about DBX707 which we just launched this month, the world's most powerful luxury SUV and a car which I have been instrumental in developing.

So as you have seen, DBX707 is a stunning vehicle, which sets the benchmark for ultra-luxury performance-oriented SUVs and is a very important component of our DBX portfolio.

It has been extremely well-received by the automotive press, as their quotes on this slide demonstrate

The third pillar underpinning our strategy is Sustainability.

As a responsible business, Aston Martin cannot ignore the urgent need for further action to reduce greenhouse gas emissions – something which has further highlighted last year by the COP26 Climate Summit

While electric vehicles have a key role to play, it is important that we are thinking even bigger, with a need to embed sustainability principles and practices within not just our product strategy but also our business strategy.

I am therefore incredibly proud that in 2021 Aston Martin committed to the Science-Based Targets initiative net-zero standard, making a long-term commitment to a net-zero future for the business.

- This is a central tenet of our new ESG strategy, in which we are targeting net zero manufacturing facilities and a 30% reduction in supply chain emissions by 2030 and net zero across our supply chain by 2039
- We already use 100% renewable energy in manufacturing and have achieved zero waste for landfill.
- We are now going further and are targeting zero plastic packaging waste and a 15% reduction in water consumption by 2025 and are investigating using more sustainable materials, such as green aluminium.
- And we are targeting 25% female leadership across the business by 2026

The final pillar of our new era is all about people, which is one of the aspects of our business which I'm most proud of.

The mindset at this business has been completely transformed now into a culture focused on engineering excellence, performance, agility and speed, inspired by F1.

One of the key achievements this year for me has been to build out a best-in-class team of senior managers.

- We have also further built out the senior team with key hires in operational and commercial functions as well as new regional heads in the Americas, EMEA and the UK
- In total we have almost 20% of employees new to the company and over 175 new engineers, as we continue to upskill our workforce.

So in summary, the last 18 months have seen us rise to the challenge and create a strong foundation to build on. We have turned the business around through our Project Horizon programme and created a world-class ultra-luxury brand

Looking ahead we are extremely excited about the future.
I'd like to thank you for joining us on the journey.

Q&A

Lawrence Stroll (Executive Chairman, Aston Martin Lagonda): Good morning and thank you for joining us for this Q&A on our full-year results for 2021.

I hope you have had the chance to read the release and also watch my address, and the presentation of the results from Tobias and Ken that are on the IR section of our corporate website [with the transcript provided above], as usual.

My second year as Executive Chairman of this iconic and great company has been another of significant progress. We have successfully transitioned our operating model to that of an ultra-luxury brand, with customer demand well ahead of supply. Our core business is strong and delivered to plan, with substantially improved profitability. We have strengthened our teams, adding more luxury and automotive experience to the board, broadening relevant experience at the executive level, and substantially bolstering our operational and development teams.

The return of the Aston Martin name to Formula 1 grid has dramatically increased our brand exposure, desirability, global awareness in line with our growth ambitions. The Aston Martin Valkyrie programme pushes the boundaries of what is possible to bring to market outside of the Formula 1 racing environment. We inherited a challenging programme and while it's disappointing that some deliveries were rescheduled from late 2021, following an in-depth review and now under a dedicated team, we are confident of continuing to deliver these truly extraordinary vehicles to our customers with no compromises.

We have a strong pipeline of extraordinary products to come, with both the DBX707 and V12 Vantage this year, and a full new generation of front-engine sports cars for 2023. This high-performance new portfolio will command much stronger pricing and profitability compared with the past, driving delivery of our financial targets. Our path to electrification is clear, with three of our product launches in 2021 featuring hybrid technology. Our first plug-in hybrid coming in 2024, our first battery electric vehicle targeted for launch in 2025, and all car lines will have the electrified powertrain option by 2026. When I invested, I knew this transformation would take four to five years to recreate Aston Martin as the world's most desirable ultra-luxury British performance brand. We have made strong progress already and are well on plan to achieve our ambitious goal. And with that, we are now happy to take your questions.

Speaker: Operator, can we poll for the Q&A please?

Operator: Thank you. Dear participants, we'll now begin the question and answer session. As a reminder, if you wish to ask a question, please press star one on your telephone keypad. The first question comes from the line of George Galliers from Goldman Sachs. Please ask your question.

George Galliers (Goldman Sachs): Thank you for taking my question. Obviously, you're very excited and enthusiastic about the refresh or the complete revamp for the product line for 2023. Can you give us any insight into what kind of price increase you are expecting as a result of that?

The second question is on the DBX707. Perhaps you could give us some indication of what the initial reaction for that vehicle has been, and then any insights into the exact timing from a production ramp over Q2 and Q3 would be very helpful. Thank you.

Lawrence Stroll: On the pricing of the sports cars, as I mentioned, with all cars, we are delivering now starting with DBX707, we will be working on a minimum of 40% contribution margin. That will mean an increase on price – some of the cars more, some of the cars less, depending on the models, but the prices have not yet been finalised for 2023. But you are correct. That's much more than a facelift. It's a full new generation of sports cars. New exterior styling, brand new interiors, brand new infotainment, new power units, higher horsepower, better vehicle driving dynamics, so it's truly a new generation of sports cars for us in all three models. So, it's quite extraordinary, and it's kind of the bridge we've been waiting to get to in 2023, because as you know, front-engine sports cars are the heart and DNA of this company.

As far as DBX707 is concerned, we've had tremendous response from our customers. We've never received as many car orders on our configurator in its history. It's a new model for us, but the reception was really a response to consumer demand. We listened to the customer who said, 'We love your DBX, but we would like it to be more aggressive. We'd like to have more horsepower; we'd like to have more performance for that certain car enthusiast customer.' So, we cater with our standard DBX to a certain customer grade, and to a more car enthusiast with the 707.

George Galliers: Great. Thank you.

Operator: Thank you. The next question comes from the line of Charles Coldicott from Redburn. Please ask your question.

Charles Coldicott (Redburn): Good morning and thank you for taking my questions. I had two on cash flow actually. So firstly, on the Valkyrie, deliveries of 75 to 90 units this year. I think that's less than you'd previously expected. Given that you've taken most of the cash for those cars and deposits already, how much cash will that save you this year by not building and delivering as many Valkyries as you'd expected?

And then thinking about the cash flow more broadly for this year, with cash burn of 123 million pounds last year, obviously the core EBITDA will be up significantly this year, but so will CapEx. So, is it fair to assume that cash burn is going to be similar in 2022 to what it was in 2021? And also, you know, thinking about 2023, and the target being cash flow breakeven, what are the major changes next year?

Kenneth Gregor: Charles, in terms of your second question broadly, yes, you're right. We're looking at cash burn being similar to, even slightly better for 2022 as it was to 2021 for exactly the reasons you say, because we're expecting the EBITDA to be higher, but so too the CapEx. Within that, on the working capital movements, I'm expecting core working capital to be somewhat positive, and I'm expecting the Valkyrie related deposits to have a modest net unwind with – yes, some unwind happening of course related to the 70 to 90, and yes, a bit lower than it would have been if Valkyrie numbers were higher. With that unwind mostly offset with fresh deposits on Valkyrie Spider, second deposits on the Valkyrie Spider, and new deposits on Valhalla, kind of balancing that out a bit.

Charles Coldicott: Okay. Thank you.

Kenneth Gregor: Thank you.

Operator: Thank you. The next question comes from the line of Philippe Houchois Please, can you confirm your company?

Philippe Houchois (Jefferies) Yes, good morning. It's Philippe Houchois Jefferies. Good morning all. Just a quick question on your guidance, when you talk about the accelerated depreciation of the ageing models, I mean clearly this will be part of your reported profit. It's not going to be treated as an exceptional below the line. Is that correct?

Kenneth Gregor: Yes, true. It's just regular D&A.

Philippe Houchois: Right. And can you comment more generally about – I understand, although we don't have the numbers, your wholesales were below your retails, again in 2021. Could you quantify the amount by which you de-stocked, and comment about your inventory levels from here? I understand it's generally low, compared to history definitely, but also maybe compared to what we would like to see.

Lawrence Stroll: Our inventories have never been better, and the dealers as well for that matter. With retail, to answer your first question, approximately 400 vehicles more than wholesale. It might be the first time in this company’s history to retail more that we’ve wholesaled, which was the first step towards what I put in place when I became Chairman. As you recall, I said we’re going to align demand with supply. We’ve very, very successfully done that. And as I mentioned, our inventories as well have benefitted – but by the way, in the fourth quarter, we had to ramp up our inventories a bit more, in order to get the dealers more stock, because their inventories levels were too low. So, we’ve never been in a better place, and that's part and parcel of only manufacturing vehicles to order, which is what I said when I took over almost two years ago.

Philippe Houchois: Right. And if I can squeeze in one last question please. The line I looked at the most in your P&L is the gross margin, and I'm a bit disappointed that it hasn’t really improved in Q4, and I think that we need to get to 40% as a sustainable level for the profitability of Aston Martin. So, what’s the roadmap? Can we expect the gross margin to improve in ’22, considering that at the same time you have some ageing products, or is it really dependent on the mid-engine and the new family of front-engine?

Lawrence Stroll: The first new car under this team’s leadership is the DBX707. That is the first car that will come with a minimum of 40% contribution margins, and every car that we produce from now on going forward will have that same minimum.

Philippe Houchois: Great. Thank you very much.

Operator: Thank you. The next question comes from the line of Pushkar Tendolkar from HSBC. Please ask your question.

Pushkar Tendolkar (HSBC): Hello, good morning. This is Pushkar from HSBC. I have two questions. The first one is regarding the Valkyrie shipment indication of 75 to 90 units for this year. At the Q3 call, you had indicated a run rate of three Valkyries a week, which at best would mean around 150 cars in 2022, while you now indicate only around half of that as shipments. Please, could you comment around this disparity? The second one is on the

EBITDA margin guidance. How watertight is this guidance and is there room for error been built into it, considering that the main purpose now should be to restore confidence in the company's ability to achieve its targets after the miss last year. Thank you.

Lawrence Stroll: Firstly, the miss last year was caused by one issue only, which was Valkyrie. Let me be crystal clear, all these Valkyrie's are sold. They have deposits, both coupes and Spiders. We have received no cancelations. So by delivering them slightly later is simply a timing issue. The timing issue arose because we want to deliver these vehicles with no compromises. I think you're having trouble understanding. This is the most complex vehicle ever made to be driven on the road. Being the owner of a Formula 1 team, I can testify that it's more complicated than building my Formula 1 car. So we want to deliver them to perfection. They're all sold, they all have deposits. We're taking our time to deliver them perfectly.

We've assembled a new group of Formula 1 mechanics to actually manufacture and produce these cars. So, it is a project that we are extremely proud of, very ambitious. We're the only ones to undertake such a project, and that was our only miss last year. On a much more fundamental importance on the core programme, which was over 6,000 vehicles, we were exactly on target.

Kenneth Gregor: As for the second question. Yes, so in terms of the margin. Clearly yes, we've set to strike our guidance at a level that we can meet for 2022. And as we've done that, we've thought about the margin expansion that we're looking to achieve, supported by the new product introductions of the DBX707, which Lawrence already talked about from the call, and the V12 Vantage, both of which give us a good opportunity to move the EBITDA margin forward.

Pushkar Tendolkar: Thank you.

Operator: Thank you so much. The next question comes from the line of Gabriel Adler from Citi. Please ask your question.

Gabriel Adler (Citi): Hi. Thanks for taking my question. Can you talk a little bit about your expectations for core ASP this year? Obviously, the refreshed line-up in 2023 is going to be very supportive, but what should we be expecting in 2022 in terms of ASP improvement from DBX707 and general price increases, given your comments around the inventory situation earlier?

Kenneth Gregor: Yeah. First of all, I'd say we're pleased to see the ASP improve in 2021 to around about 150,000 pounds per unit, and although we're not providing specific guidance on ASP for 2022 to the new products that I've just talked about, give us the opportunity to think about improving that forward by about 10% plus in 2022. That's certainly what we're going to be looking forward to. It depends a bit on product mix of course, etcetera, etcetera, but with the 707, the V12 Vantage, those products give us a good opportunity to move the overall margin of the business forward, and of course, that needs to be driven by the top line.

Gabriel Adler (Citi): Great. Thank you.

Kenneth Gregor: Thank you.

Operator: Thank you. The next question comes from the line of Thomas Besson from Kepler Cheuvreux. Please ask your question.

Thomas Besson (Kepler Cheuvreux): It's Thomas Besson at Kepler Cheuvreux, and I have two questions please. The first relates to deposits. Could you please comment on the level of deposits at the end '21, and how it compares with the end of 2020? Was it an inflow or an outflow, and whether we should expect an inflow or an outflow in '22?

The second, looking at the prospects of a complete generation change of sports car, if I understand correctly between Q2 and Q3 next year, could you just help us understand how you managed to maintain interest around the existing three vehicles, and whether we should expect pricing to hold, or to eventually wane a bit on these vehicles into their replacement. Thank you.

Lawrence Stroll: On the second question first. It is quite incredible, and it shows the power of this brand. Sports cars are already sold-out into the fourth quarter – beginning of the fourth quarter of this year. That shows how strong our demand is for the DNA and the history of the company. So, continue to remain a very strong order book, and full market price. Less VM, no markdowns, so this shows what we put in place at the beginning of aligning supply with demand, and only manufacturing vehicles to order. So sports cars continue to be strong, as I say, sold out right until the beginning of fourth quarter this year. So we have no problems or concerns about demand until we deliver the new model as you rightfully say in the quarters next year.

Kenneth Gregor: And in your first question, it's in the RNS, we have a 340 million pound deposit balance at the end of 2021. That was a net 70 million inflow in the year, a bit more than we expected largely because of the pace of Valkyrie deliveries as we already discussed in 2021, and the strong inflow that we saw on Valkyrie Spider, the strong customer reaction also to Valhalla helped drive that inflow as well.

For 2022, as I said earlier on the call, I expect a net modest unwind of the overall deposit balance with Valkyrie, unwind of deposits relating to Valkyries to be delivered in the year being mostly offset by the second deposits on the spiders, and further customer interest in Valhalla.

Thomas Besson: Thank you very much. Can I squeeze a third question please?

Kenneth Gregor: Sure. Go for it.

Thomas Besson: Thank you. I just want to check your volume guidance, so above 6,600 for the year. Given the strength of sports cars you're mentioning, does this imply that both sports cars and DBX will rise in 2022, or should we assume that 100% of the increase in volume in '22 comes from DBX, and notably the newer model.

Kenneth Gregor: Yeah, we're not providing a split of the volume expectations this year. I think, which Lawrence has already said, we're really pleased with the underlying demand for sports cars. This year we also have a V12 Vantage addition that's coming, that will be part of the sports car mix. But yes, at the same time, we do expect most of the growth in volume in the year to come from DBX, obviously driven by both the 707 with the launch underway, and the straight-six derivative which we launched in China backend of last year, and delivery is commencing this year.

Thomas Besson: Great. Many thanks.

Kenneth Gregor: Thank you.

Operator: Thank you very much. The next question comes from the line of Horst Schneider from Bank of America. Please ask a question.

Horst Schneider (Bank of America): Yes, good morning. Horst Schneider here from Bank of America. Thanks for taking my question too. I've just got one left please, and that refers to this arrangement that you have got with Mercedes Benz AG, because you say in the release there are currently no plans to issue additional shares to Mercedes until early 2023. And remember, you had a kind of full option in place, where Mercedes gets compensation if the share price falls below a certain level. Could you maybe remind us of this agreement? So what is now the strike price, what compensation payment you have to make if the price remains as it is right now. I know a lot can change within a year, but I'm getting it also right – there's no payment going to be made this year. Thank you.

Tobias Moers: That's a very reasonable question. Thanks for that. There is no payment this year. What we see is a timing change. So, when we drafted the whole agreement with Mercedes it was in '20. It was a bit premature, so with new assessments about the technology, we pushed it a bit further down the road, and in our expectation, there's never going to be a payment. That's clear.

Horst Schneider: All right. Thank you.

Tobias Moers: You're welcome.

Operator: Thank you. The next question comes from the line of Daniel Roeska from Bernstein Research. Please ask your question.

Daniel Roeska (Bernstein Research): Good morning gentlemen. Lawrence first of all congrats on a big step in the right direction. Maybe two strategic ones and a tactical one. First of all, could you give us some more details on the progress of your electrification journey? I saw that on some of the latter slides. What pieces of the puzzle are in place, and which areas are you still working on?

And then secondly, competitors of yours are spending a lot more time talking about how to integrate the digital lifestyle of their consumers into the cars. But, how is your thinking on how that relates to a luxury brand like Aston changed or evolved with the past year, kind of how do you see that question of digital lifestyle coming into the car for your brand, and how it shapes the luxury image? And just tactically, make it very short, you know, I'm sure there is some lee way built into the guidance for material costs and logistics this year. Could you give us just a colour what kind of the margin headwind it is that you're expecting this year from those extra cost increases. Thanks.

Kenneth Gregor: In terms of the margin attrition, I think we talked about in the short term, we were thinking about the products in front of us, and the DBX707, the V12 Vantage, and the next generation of our sports cars, all giving us the opportunity to move the price points of our vehicles northwards, really supported by the product substance that we're putting behind those fresh generation of new products. And as we look forward to electrification, we're thinking about it in terms of the brand development that we're doing, combined with the product substance within there, looking clearly therefore to sustain the margin improvements that we’re going to build over the next two years through – into our electrified products.

Tobias Moers: I’ll take the other ones. Electrification journey, yeah, it's clear. Our plug-in hybrid, the first one in early 2024, and as you know Valhalla is a mid-engine programme plug-in hybrid. We actually launched the straight-six in China, which is a mild hybrid, and then we go further down the road. So, we have a bespoke electrification programme for Valhalla. When it comes to the drive train, the batteries – they share a battery, and we have a clear understanding how we’re going to electrify as a plug-in hybrid DBX and probably as well our classic sports car portfolio as well, as a variant. It's not all of them, but for sure has a variant in there. And as you know, ’25, we’ll launch, and this is a clear target for us, the first electric vehicle for Aston Martin.

Digital lifestyle, that's a very good question. This is a very good discussion anyway in the automotive industry. But I'm not talking about digital lifestyle. It's all about, for us as a brand in the auto luxury world, it's all about, you know, customer experience, and that's going to get even more important when you come, or when you get into the journey of fully electric or best fully electrified cars. The brand plays a major role in future, and therefore the customer journey is much more important as of today, and the customer experience. What you're going to see from us, and that starts next year with the new generation sports cars, we’re not going to use any more Mercedes infotainment HMI. So we started that journey exactly regarding this issue, exactly because we know that it's very strategic for us for the future. So you're going to see our connected environment, our environment, so I’ll put it that way, kind of the ecosystem, the digital ecosystem with an Aston Martin account, with our own backend, with our own HMI to get on the journey in regards to the customer experience, which is much more important in the future than it has been probably back in the day.

Daniel Roeska: Perfect. Thanks.

Tobias Moers: You’re welcome.

Operator: Thank you. The next question comes from the line of Charles Coldicott from Redburn. Please, ask your question.

Charles Coldicott: I just had a couple of follow-ups. Firstly, on the order book. I think you mentioned there that the sports cars are now six to seven months worth of orders you've got. I had in mind that previously the average for the group was three to four months. So has that increased significantly? And I think Tobias, you’ve said before that you don't want the order book to get to long. Can you just remind us what you think the right sort of length of order book is for a luxury brand like Aston?

And then the second question I just wanted to ask was, on the DBX, you've got the more powerful version now with the 707. What do you think the DBX volume should be this year as a result, and beyond that, what will be the most important levers in getting you up to 5,000 to 6,000 units of the DBX per year?

Tobias Moers: Coming to the order book. It is a good question regarding the order book of the sports cars, but that shows exactly the momentum of the brand. And yeah, we are really sorted out with the order book for the sports cars this year, but we have to consider the refresh. We know that we're going to have an uplift from that, we have a new generation of sports cars with us next year. So we are careful with our initial assumption how many cars we're going to deliver to the market.

More important for that order book is how many retail orders you see. And this is a new high. I think ever since the company exists, what we see as retail type orders, or customers ordering cars with us, that's almost near what we targeted. So we have a good order book for sports cars. It is, I think, eight or nine months. Now it could be 12 months. That's perfect. If it's going to be longer, sometimes you have an issue that the customer probably are not going to wait anymore in the world of sports cars. It's different for Valkyrie or specials.

What was the other one? DBX volume. If we see such a tremendous 5,000 or 6,000 demand on the market place, this company is always able to produce that, because we are not limited in our infrastructure when it comes to production. There is no limitation for us, because everything is set up in a high level of capacity. So, as you saw last year, we consolidate that on our side to be more efficient, and this is what pays off now.

Charles Coldicott: Thanks.

Operator: Thank you. The next question comes from the line of Jose Asumendi from JP Morgan. Please ask your question.

Jose Asumendi (JP Morgan): Thank you. Jose Asumendi JP Morgan. A few questions please. Can you speak a little bit around CapEx, and the delta of CapEx between '22 and '21? What are the big projects that are driving this increase in CapEx. And then, where are we in the cycle? Are we peaking in '22, or is it '23? Second Tobias, can you speak a little bit more about this excellent ASP that you're running for the business. We heard about some of the drivers. I believe you mentioned 10% improvement on ASP in '22 versus '21. Where do we stand on the cycle? Can you improve the ASP of the business beyond '22 and make it structural? What are you thinking? How can you do this? This is obviously the biggest delta obviously to generate cash and bring higher earnings.

And then Lawrence, on strategy, I mean, you put a fantastic team together on the management side, can you just remind us a little bit what is your number one priority, and is there anything on the strategy side that currently you're missing, that you would like to add to the company for the medium term? Thank you.

Lawrence Stroll: I'll start. As far as strategy is concerned, I'm beyond proud and happy and pleased to say we're exactly on plan. You know, there were five milestones, as you're aware, they had to accomplish when I took over, from the refinancing to re-balancing the inventory, to Mercedes joining us as a partner, and successfully delivering the DBX in its first full-year last year. And most important, from a marketing point of view, launching our own Formula 1 team, and the launching of that team has shown in the sales and the demand for the product, and the desirability for the brand has truly been incredible. So strategically, I am thrilled, and exactly on plan of where we want to be, and now we will have the launch of all our new front-engine sports cars next year and the launch of our opening price point mid-engine after we deliver Valhalla. Again, this is technology, some of it taken from the Formula 1. Strategically speaking, I couldn't be happier. If anything, really ahead of plan based on retail outperforming wholesale significantly last year.

Kenneth Gregor: Good. On the CapEx side, the biggest driver going into 2022 compared to 2021 is really the investment in the next generation of our sports cars. That's the biggest single element of spending in ’22, and the reason – the biggest reason for the growth. Also of course in ’22, we’ve got spending connected with our electrification programme that we talked about earlier in the call, and also the mid-engine programme. So all of those things driving some of the growth from ’21 into ’22.

On the ASP development, I think as we look forward, it's clearly a journey that helps drive the margin growth that we’re targeting. So as we step over into ’22, we’ve talked about a couple of the drivers, the 707, the V12 Vantage, give us the opportunity to move the overall ASP forward. I think as we look then into 2023, the next generation of the sports cars gives us the opportunity to think about further pricing for the extra product substance that's going into those vehicles as we take them into the marketplace. So a bit early to say exactly where that goes but we do see the opportunity for the development.

Tobias Moers: There’s a clear strategy to improve ASP further on. So we have the double-digit now in ’22, and we have a clear strategy with the new generation of sports cars. And as Lawrence and everybody in the company is clear in the strategy that we have to achieve 40% contribution margin, and each and every single product. You can imagine that this is a given target, and a given strategy to improve ASP further on.

Jose Asumendi: Thank you very much.

Tobias Moers: Thank you.

Operator: Thank you. The other participants, as a reminder, if you wish to ask a question, please press star and one on your telephone keypad. The next question comes from the line of Christoph Laskawi From Deutsche Bank. Please ask your question.

Christoph Laskawi (Deutsche Bank): Hey, good morning. Christoph from Deutsche. Thank you for taking my questions. The first one will be on headwinds, essentially from raw materials and input costs. Most of the suppliers are currently negotiating with the OEMs to pass on what we’ve seen as price inflation, etc. So the question will be, do you see the same discussions right now, and is there a certain risk you put to that for say the second half across margins, and given you’ve just expanded on the ASP strategy quite in detail, the question will be, in case we were to see quite a bit of a demand from the suppliers in the second half, I would assume you have enough flex in pricing to just address the new launches that you plan for 23, in order to show the gross margin that you have just highlighted.

And then, as a second part of question, just on the core business profitability, is it fair to assume that that is around high single-digits right now, and the 50% uptake in ’22 should put it closer to double digits, or in double digits. Thank you.

Tobias Moers: Headwinds regarding supply chain. Absolutely, we faced that as well, like everybody. We have a clear task, and we are on a journey there, to reduce our costs further on this year. We are, likewise, able to overcompensate that. So there is always a danger zone for our margin, but this is not and we are pretty confident that we’re going to achieve that. That we can overcompensate at everything, what this comes in as raw material, price list, etc. We face that every day, with every supplier almost. But it's not only our business. That's our industry, and that's every industry at the moment facing the same issues.

Kenneth Gregor: And on the second question, on the core margin I think you talked about, we're not giving a split of the profitability of business between core and specials. We just wanted to provide a bit of texture. But for sure, the sort of direction of travel that you're describing is not far wrong.

Christoph Laskawi: Thank you. And if I can sneak in one follow-up on ASP development across the region. It seems from the mandate you have in North America and Asia particularly, and those have been typically the markets where you achieved the highest ASP. Can we assume that your pricing power there, or the uplift that you can get into the market is out sizing the uplift you see in Europe, or should it be pretty evenly distributed?

Tobias Moers: Similar. It is similar. We see the same opportunities in Europe.

Christoph Laskawi: Thank you.

Tobias Moers: Thank you.

Operator: Thank you. The next question comes from the line of Stephanie Vincent from JP Morgan. Please ask a question.

Stephanie Vincent (JP Morgan): Thank you so much for taking my questions. Just given the news yesterday about a competitor IPO as well as their potential entry into Formula 1, I didn't know if you had any, I guess, qualitative comments that you'd like to make given some of the news flow about them and F1 over the past few months.

And then my second question was, Lawrence, you had made some comments about addressing high-cost debt. Currently the RCF is drawn. Given your view that you will return your profitability and better free cash flow position, I guess from 2023 onwards, any further comments that you'd like to make there or the management team.

And then finally on the deferred tax asset balance, obviously this has risen over the past couple of years. Do we have an indication how this is going to wind down over time? Thank you.

Kenneth Gregor: So I'll take the last one first. All right. Stephanie, good morning. On the deferred tax asset, we expect that to wind down through the latter part of the decade. Let's put it that way.

Lawrence Stroll: And as far as refinancing the debt, you're correct. As I've said before, this is very much on our radar. We will be addressing that as the bonds become call-able over the next two years.

Stephanie Vincent: Okay. Thank you.

Lawrence Stroll: You're welcome.

Lawrence Stroll: In closing, I'm very proud of what we accomplished in our first full year together as an organisation in 2021. We've delivered as promised on all our core numbers, the fundamentals of business are in place. We have two exciting launches this year, and the very exciting next generation of all our sports cars next year. So our future is mapped out, as we always said it was from the beginning, and now it's simply a matter of executing on that, and we've shown we're extremely good at executing on those plans. So, looking forward for an extremely exciting time. And as I leave you, I will head to Barcelona where the Formula 1 team currently just took to the track and started testing. Thank you.

[END OF TRANSCRIPT]