Q3 2021 Results

Thursday, 4th November 2021

Operator: Thank you for standing by and welcome to the Aston Martin Q3 2021 Results Conference Call. At this time, all participants are in listen-only mode. There will be a presentation, followed by a question and answer session, at which time, if you are connected on the phone line you may need to press star one on your telephone. I must advise you that your conference is being recorded today, Thursday, 4th November 2021. I would now like to hand over the conference to the CEO today, Tobias Moers. Please go ahead, sir.

Year-to-Date 2021

Tobias Moers

Chief Executive Officer, Aston Martin Lagonda

Hello everyone and welcome to Aston Martin's Q3 2021 results Q&A. I am Tobias Moers, CEO, and I am joined by Ken Gregor, CFO. We will give you a brief review of our performance and then will be happy to take questions. There are some short slides to accompany our comments which can be found on the results page of our website.

I am really pleased with our performance to date, delivering strong results in-line with our plan. Both wholesales and revenues nearly trebled year-on-year and Adjusted EBITDA improved by £190m to £72m with a 10% margin.

The shift to a demand-led, ultra-luxury operating model, that we achieved earlier this year, has been the main catalyst in supporting our continued strong pricing dynamics – and I am happy to confirm that we have order cover through 2021, extending into 2022.

The excitement around and demand for the brand is tremendous, with increased interest to be part of our journey from potential new dealers and fantastic demand for our limited-run Specials.

I am extremely happy to announce today that we have completed an unbelievable step in our Aston Martin Valkyrie journey, completing the first customer car this week. This journey has been long and challenging, but we are finally at the point that we are scaling up the assembly of this very complex vehicle which is comparable with an F1 car build, to deliver in Q4 and we also have AMR Pro deliveries commencing later in the quarter. The final member of the Valkyrie family, the Spider, was unveiled at Pebble Beach and is now two times oversubscribed – and we're now finalising unit allocations to customers.

Our excellent progress on 'Project Horizon,' driving efficiency and agility throughout our business, is delivering results, with further operational milestones achieved during the quarter as we completed the consolidation of our paint shops and restructuring of our St Athan operations. Similarly to our peers, we continue to navigate the challenging supply chain environment and are closely monitoring the evolving landscape daily, in order to mitigate disruption.

We have also today re-iterated our ambitions for our electrification journey, with the expectation that by 2030 over 90% of our portfolio will be electrified or battery electric. And in addition, we have committed to sharing a renewed ESG strategy in Q1 next year, integrated with and aligned to our business plan.

Our confidence in delivering our transformational growth strategy to create a world-class, sustainable ultra-luxury brand is underpinned by our excellent progress on execution to date, as demonstrated with the results we have reported today.

I will now pass you over to Ken to review our year-to-date numbers.

Year-to-Date 2021 Financial Results

Kenneth Gregor

Chief Financial Officer, Aston Martin Lagonda

Thank you, Tobias, and good morning everyone.

As Tobias said, we have seen a tremendous improvement in our business performance in 2021 and that is reflected throughout our financial results.

Wholesales almost trebled year-to-date, to 4,250 units and that included 56 Specials, mostly V12 Speedsters

Geographically, the Americas and APAC were the strongest markets, representing 34% and 28% respectively, with both showing high DBX penetration as expected.

We have continued to see strong pricing dynamics with core ASP averaging £150k/unit year-to-date driven by significantly reduced financial support per vehicle compared to the levels seen in 2020 supported by low levels of dealer stock, both in terms of units and age, and stronger residual values.

And as Tobias said, we have seen excellent progress on Project Horizon both in terms of cost and working capital improvements.

All of this contributed to an adjusted EBITDA of £72m with a margin of 10%, a £190m improvement year-on-year

Turning to cashflow, we saw a £5m inflow in Q3, bringing the year-to-date outflow to £39m, a substantial £475m improvement over the same period in the prior year and as a result, we closed the quarter with just under £500m of cash on the balance sheet.

Looking ahead into Q4. There is no change to our unit or ebitda guidance and we have good visibility for orders through the year-end and into 2022. As usual we have updated our financial interest guidance to reflect the revaluation of our US$ notes and fair value movements of the outstanding warrants and there is no change to the cash interest guidance.

We do now expect Capex/R&D to come in lower than originally planned – this is due to timing of spend rather than changes to product plans, which will re-phase into 2022. The same is true for D&A.

In summary, we are on track, and are starting to see some of the results from the actions we have taken to transform Aston Martin into a profitable, cash-generating company. Our focus remains on delivering against the medium-term plan, and our progress to date gives us confidence in achieving our medium-term targets.

Thank you and we will now be happy to take your questions.

Q&A

Operator: Thank you. As a reminder ladies and gentlemen, if you do have any questions on the phone line please press star one on your telephone, and it's the pound or the hash key to cancel. Once again, it's star one if you have any questions or comments at this time. We have a first question coming from the line of Charles Coldicott from Redburn. Please ask your question.

Charles Coldicott (Redburn): Yeah. Good morning everyone, it's Charlie from Redburn. Thank you for taking my questions. I've got two, please. My first question is on your level of confidence in the full-year guidance. Obviously, the Valkyrie is pivotal, so can you tell us how many complete vehicles you have ready for delivery, and maybe also can you comment on the pace that you can produce the Valkyries at; maybe, for instance, how many per week? Then on the core range you had this decrease in wholesales between Q3 and Q2 because of the work being done on the assembly lines, and obviously you now need a big step up in Q4. I know you don't disclose your retail sales anymore, but perhaps to reassure about the level of demand could you comment on the retail sales in Q3; was the quarter-on-quarter change in retail sales less than the decrease in wholesales, for instance? And maybe give us an idea of what would drive an increase in the core range going into Q4.

And then my second question on the CapEx rephasing. Have there been any projects that have been delayed or is there another explanation for the CapEx being rephased into 2022? Thank you.

Tobias Moers: I'll take your Valkyrie question. Valkyrie, we're chasing to have a double-digit number delivered this year, and accompanying that, we have a parallel assembly of the track-only Valkyrie as well, where we chase for a single-digit number to deliver to customers. The good side of that story is it's unbelievable that we achieved this momentum. The cars are in the assembly line. It's a specific assembly, it's one of the most complex cars I have ever seen in my life to assemble; it's like building Formula One cars on an assembly line. We're confident that we achieved that, and this is where we are at the moment. And, you know, just building the tub for the Valkyrie is a six-week lead time, so you cannot just increase the capacity because you have a limited capacity all over the place with manufacturers. So, the maximum that we can probably achieve next year is three cars a week. So, we're increasing our capacity and ramp-up, but it's not a normal ramp-up of a car production. So, most of the Valkyrie is, anyway, linked to 2022, and then after Valkyrie coupe we move Valkyrie Spider into that assembly line. That's not a big problem.

Kenneth Gregor: Thanks Tobias. Just taking your other couple of points on retails, retails in Q3 were a little bit ahead of wholesales, which was good to see, and that's also the case year-to-date. So, we're happy with the development of retails internally. Although we don't disclose the numbers externally, internally we pay very close attention to that.

CapEx, no, there's no change to the product plan overall. The rephasing is just a question of the timing of the spend and when we expect to make commitments on supplier engineering and supplier tooling, which is coming a little bit later than we originally forecasted and I'm fully expecting that to retime into 2022, but no change to the product plan.

Tobias Moers: No, there is no delay, there is no nothing; everything is on track.

Charles Coldicott: Great and thank you for that. And just to come back to the core range into Q4. The reason for the pick-up, is it just the seasonality of the business and, if so, why's that? And is it more to do with the mild hybrid?

Tobias Moers: No, we had a summer break this year as well, a planned two weeks. So, this is normal – before the company tried to cover this with creating more wholesales before the shutdown, we don't do this. It's just normal seasonality that we face at the moment.

Charles Coldicott: Great, thank you.

Operator: We have the next questions coming from the line of George Galliers from Goldman Sachs. Please ask your question.

George Galliers (Goldman Sachs): Thank you for taking my questions. I really wanted to talk about three different areas, if possible. The first one is just on the DBX derivatives. Is it correct that the first derivative, which is in production, is a mild hybrid, and is that car available globally or just in selected markets? And then can you confirm if there is any intention to have a plug-in hybrid variant in the future of the DBX?

The second question is how we should think about the DBX volumes for 4Q and next year. Do you expect fourth quarter DBX volumes to surpass 2Q or just to sequentially improve on the third quarter? And then now that you've restructured St Athan and you will have the new derivative, is it fair to assume healthy growth of DBX volumes for 2022 relative to 2021?

And then finally on pricing, it looks like you saw a mid-single-digit improvement in pricing in the quarter. Is this more a function of taking away variable marketing or actions to increase list prices? And when we think about pricing going forward, now you have a very strong balance between demand and supply do you see scope to implement a plan to increase pricing by a certain percentage each year and every year, as is prevalent in other areas of the luxury sector?

Tobias Moers: Yeah. The first DBX derivative is a mild hybrid. We are bang on timing with the launch. That's going to happen in China; we're going to unveil the car in Shanghai and then it's at the Guangzhou Auto show. The car is on the boat and on the way. Ramp-up worked well, everything done. That's everything in line with our plan. Then we're going to have the next derivative by end of the first quarter next year.

The first derivative, that mild hybrid, is a China purpose-only at the moment. I don't know if we're going to bring it to other markets, but for the other markets, as well as for China, we're going to have another derivative by end of the first quarter next year, and, yes, we see some momentum regarding the volume of DBX for next year. I don't want to talk about the detail, but, yeah, there is momentum for next year.

Yes, there is a plug-in hybrid DBX in our planning, but that's more or less linked now to the facelift of the DBX, which is not taking place next year. That's a bit further down the road.

Kenneth Gregor: And on the pricing side, in Q3 what you really saw was a continuation of the same trends as we saw in the first half on net revenue, with the lower incentive spend being biggest driver to seeing the average selling price in the region of £150,000 per unit across the core vehicle range. It does always ebb and flow by quarter because of product mix and market mix, and a little bit on exchange rates, so that's probably explaining the variation that you referred to. Going forward, yeah, we obviously keep an eye on our competitors' prices and think about our own price positioning, and there is a possibility for a little bit of inflation-driven pricing that we think we can achieve as well. But the biggest driver year-to-date has been the lower incentive spending, which we're really pleased to see.

George Galliers: Great, thank you very much.

Operator: We have the next questions coming from the line of Philippe Houchois from Jefferies. Please ask your question.

Philippe Houchois (Jefferies): Good morning and thank you for letting me ask questions. The first one I have is if I think about what you said earlier in the year about the volume for DBX, on my maths, you need to deliver about 1,000 of those in Q4, and I'm just trying to get your sense of confidence that you can, deliver 1,000 DBX in Q4. And, if not, when do we get to a point where we get a run rate of 1,000 produced out of St Athan? So that'd be my first question.

The second one is, I'm looking at your gross margin. It's been sub-30% for a while, it's now jumping to 33% in Q3, which is good news; I think you need to go to 40% or so. Can you quantify the drivers of the improvement? Of course, there's a bit of pricing, there's probably a bit of specials, but any, kind of, good news or structural improvement in the cost base, either purchasing or internal cost that drove the gross margin improvement? Thank you.

Kenneth Gregor: Thanks for the questions. I think on the pricing side, you put your finger on it already. The continued strong net revenue performance and lower incentives is part of that gross margin performance. But in particular in Q3 we had 36 specials, mostly V12 Speedsters, and so those are contributing to the tick-up in the gross margin percentage, which is good to see. And on the DBX side, year-to-date the number of wholesales is about 2,200. When we step back and look at what we said before about overall volume, around about 6,000 units for the full year, around about half being DBX, and therefore we're very much on track to achieve that and it doesn't quite need 1,000 units in Q4 to get there.

Philippe Houchois: But could you physically get the 1,000 units through St Athan or is that not possible or could happen at a later date?

Tobias Moers: St Athan can easily build 1,000 units per quarter if there is a need for it.

Philippe Houchois: Right, okay. All right, thank you.

Kenneth Gregor: Yeah. That's more a question of, manning and line loading, and how you organise the shift patterns. The physical capacity is there to be able to do that.

Philippe Houchois: Right. Going back to the Q3 comments from Ken then, the bad news, I guess, in a way it's all mix and price. The cost base or your average cost per range car is not improved in Q3

Kenneth Gregor: No, when we talk about the big drivers and year-on-year that's mostly volume and price, but the cost savings are there as well. And we see in the margin percentage that is now 33% in the quarter, or averaging 30% for the full year, if you compare that to the gross margin in the same period a year ago it's a massive improvement. And part of that is the operating leverage and the operating efficiency of having significantly more volume going through the production facilities this year compared to last year, and we start to see the benefit also of actions from Project Horizon, such as how we paint the vehicles, the line efficiencies in Gaydon, the line efficiencies in St Athan, they're all contributing to help improve that gross margin.

Philippe Houchois: Okay, great. Thank you very much.

Operator: We have the next questions coming from the line of Henning Cosman from HSBC. Please ask your question.

Henning Cosman (HSBC): Hi, good morning. Thank you for taking my question. Sorry, the first one I wanted to come back to is the implied guidance for Q4. If I take your investor relations consensus of full-year adjusted EBITDA of £150, that implies £78 for Q4, adjusted for the legal cost. So, I was just wondering if you could help us, again, to sort of, reconcile that. I understand that you said you want to sell double-digit units, Valkyrie, but for the Valkyrie, for this to be attributable to Valkyrie alone it would have to be almost £2 million EBITDA per unit, so that seems a bit steep. So, I hope you could, you know, help us a little bit understand the other moving parts and, again, why your confidence in achieving the guidance is so high.

Secondly, similar to Philippe's question, on the Project Horizon is it possible that you give us a, sort of, new baseline and maybe talk about the next milestones, just to make it a bit more tangible and measurable for us? Is it possible to share, maybe, your view on, points of gross margin improvement or what we should be looking out for to track how you're getting on with Horizon going forward?

And then you said you have very good visibility on orders, and so I thought you could maybe – I don't know if you want to, but if you could just help us a little bit on wait list in terms of model or region; just anything that you could comment in terms of giving a bit more colour. Are the wait lists getting longer, are they getting shorter for certain vehicles? That would be great, thank you.

Tobias Moers: When we talk about our order bank on the core business, all orders regarding our core business are into 2022, so first quarter. Is it always reasonable to have an order bank for a core business like Vantages and DB11 for the next six, eight months? That's questionable because people don't want to wait that long for these cars. I'm more than happy with where we are at the moment with the regions, so it's not different both for America, UK, China, etc. So that's okay for us and it's in line with what we need as an expectation and a forward-thinking programme plan for our assembly lines and operational sites, so I'm more than happy with that.

Kenneth Gregor: And on the full year, there's a number of pieces that come together to support the Q4 delivery. Yes, you've got Valkyrie and, yes, that's really important, as we've pointed out in our guidance, and there's a range of how we see the number of units of Valkyrie and the track Pro car that Tobias talked about earlier, in terms of what we can see in Q4. And, yes, those do have a very high unit contribution, ranging towards the figure you saw *(N.B: comment relates to revenue, **not** adj. EBITDA)*. There's a range of different contributions, depending on the model and how they've been specified, and the options contribution coming. So, they are very high contribution per unit and the full-year result is very sensitive to the number of units that get produced.

In addition to Valkyrie, we've got the balance of the Speedsters, the V12 Speedsters, that we're planning to deliver in Q4. And, as we already talked about, we've got DBX, including the first deliveries of the mild hybrid derivative that Tobias talked about for China, and also the seasonality that we talked about in terms of production phasing compared to Q3. So there's lots of elements coming together in Q4 to support the overall full-year delivery.

Henning Cosman: Thank you. And just on Horizon, if I may?

Tobias Moers: Horizon, you know, we achieved everything what we've tried to achieve, so the line consolidation, the operational side, all the efficiencies. When we talk about 20-30% savings depends on the area where we are. Everything pays off now. We are now in a situation that we have to consolidate the whole situation [N.B.: key actions have been taken and contribution will build through H2]. We did all the paint consolidation [in the summer]. Even doing the paint strategy provides more than net £1,000 savings per car. This is now in the books, so now we have to establish the next steps. But, you know, the massive work that has been done, there's still some areas where we're going to find some improvement, especially on the inbound/outbound, on the logistics side, but you cannot do everything in parallel so some areas are not moving as quick.

So, the next step is logistic realignment and then it's improvement on piece prices, where we have some good stories, but in today's time, with small volume, to get 10% piece price reduction off a supplier is not so easy, but we are okay with that. Do we achieve everything we'd like to achieve? No, we don't because you have long-lasting contracts with our suppliers, but this is a journey, we're not going to give up on that. We see some bits and pieces where we have 10%, 15% decreases on piece prices, but it's not cross-car line and it's not all parts.

Henning Cosman: And sorry, Tobias, just to clarify. When you say that most of the heavy lifting is done now, you're talking about the operational implementation, right?

Tobias Moers: Yeah

Henning Cosman: The financial impact is still going to come through now from Q4 onwards

Tobias Moers: Yeah, absolutely. Well put.

Henning Cosman: All right, thank you.

Operator: We have the next questions coming from the line of José Asumendi from J.P. Morgan. Please ask your question.

José Asumendi (JP Morgan): Good morning, José from JP Morgan. Couple of questions, please. Just coming back to this pricing momentum, if you could just share some thoughts as to how you think you can improve your ASP in regions like North America and China? That would be the first question.

Second, can you remind us of how you're set up in personal Financial Services and whether you could improve your offering in Financial Services with additional partners, or do you see any opportunities there going forward?

And then just coming back again, final one, on the operational efficiencies. Is there anything else, Tobias, that you can do into Q4, into next year in terms of the assembly line? I mean I hear from the last question that more or less everything has been done, but from an operational perspective, from an assembly perspective, is there anything else you see the need to improve? I'm sure continued improvement is embedded in the DNA of the company. Thank you.

Kenneth Gregor: Maybe I'll start, José. On the Financial Services side, we have what I would call white-label arrangements with financial services providers in our major markets. By that I mean we partner with the FCA Bank in Europe, we partner with ALPHERA in the UK and we partner with JPMorgan Chase in North America, who provide the retail financing support to our dealers to enable them to offer retail financing offers, which vary by importance, region by region; really super-important in the US. And we work really closely with the dealers and with the financial services providers and the residual value setters to seek to optimise the offers that we can make in the showroom, to make sure they're as competitive as they can be on a monthly lease rate basis. And we always look to seek, and we keep a very close eye on how we can improve that going forward. China's an area which grows in importance in terms of Financial Services over time, so that's an area of focus for us to look to develop over time, for example, but UK, Europe and US, I'm reasonably happy with the arrangements that we've got in place.

On ASP and pricing, I think, yeah, there's definitely the possibility in this market environment for a little bit of inflation-driven pricing. We're going to keep a tight lid on our incentive spending. Fresh product is always a key driver for that, so the DBX derivatives that Tobias talked about coming in will give us the opportunity to maintain and build strong average selling prices. And as we look forward a bit further into 2023 when we see the mid-cycle facelift of our sports cars, I think they give us a good opportunity to build the net revenue positions of those vehicles and further reduce the incentive spending.

Tobias Moers: There's some examples. Just having a new configurator. The traffic of hot leads, our customers coming into dealers driven from the new configurator is up almost 300% since launch in July. And as well the option take rate moves up as well. That's what we see.

Now we have perfect data with us, so there are some opportunities to create some pricing dynamics. And then we have to follow everybody else, probably beginning of next year. We just did a price increase and we're probably going to do one next year but we have to be careful.

Our sports cars are a bit over-aged. We are now in a very healthy position because the stock is on the lowest level ever. But yeah, there are some opportunities, absolutely. Regarding efficiency, it's a continuous improvement but the major steps are done. We closed the paint shop. We merged the whole paint line to one paint line in St Athan within five months. If you do that in a mass manufacturer you need two years. That was a really, really fast transformation.

Now we need to come to the spot that everywhere finally sees all these outcomes. And then it's continuous improvement steps. But it's perfect. We started with 16 cars a day in Gaydon. Now we are 20, 22 per day. It's the same centre line with more or less the same money. These are the improvements I'm chasing for. But it needs a time of consolidation, then we move into the normal continuous improvement journey.

José Asumendi: Thank you very much.

Kenneth Gregor: You're welcome.

Operator: We have our next questions coming from the line of Stephanie Vincent from JP Morgan. Please ask your question.

Stephanie Vincent (JP Morgan): Hi. Thank you very much. I'll put in question just from the credit side. Just back on question for DBX. So, you're talking about a full PHEV not taking place next year. Just wondering when you're doing your rounds on your potential customer base on marketing, I think it will be helpful just to contextualise when you – particularly for the DBX, what do you think the percentage of customers there are that actually are waiting for either a full PHEV version or a full electrified version that maybe you feel like that you're missing out on, if any? And then my next question is on the supply chain constraints. And obviously Aston's done very well, but just wondering about some of the issues that have cropped up over the past few months, such as magnesium, as well as there's been some labour issues read in the local press about potential DHL strike. Just wanting to know just some, I guess, qualitative comments around that would be super helpful. Thank you.

Tobias Moers: Okay. To your first question, PHEV is further down the road. We're going to do have a plug-in hybrid. But is this a necessity? Consider we are in the business with Aston Martin one year now, a bit more than a year. We have created a lot of new variants for DBX which are easy to do that we need to attract and then we have the hybrid technology transfer from Mercedes, our technology partner.

So, it needs a bit of time. Do we lose momentum on DBX by not having a plugged hybrid? No. This is where we're really confident. We always see the market. We know who the market leader is, Lamborghini Urus is the market leader in some areas without any hybrid. So, you can lean on that for the next probably 12, 18, 24, months, two years, but then there's time to get the plug-in hybrid on the market.

The Chinese product focus design to China is a mild hybrid in line six. It meets perfect the expectation of our customers in China. So, we are creating bespoke vehicles for the different regions. To the supply chain, yes, for sure, it's a challenging story for the moment. It's one of the challenging times I ever experienced in my life in automotive.

You need the forecast of six, eight months to the companies delivering you the aluminium. It is not easy. We see a lot of disruption on the supply chain, like more or less everybody else. But we are on top of that. We take care of it. We broker chips. We are small. We can broker the chips always on the marketplace, no problem, and give that to suppliers to get things up and running.

So yeah, I don't know what I don't know at the moment, but we meet every day two times a day and sort that out and get on top of that. So far everything is sorted out. We have been always able to sort out the things and get on top of it. It's not going to hit us. That's what we see at the moment.

Stephanie Vincent: Great. Thank you.

Operator: We have the next questions coming from the line of Thomas Besson from Kepler. Please ask your question.

Thomas Besson (Kepler Cheuvreux): Thank you very much. I have a few questions as well, please. I'd like to start with the end markets by segment. Could you give us your view of what the developments between SUVs on one side that seems to be still dynamic and the

Sports and GT segment that had been kind of under pressure for the last couple of years. Do you think there is better momentum now in that Sport and GT rebound in 2022?

Tobias Moers: Yeah, you're right. I know all IHS forecast regarding sports, and I was surprised– I don't know why honestly but IHS forecast tells you there is a bit of an improvement in that segment, and we see a strong demand on sports cars. So, in our product, in our sales retail and wholesale, it's kind of a 50-50 and sports cars are, in all honesty, doing better than we thought.

Thomas Besson: Okay. Thank you. That was my impression as well. Could you just clarify the comments you've made on the mid-cycle refresh for the different products? Is it still planned something around Q2 '23 for the DB11, DBS and Vantage and a bit later on for the DBX, or is it somewhat later?

Tobias Moers: End of Q1, beginning of Q2 is the phasing of the facelift in '23, so everything is on plan on track for that. And it's not just the facelift, it's a bit more than that. And DBX is further down the road, yeah. That's a year later.

Thomas Besson: Okay. Thank you.

Tobias Moers: Now it's almost even 1.5 years later. You need to have to call a bit longer on the marketplace. You cannot do a facelift after three years, but the DBX came to the marketplace more or less last year and now it's first full year of DBX. A car normally needs to be three years on the marketplace.

Thomas Besson: Okay. So more '24 then?

Tobias Moers: Yeah.

Thomas Besson: I mean, listening to your comments on PHEVs on the road, can you give us just a direction on the timeline for your first full BEV when you want to show that to the market, and when you eventually want to have that effectively sold to your customers? What should we think something around '25, '26 or?

Tobias Moers: Yeah, that's exactly it.

Thomas Besson: Okay. Thank you. And one last question about Formula One. Could you remind us the exact relationship in terms of who pays what and what kind of use you can have from your participation in Formula One? Because there have been some very positive comments from Lawrence Stroll on the impact of using the Aston Martin environment. Could you remind us who is paying what in terms of contract-ship and what your company is getting from it?

Tobias Moers: Okay. I'll come back to that point. That's always a very good question because there is some of misunderstandings out there. The Formula One business is a different ownership. That's a different legal entity and it's almost entirely privately owned by Lawrence and his consortium. So that's a private company.

We have a relationship with that company in a naming rights agreement or put it as a sponsorship agreement. What we pay them is a bit north of £20 million a year but it is a similar amount Aston Martin used to pay to Red Bull as a sponsorship agreement. Back in the days it was a Red Bull racing around the track. Now it's an Aston Martin racing around the track with the similar amount of spend, which is really very reasonable amount of money to get a full-fledged works team.

And it plays off in every perspective. Over the course of a weekend Formula One you see more traffic on configurator. You see more traffic on the website. We are more on media. Aston Martin has – and we see –on the marketplaces is related to that Formula One engagement.

And it makes something of the brand as well. We are getting sportier. We've got Formula One addition of Vantage and this is the highest retail packed order intake that we have achieved at the moment. It's north of 50% of retail orders, 60% kind of that way. It depends on the region. And this is a not discounted.

We did all the events and service stores where we unveiled the Valhalla which was over the course of the Formula One. Just back in Austin, one of the last races, we met, I think, more than 100 or 150 customers. We showed the Valhalla there. And yeah, it pays off for us really good. It's a win-win situation for everybody.

Thomas Besson: Clear. Thank you very much. I have one final small question please on the net financial interest, please. You raised the guidance for the P&L figure because of the Forex evolution. It seems to have no impact on the cash payments. Could you remind us why? And whether we should anticipate eventually a higher cash interest payments in H1 '22 if currencies remain where they are?

Kenneth Gregor: In Q3, there was circa – just under £30 million non-cash revaluation of the dollar debt because pretty much all the debt is denominated in dollars and the dollar moved from circa 1.40 to the pound at the end of June to circa 1.35 to the pound at the end of September. So, you saw that effect. So that's always going to ebb and flow every quarter depending on how the pound-dollar exchange rate is, but it doesn't change the cash interest expense.

Thomas Besson: Okay. Thank you very much.

Tobias Moers: Thank you.

Operator: We have the next questions coming from the line of Christoph Laskawi from Deutsche Bank. Please ask your question.

Christoph Laskawi (Deutsche Bank): Hi. Good morning. It's Christoph from Deutsche. Thank you for taking my question as well. Two please. The first one, Tobias, on purchasing and that you are chasing a process with the suppliers. Is there, outside of the tech deal that you have with Mercedes, also plan to partner a bit on purchasing potentially increase the commonality of parts and with that leverage this scale towards the suppliers, and in that way you could additionally save on purchasing? And the second one on geographic mix. You commented that the order book is quite strong across the regions. Is there a plan to very actively steer the volumes in the regions outside of – obviously DBX picking up, especially in Asia and North America, which will increase the weighting of those two markets in your overall mix? Thank you.

Tobias Moers: We don't understand you well, Christoph. You're talking about the partnership with purchasing of Mercedes or is that what do you mean?

Christoph Laskawi: Yeah, I mean, you already have a tech deal with them, and my question was outside of that, if you think about potentially setting up a partnership just on purchasing for specific parts, which are currently not part of the deal, in order to generate savings there?

Tobias Moers: We always have the opportunity to go onto existing contracts for components with Mercedes. And we're moving more and more to a direct sourcing for suppliers and the Mercedes are also almost all AMG environment. And that's really good.

Sometimes it makes no sense because we have different supply sets and different suppliers and sometimes we have really better opportunities than with the mass manufacturer supply sets. So, it's always a kind of trade-off but coming to the point, no, we don't have a partnership with Mercedes. We're talking with them about some issues and they're supportive – they're really supportive for that. But you cannot motivate a large supplier to give us a better quote because Mercedes pushes these people there. That's not going to work.

And then the motivation of the suppliers is sometimes not at the point where it would be needed from our side. I saw that before. It's not always helpful. But we can use them a lot and we use them a lot really and that's helpful. And what was secondly?

Kenneth Gregor: Second one was about market mix. So, I think certainly for – we've talked about how DBX is really important in markets that are predominantly bigger for SUVs. Obviously, China is a really important market for us to build into and we're excited about the possibility of the derivative we've got for China that Tobias talked about and the opportunity that could give us to grow our share there.

Obviously, North America, as everyone knows, a really big car market in absolute terms and a big SUV market. So, we've seen through the course of this year DBX build nicely in there. But broadly I think overall we're keen to have our share region-by-region car line by car line in each of those regions. And we think about it that way.

Christoph Laskawi: Great. Thanks guys.

Operator: We have the next questions coming from the line of Gabriel Adler from Citi. Please ask your question.

Gabriel Adler (Citi): Hi, morning. Just one question left from me. I just wanted to come back to ASP, because you talked about some pricing opportunities at the moment because of the inflationary environment. But if we think about the roadmap to reaching that €500 million mid-term EBITDA target, increasing core ASP is going to be a key lever to achieving this. So, taking a slightly longer term view, could you just help us understand what the next steps are from here to driving the core ASP higher over the next sort of two to three-year period in order to reaching up 500 million target? Thank you.

Kenneth Gregor: Yeah. Maybe I start, and Tobias can build if I miss anything out. But there's about three to four steps in building that core ASP. And you are right that getting to the medium term guidance is supported by our thought process on that. For example, adding derivatives and improving market mix on DBX, which we plan to do over the next year, helps on the core ASP in terms of product mix.

In terms of the mid-cycle freshening on the sports cars, they gave us the opportunity to reposition the sports cars somewhat upwards. They gave us the opportunity to include new technology and include a little bit of pricing for that technology for the content in the vehicles and also gives the opportunity to include additional engine derivatives, which give us the opportunity to position one or other derivative little bit higher in the range.

And in the fullness of time, having a mid-engine sports cars into our line-up, which intrinsically have higher price points in the market also supports at the margin the development of the average selling price. So, there's a suite of those actions, all of which are in our plans to support through the development of ASP.

Tobias Moers: I think there is one important thing. In the long-term as we discussed many times now, we need to achieve a 20% EBIT margin level for the company. So, all the products, everything that we're going to build now for the future, all the programmes where we signed off have to underpin that ambition. And this is what you can expect, for example, from a mid-cycle or from a facelift of the sports cars.

So, there are some opportunities because we are not talking just a bit of a facelift. It's more than just a facelift. And this gives us the opportunity with much higher or different power outputs, things like that, to reposition the whole line up of the sports cars.

So, there are some pricing dynamics behind that. And as well with the repositioning and with the facelift we can get on a different level regarding our piece costs and cost of the build of material as well. So, we do all the things in parallel.

Gabriel Adler: Thank you.

Tobias Moers: Thank you.

Operator: We have the next questions coming from the line of Richard Phelan from Deutsche Bank. Please ask your question.

Richard Phelan (Deutsche Bank): Yes, hello. Also, from the credit side. I think I may know the answer to this but just to be sure. There was a story that the Formula One team is not moving ahead with the proposed retail bond for investment there as for the Aston Martin credit itself, is there any implications for that in terms of that investment programme and potential efforts to help that?

Kenneth Gregor: Yeah. Fair question because I understand the linkage with the name, but the short answer is no. There's no impact on Aston Martin because of what Tobias already explained about the contractual arrangement between Aston Martin, us, the car company and the separately owned Aston Martin Formula One team.

Tobias Moers: Totally two separate legal entity, a private-owned company doing the racing business, this is what you're talking about with the bond and the PLC, which is a totally different company with a different ownership.

Richard Phelan: So, the withdrawal of that financing, there would be no contemplation that Aston Martin business might look to support it because there are two different entities.

Tobias Moers: Yeah, correct.

Richard Phelan: Thank you.

Operator: We have the next questions coming from the line of Charles Coldicott from Redburn. Please ask your question?

Charles Coldicott (Redburn): Thank you. Just a couple of follow ups actually. Firstly, on the Valkyrie Spider, I was wondering was there any negative reaction from customers over the normal Valkyrie because presumably they weren't aware that there will be another 85 units of the new variant when they place their original order? And then maybe a longer term question on the hypercar market generally. Do you see any risk of a bubble because it seems like you have increased your numbers of Valkyrie AMR Pros, Valhallas that you plan to produce and you've got similar things happening at Lamborghini and Ferrari as well. Is there a limit to demand for hypercars, clearly not at the moment, because the Spider for example is oversubscribed. But are we anywhere near the limit? And then the other thing I want to ask about, coming back to Formula One. Can you just talk to us a little bit more about the option you have to purchase a stake in the F1 team? And I know it's not on your radar right now, but could you one day see yourself becoming a full F1 team, and I suppose like Ferrari does, developing innovations in the F1 car that eventually go into the road cars?

Tobias Moers: Okay. Valkyrie, yeah, sometimes you get a call from a customer asking why you're doing that. And sometimes you end up with these customers that they're going to buy a Spider as well. That's exactly what has happened, because in the very first instance we called all the 150 coupe customers and told them we're going to do a Spider. Yes, probably we didn't tell you that at very first instance, but this is kind of business in that hypercar segment.

And we ended up that many, I don't know of the share at the moment, but I think it's 30% or so of the Spider are now bought by coupe customers as well to get a collection, similar with the track. So, the track cars are almost bought by customers owning or buying a coupe as well. Is there a hype?

Yeah, Spider at the moment is oversubscribed. We're just closing the final contract with all the customers. You cannot do that every two years. You need to settle it down and Valhalla is a totally different level. Valhalla is in the 700k kind of ballpark, euro, 1,000k, so that's a different car. That's not a 2 million pound car. You have to be careful, and we monitor that market quite closely and we know a bit the dynamic on that market.

Formula One, I think there is a need probably that we have a long-lasting relationship with the Formula One team, which is a bit more substantial and more forward-thinking, and we are creative on that. But buying shares or something like that is not on the radar screen at the moment.

Charles Coldicott: Thank you.

Operator: We have last questions coming from the line of Philippe Houchois from Jefferies. Please ask your questions.

Philippe Houchois (Jefferies): Yeah. Thanks for having me back. Two questions. One is on China. So, we see the shift in politics and China because of prosperity politics. Now all the carmakers I've spoken to in premium or luxury, like Ferrari, show no sign of any change in demand or even possibly in acceleration. And I'm just wondering if you see that as well or is there a risk that customers are ordering cars that might not be able to buy later on. So, I'm just trying to get a sense of what – because potentially China was a big part of your mid-term upside and I'm just wondering if the change in politics might lead you to kind of revise how much additional business might come from China over the next few years? And then I have a final one for you Tobias, more on the electrification of cars. Are you going to get into the mid-engine sports car business in next two years or so? Technically speaking, can you actually make an electric version of the traditional mid-engine sports car that meets the criteria that a car needs in terms of dynamics and driving or do those vehicles has to remain somehow ICE-powered?

Tobias Moers: So on luxury – I know what you're talking about. As far as we know and we see that marketplace, the answer is no, we don't see any impact at the moment.

And this is the similar answer you get from everybody I think in the business. Let's wait and see. I don't know. So we have to be careful. I know what they're doing. But at the moment no, even the forecast doesn't show anything. And we know that the wealth pocket in China independently what happened now with the politics is moving up anyway. There still are uncertainties and everything is kind of uncertain, which we don't have a crystal ball for.

Mid-engine programme, I at the moment think honestly that you need to still lean on ICE, but you need an electrified powertrain which is going to last till 2030, a mid-engine programme if you do that proper. And all the mid-engine cars, similar to what we're doing for Valhalla as well Vanquish, they're going to be electrified. So, Valhalla for example is an ICE, but we have two electric motors in that car with each motor with 150 kilowatt. We have an electrical range of 15 kilometres and then further down the road, Vanquish is going to exceed that electrical range by another 10 or 15 kilometres.

Yeah, that's the plan. And then you have to consider something like mid-engine are always very modular. Mid-engine platforms are always very modular. And yes, for sure, you can for sure do a pure electric drive mid-engine, but I'm not sure where is the marketplace at the moment. I don't see it as the demand for that £200,000 to £600,000 segment at the moment for purely BEV-driven mid-engines.

You need electrified, that's them. You need all wheel drives, but that's everything in our plan. And yeah, aside to that we started to create what could be a bespoke BEV for Aston Martin, where we can use the donor technology of Mercedes. That's on the plan on the radar screen and we do the engineering exercises around that.

Philippe Houchois: Thank you very much.

Operator: There are no further questions at this time. I'd like to hand over to Mr Tobias Moers. Thank you.

Tobias Moers: Thanks for joining us this morning, it was really good and we enjoyed your questions. We're looking forward to keeping you updated about our progress. The full year results will be published at the 24th February. Have a great day it was a pleasure. Thanks.

Operator: Ladies and gentlemen, that does conclude our conference for today. Thank your for participating. You may now disconnect your lines. Thank you.

[END OF TRANSCRIPT]