



ASTON MARTIN

Aston Martin H1 2021 Results – Q&A

Wednesday, 28th July 2021

Tobias Moers: Hello everyone, and welcome to Aston Martin's first half 2021 results Q&A. I'm Tobias Moers, CEO, and I'm joined by Ken Gregor, CFO. I hope you have had the chance to see our H1 2021 results accompanied by our pre-recorded video, which can be found in the results section on our corporate website.

In summary, I'm pleased with the good progress we have made and that we have delivered results in line with our plans, with both revenues and wholesales trebling in the half compared to last year. We also reached a double-digit EBITDA margin at 10%.

In the statement, you can see some notable milestones we've achieved. I'm particularly pleased with the healthy demand we are seeing for our products and the strong pricing dynamics we are achieving. This is the result of operating as a luxury company with the right supply to demand balance, which we achieved in quarter one, earlier than we had originally expected.

As well, we have made excellent progress on Project Horizon. All of these actions are aimed at transforming Aston Martin into a world-class, as well performance-oriented, ultra-luxury automaker. And we are right on track with that.

Now, we're happy to take your questions and thanks very much for joining us.

Charles Coldicott (Redburn): Good morning. Thanks for taking my questions. I have two please. First, as you mentioned there, the average selling price for your core models has gone up a lot. It's pretty much the highest it's ever been. And obviously there's a few moving parts in there including the regional mix, the higher option rates, I guess, the DBX and clearly lower dealer incentives as well. So, can you give us an idea of what's really driving the higher ASP for your core models and how much of it is sustainable?

And then my second question is on electrification. Mercedes revealed that it is developing a new dedicated electric platform for its sports cars last week called AMG.EA. Can you confirm whether your agreement with them, which I think extends to 2027, includes access to that platform? And if so, when we should expect the first product on it?

Ken Gregor: Maybe I'll take the ASP question first. Charles, you're right that the strong ASP for the core vehicles does reflect the factors you mentioned. We've got DBX, but the biggest driver of the year-on-year improvement is the significantly lower customer and retail financing support we have been pursuing as a strategy for Aston Martin with some success this year.

The core ASP is always going to ebb and flow by quarter because of regional and seasonal mix, we do expect it to continue strongly through the second half of the year.

Tobias Moers: The thing with ASP and I think it pays off is that we've cleared the stock for the sports cars.

Coming to your second question with electrification. Yes, I saw what Mercedes announced, AMG.EA. I always said Mercedes has more than one platform in place for the future because I knew that. It's a bit too early to talk in detail about what we will be taking but expect something. We will certainly be partnering with Mercedes as part of our technology transfer agreement and we're in discussion on what technology to use. So now everybody has an understanding what is possible. But I don't want to talk too much into detail at the moment.

Charles Coldicott: Okay. Thank you.

Tobias Moers: You're welcome.

Henning Cosman (HSBC): Hi. Good morning, Tobias and Ken. My first question is on the Nebula impact. My understanding is that in 2022, you said in the press release you can manage the impact within current expectations. And my understanding was that it was in reference to the roughly £250 million EBITDA consensus at the time. So, I'm wondering if you can share a little bit more colour on that. What would it have been without the Nebula effect? And ultimately, what I'm getting at is that you're suggesting it's a net positive over time, so I'm wondering when the £15 million from this year and also the additional impact in 2022, where is the inflection point and how much comes on top of your original expectation then reversing the negative effect that you're seeing over the next couple of years? That's my first question, please.

The second question is on the mix between GT, sports and DBX. It's good to see that DBX is now more than half of the volume. If I recall correctly, the waitlist for DBX were a little bit shorter at the Q1 stage than they were for GT and sports. Could you update us on that? Is that still the case? And I understand with your suggestion that DBX will remain more than 50% of the mix, so are you deliberately producing more DBXs and deliberately managing so that the waitlists for DBX are shorter? And can you just discuss the rationale of that again a little bit? Thank you.

Ken Gregor: I'll take the Nebula Project point. At this point in time, there is no update on what we can say. The financial impact I expect for 2021 remains as we disclosed. And including that we did take the £5 million provision for doubtful debts in the first half of the year in these results. For 2022, it remains the case that the next year financial impact is containable within the current consensus and I don't have anything to add to that.

The Nebula contract that we had was a multiyear contract, so it's beyond that point for several years that the balance of it being net positive over time takes place. But right now, because the matter is subject to action in the courts on a number of different fronts, we really can't say any more about this at this time.

Tobias Moers: Regarding DBX and sports cars, order intake for both carlines is in line with our expectations and both order books reach out into quarter four for both carlines, very important for us. Retail is stronger than wholesales for us in the first half, which is very good and is a part of that ASP improvement. This is the strategy for the future, and we keep going with that. Expect DBX and sports cars to be a 50-50 mix this year.

We'll be bringing out derivatives to increase the portfolio of DBX for this year and next year. Too early to talk about next year numbers, but DBX is going to see some expansion in the portfolio for 2022.

Henning Cosman: Okay. Thank you. And just two clarifications, if I may. So, on Charles' question from earlier, you expect the core ASP to remain relatively stable in H2? Did I understand that correctly?

Ken Gregor: Look, as I was hinting at, if you like, it ebbs and flows by quarter because of regional mix, seasonal mix. But broadly, it's in a strong zone and we expect it to continue to show improvement in the second half, driven by similar factors, driven by the fact that we

continue to maintain the strategy of balancing supply with demand and keeping the level of customer and retail financing incentives low.

Henning Cosman: Yeah, understood. And sorry, just to also clarify on Charles' second question. I don't want to go away and feel less certain about your Mercedes agreement. My understanding was that the agreement is such that it would include state-of-the-art technology from Mercedes whatever it is over the length of the contract. So now I understand that that's additional conversations to be had whether it does include AMG.EA or not? Or is that a wrong interpretation? Is it fair to go away and say, well, whatever is state-of-the-art for Mercedes, you're going to have access to that?

Tobias Moers: You probably know my roots, okay? So I think – I always put a bit in a direction of more than one variant and one platform to come. I cannot disclose too much at the moment but we're going to have access to the right technology our needs.

Henning Cosman: That's helpful. Thank you, Tobias.

Tobias Moers: Okay.

George Galliers (Goldman Sachs): Thank you for taking my question. First question that I have is on volume guidance. Obviously, you're seeing a very nice sequential development on your volumes and you mentioned retails are outpacing wholesales. With that in mind, would you be prepared to go materially above the 6,000 wholesales that you're targeting this year if the retail demand is there? Or are you planning to keep that as a cap and happy to see the waitlist build as the retail demand comes in?

The second question I have is on Valhalla deposits. Obviously, you unveiled the Valhalla and it's an extremely exciting prospect. Could you give us insight into what deposits were taken historically on the Valhalla? And when do you plan to start taking deposits from the product now that you've unveiled it?

Then finally a question on the EU proposal around the CO2. Obviously, they're proposing an end to the small vehicle manufacture exemption from 2030 as well as zero emissions from the tail pipe in 2035. But do you see that as having a major impact on your strategic planning over the next decade? Or is that something that won't have a big impact over the next five to seven years but it's something you'll have to take into consideration with, I guess, the next generation of planning? Thank you.

Tobias Moers: Let me take the first question. Is the 6,000 a dogma? No, it's not. If retail demand picks up, we have some expectation for retail demand for the future and you saw our projection of the 10,000 cars. We are always able to improve or increase our performance on the manufacturing side. So, we are really flexible now. There was part of Project Horizon figures. They are flexible and agile situation and the manufacturing. And we are now there.

So it is likely to help us in order book which in the luxury segment is a positive as retail should be at a minimum the same level as wholesale if not more. Now with the stock clearance of sports cars, it was clear that retail is going to be overachieving the wholesale.

Valhalla is we have a certain level of down payments from 2019 onwards. With unveiling the new Valhalla, we've seen an overwhelming response of everybody who placed a deposit.. We are starting to sell the new Valhalla now, just yesterday we had a few customers here in Gaydon. Everybody has been positive – even more than positive, surprised about what we

unveiled as the new Valhalla regarding the performance level of the car and that it will be a plug-in hybrid.

We're going to take it to Pebble Beach in two weeks to three weeks. It's actually had such a good response that we decided to build a second show car. I think that speaks for itself.

For the third question, if you look at strategy for a company, and this is what we did, and you don't consider the electric drive future, is it the wrong strategy? Yes. Our strategy is not impacted by that or compromised by that. There is no need for adjustment of our strategy as we have an electric strategy within our plan.

George Galliers: Okay. Great. Thank you very much.

Akshat Kakkar (JP Morgan): Thank you. Two from my side, please. The first one on DBX and China. Are you generally happy with the sales momentum that you're seeing in the region for the SUV? And how are you doing versus competitors like Lamborghini, Bentley and Rolls-Royce in China? And also, how the customer feedback and this point to the new derivative going into production in Q3, how has that been so far?

The second one is a follow-up on the deposits balance. Deposits were up £7 million in the first half of '21. How do you expect this to trend by year-end and into 2022 as you deliver the Valkyrie and the AMR Pro, please? Thank you.

Ken Gregor: Maybe I take the second question first. On the overall deposit balance, our plan is to more or less maintain that deposit balance through the year. Yes, we'll see some unwind relating to Valkyrie deliveries in fourth quarter this year and in relation to Valkyrie deliveries next year. But at the same time, as Tobias was just saying, we've just launched the new Valhalla and we have other plans not yet announced yet that will offset the outgoing deposits. So, our target is more or less to maintain that deposit balance over the next year or two, although it will always ebb and flow.

Tobias Moers: On DBX, it's in-line with expectations, so we're doing well. You can see different patterns in the different regions but DBX is for us, at the moment, in line with the expectation. We haven't unveiled the derivative what we're going to bring into quarter four to customers. So that's too early to talk about.

Akshat: Thank you.

Horst Schneider (Bank of America): Yeah. Good morning all. I have got a few follow-up questions. Want to get back again to pricing because in your presentation we just see the year-on-year impact. Obviously, it has been sequentially better quarter-on-quarter in terms of the earnings contribution, but it seems to me that the price impact on earnings sequentially was rather limited. Would you agree to that, so that we have kind of stable price in Q1 versus Q2, or would you disagree to that?

The second question that I have relates to your comment in the release that you have good visibility on GT, sport and DBX, so maybe you can provide more details again on the waiting times for the various models. It seems to me that the GT line is selling a little bit worse than sports. So, I want to know if that impression is right. And the last one is going back to EU Fit for 55 question because it says basically there will be an ICE car ban as of 2035. Does that imply for you that you plan not to sell any ICE car in Europe in 2035, or are there any exemptions that I'm not aware of? Thank you.

Ken Gregor: I'll start with the ASP point. Sequentially, yes, Q2 was similar to Q1. It varies a little bit because of mix and seasonal factors. And going into Q3, Q4, I would expect it to continue to vary a little bit because of mix. Therefore, yes, when you look year-on-year, the biggest improvement is Q1 of last year to Q1 of this year. And then sequentially over time the improvement year-on-year reduces. But overall, we're happy with the development of the ASP and the strong position.

I think we see it flow-through to profitability for sure. I mean, the EBITDA performance of the business in the first half of the year being over £130 million higher than the EBITDA in the first half of last year is a substantial improvement driven by a number of factors. £25 million of that improvement was driven by the lower variable marketing or incentive support. So that's very clear. But you see the benefit in our numbers.

Horst Schneider: Okay.

Tobias Moers: Coming to the question about the ICE ban in Europe. We have to face the reality and I think it's under final decision regarding small manufacturers. But we established a strategy for the company, and we are clear that we have to move to electric-driven future. And that is part of our strategy. So, is that the case worldwide that we don't have ICE anymore? I can't say at the moment.

Like everybody else, we look where it's doable regarding the region and the region has a clear understanding about ICE, no ICE, but for sure, we're going to be electric. And if there is some regions – it's a challenge for everybody to get a grid up and running for fully electric drive everywhere. So yeah, it's a journey and we are on that journey as well, but it's part of our strategy. And coming back to my initial point when we pushed out the strategy for 2030, we will have a portfolio of electric cars in our next-generation sports car.

Horst Schneider: And the 50% penetration target that you have for 2030, that is global target, right? What does it imply in terms of penetration target for Europe specifically? Is it something in the range of 75%?

Tobias Moers: If it's worldwide more than 50% we are able to do that. That's kind of rough numbers. I saw what Mercedes pushed out that they're going to be fully electric by 2030. This depends on the region. The next generation sports car will be fully electric. And we're going to do that. Does this mean that 100% of the sports cars will be fully electric? Do we still sell some hybrid DBX? Probably, yeah.

Horst Schneider: All right.

Tobias Moers: But the good side of the story in the luxury business, in the segment we are in, you don't see – and this is what you see in our strategy – you don't see the impact on the margin like you see on small cars.

Horst Schneider: All right. Just to follow-up on the first question that I had regarding waiting times. I think you have not commented on that yet.

Tobias Moers: Yeah, sorry, I just forgot that. We, in Q4, with those carlines, and honestly sports cars are doing better than what we expected last year. So, we're really pleased about order intake for sports cars. Having new derivatives in the sports segment like Vantage Formula One edition – that's selling really well. The good thing of that variant is we see new customers coming to the brand, younger customers, so that is happening at the moment.

something with the brand, having Formula One in place, bringing a very sporty variant out of or derivative out of the Vantage. I had visits to two dealerships last week and everybody told me it's unbelievable. We see new customers coming into dealership. Traffic is increasing in the dealerships. It pays off that we change our portfolio.

Horst Schneider: All right. Excellent. Thank you.

Stephanie Vincent (JP Morgan): Hi. Thank you very much for taking my question. Just a few, if I may, on liquidity and cash flow. Can you talk about in terms of deposits, how much of your current liabilities or trade payables are related to those as of 30th June? Also given the DBX and the rising amount of sales in China, can you verify that the cash, I guess, that's available to you. You talk about quite a small amount that's unavailable. But is there any cash outside of HQ that we need to be aware of? And then finally, I think in prior bond documentation you did speak about potentially trimming some of your real estate outside of your core manufacturing facilities. Is there any intent to do this over 2021 or 2022, especially given COVID and some of the trimming of real estate that we've seen for other businesses? That would be helpful. Thank you.

Ken Gregor: Thanks, Stephanie. On the deposits at the end of the half, they were circa £275 million similar level to at the end of 2020. And as I said earlier, our intent is to continue to raise new deposits relating to Valhalla and other specials we have in the pipeline in order to sustain that balance. That's our target. And we're very clear on that.

In terms of cash, the vast majority of our cash is in the UK and available to us from that point of view. There's some cash that's in China, some which is kind of in the region of – I want to say in the region of £30 million, £40 million, which is available to us in China and we take steps over time in the normal way to repatriate that cash back to the UK via dividend as and when we can.

Ken Gregor: As for site strategy, I mean, we're kind of mostly done on the site strategy and exiting of these buildings that we had in various places in the UK. So probably the bigger parts of that are done for now.

Tobias Moers: Yeah, site consolidation has been done, so all the sports cars are now being assembled in the main factory. The specials are here in the main factory, so there is no shared organisation any more in place. St Athan is on an efficiency journey and that's going to start after the summer break. We are on a line consolidation, so put everything in a different, much more efficient way in how we're going to assemble then DBX.

So, there are still a few opportunities, but the majority is done. Within almost nine months there has been a lot of change and that's what the company can really proud of. But improving efficiency is not going to stop.

Stephanie Vincent: Thank you very much.

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

Christoph Laskawi (Deutsche Bank): Good morning and thank you for taking my questions. It's really a follow up on the DBX. You commented on the regional performance and it's pretty strong in Asia and China and the US. My question would be how actively are you steering those sales currently? Are you actively moving the units into those regions at the

detriment of the European demand, or is it essentially reflecting the order intake? And then the second question would be on the order intake of the DBX. Are you currently limiting orders for the base model in order to keep the excitement for the new variant that is coming? Or are you accepting all orders that are coming in even though you are launching the new one soon? Thank you.

Tobias Moers: We are not limiting orders on the DBX. We take every order from our retail channel, which means it's a customer order. If you bring a new variant, you're always careful and you monitor your stock properly and you phase it a bit down ahead of the new variant, and on the region. It's a normal business in automotive.

And the alignment of our production is totally different. We are on a much more agile and flexible path with how we align our production capabilities to the regional demand. Everything is retail-driven and stock-driven. So, the company is doing a totally different job on aligning production line loading to demand in the region. But this is just another result of our move to being a luxurious automaker and align production, stock and retail. So, we retailed more cars in the first half than the wholesale. I think that stands for itself.

Christoph Laskawi: Thank you.

Ken Gregor: And just to follow-up to Stephanie's question. Stephanie, page 21 of the stat accounts that we released here, Note two gives a little bit of detail to the cash that's in China and also the arrangement we have in China that's enabled us to deposit cash in China and utilise that cash in the UK to maintain the liquidity available to us. Happy to talk to technicalities of that one-on-one, if need be.

Charles Coldicott: Hi, thanks. I just had a couple of follow-ups. On the Valhalla, I think you've been quoted saying that instead of the previously discussed price tag of £1 million, it's going to be significantly less than that, but that you're potentially going to do around 1,000 units over two years instead of the 500 limit that was previously discussed. Can you just confirm that those numbers are how we should be thinking about at Valhalla, and maybe just discuss what's led you to increase production like that?

And then my other question, I just wanted to ask on the raised guidance for the DNA, can you just explain that a little bit more what's the programme timing related to?

Ken Gregor: Let me take the depreciation and amortisation point first. We've been working, as you know, internally on plans for our front-engine refresh and as we develop those plans, we're obviously working very hard to launch them as soon as possible while making them a very substantial refresh with technological updates, infotainment updates, electrical architecture updates and really address all of the customer features and attributes that we want to deliver that supports the promise of the Aston Martin brand.

In doing so there are some elements of technology which maybe previously might have been assumed to run a bit longer, but we're taking a conscious decision to change in order to make the refresh as substantial as possible. And that's resulted in some depreciation and amortisation running a bit faster than it was previously assumed.

Tobias Moers: Since I joined the business, I had a complete review of Valhalla. What we're going to do with Valhalla, where we're going to move Valhalla, what is outstanding about the definition of supercar. What we try to achieve when it comes to EBITDA, EBIT, contribution

margin with products for every line up. And everything is now to follow that KPI set. And Valhalla, with the realignment, I can confirm, you got the points. We talk about €675,000 for the car without tax.

It is a limited product to run for two years, '24 and '25. We're going to have the first deliveries by end of fourth quarter of '23. It's a very simple answer. It's a very, very robust business case for us. And this was the reason to move the client that in that ballpark and it is hypercar performance for super sports car pricing and that what we have as demand and feedback from our existing, customers as well as new customers coming to the brand, regarding the technical KPIs and details of their cars is really amazing.

And that was the reason for bringing the car there. And as I mentioned in my previous discussions, I think we have to find our own path and our own footprint when it comes to the new Aston Martin with the specials. And Valhalla is one new interpretation of a sweet spot for our specials.

Charles Coldicott: Great. Thanks.

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

Thomas Besson (Kepler Cheuvreux): Thank you very much. It's Thomas Besson from Kepler Cheuvreux. I have three questions, please. Firstly, I'd like you to discuss a little bit, if you don't mind, about the ability to differentiate electrified or electric cars for ultra-luxury brands versus new brands to believe that it's going to be as easy to differentiate your vehicles when it comes to EVs, when it comes to vehicles? That's the first question.

The second, you mentioned in in the video, we were able to watch this morning, several management changes. Can you give us an update on where you stand in terms of reshuffling your management teams? Is it done or should we expect more? I think that since the IPO there have been multiple changes, notably, on the sales front, people responsible for your distribution of products. Can you say a few words about that as well?

And finally, I'd like to come back to the comments you've made about orders. I'm not sure I understood. Did you say that for both sports cars and SUV orders run into Q4, or did I understand incorrectly? Thank you.

Tobias Moers: Last question first. Order intake is into Q4, not just at Q4, it's into Q4 for both.

Leadership team, yes, we made many changes honestly and I strictly believe in strong leaderships. I think we form at the moment one of the strongest leadership teams in the automotive business in UK. That's what I think what we do. And we are not through that journey. There's still more to come, but I cannot talk in detail about that honestly.

But yes, we changed direction and on manufacturing side, we recently appointed a new Head of Quality. We also appointed a new Head of Technical After-Sales. The orchestration of the sales is in new hands now. In Marcom, we hired somebody new. We put always good, good people, people that have a great reputation in the industry with other brands as well. Very diverse leadership as well.

Then coming to the question regarding ICE and EV. I am not concerned about a journey into EV because when it comes to an EV, I think it's more about the brand than it is even currently. So, the brand is the major differentiator when it comes to EVs because zero to 100, zero to 60, that's really very commoditised in future for everybody. Everybody will be able to achieve a 3.5 second acceleration from zero to 100. So, brand plays the major role. And therefore, we started to prepare ourselves to do so.

Brand is linked with customer experience and this is one of our most important topics regarding how Aston Martin provides an excellent outstanding ultra-luxury-oriented brand experience and customer experience. There was one point, for example to decide that we're not going to use Mercedes' nav system and Mercedes connected car systems for the future anymore. We are now building our own ecosystem when it comes to the connected car. And we can always talk about the emotion when you don't have any ICE any more in a car, but we have a lot of ideas to overcome that.

Thomas Besson: Thank you.

Tobias Moers: You're welcome.

Tobias Moers: Thanks, from our side for joining us this morning or that afternoon whatever time zone you are in. We were happy to take your questions. I'm looking forward keeping you updated on our progress and please stay tuned on our journey.

Thanks again and have a great day.

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