



First quarter Results 2025

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Third Quarter Results Introduction

Adrian Hallmark

Chief Executive Officer, Aston Martin Lagonda

Good morning, everyone. Thank you for joining the Aston Martin Quarter One 2025 Results Call. I'm Adrian Hallmark, CEO of Aston Martin Lagonda. And alongside me today, I have Doug Lafferty, CFO, who will shortly take you through the quarter one financial headlines.

As I outlined at the full year results in February, we have undertaken a disciplined approach to production and stock reduction at the start of this year.

This is reflected in our quarter one performance with the wholesales broadly in line with the prior year as guided, but it's worth noting that the retail sales to customers significantly outpaced wholesale volumes by around 50%. We expect this positive trend to continue through the first half of '25 as we destock and balance the supply with the underlying demand for our ultra-luxury high performance cars.

Over the last couple of years, Aston Martin has been through an extremely intense period of product development and launch. And as a result, we can now offer our customers a fully reinvigorated core product portfolio, the benefits of which are demonstrated by the circa 10% increase in our quarter one core Average Selling Price. But that's just the start.

Our production innovation focus, which will support sustainable profitable growth in the future has already resulted this year in the launch of three new derivatives of our core models. These include the Vantage Roadster, the Vanquish Volante in addition to today's announcement of the new DBX S, which in quarter four of this year will deliver even more power, reduced weight and offer a more assertive and sporty design to complement our SUV product. The S name and the S range has long been associated with Aston Martin. And today's news highlights that this remains very much part of our strategy going forward. And there's more to come from this derivative approach.

One of the key milestones for us this year is delivering our groundbreaking supercar Valhalla. We're now in the final phase of testing for this mid-engine PHEV ahead of deliveries commencing in the second half of this year. Executing this product launch to plan will further demonstrate our improved operational executional focus, one of the key four areas that I highlighted at the full year results earlier this year. Alongside the launch of the three new core derivatives already announced, this will support the growth both for this year and also into 2026, and support our financial targets. And as a reminder, they are for this year to be EBIT positive for the full year and free cash flow positive in the second half of this year.

We remain firmly focused on continuing our transformation from a high potential business to a high performing one. We're making progress in all key areas of our transformation, such as cost optimization, productivity improvements and quality enhancements. Work to date has identified a number of opportunities, and I expect to be able to share more colour on these later in the year as they mature.

And finally, like everyone in the global automotive sector, we've been monitoring events linked to the recently announced U.S. tariffs. The additional 25% tariff imposed on the automotive sector for imports into the U.S. creates a high degree of uncertainty and makes planning and forecasting somewhat more challenging.

But we had already prepared for the worst case. And given the phasing of our wholesales at the start of this year, we are able to limit imports of new cars into the U.S. during April and

May. This provides us a window of time in which we can refine our strategy, watch the reaction of competitors and any changes to policy and take full consideration for all of our key stakeholders before making a commitment and communication.

Our initial analysis, which we communicated at the end of March has already resulted in us making a slight reduction to our 2025 wholesale volume guidance. So, we're largely prepared.

We're now looking at a number of measures that we may implement to seek to reduce the impact to the business of the U.S. tariffs and we'll outline these including any updated pricing strategy at the appropriate time in the coming weeks and months.

We strongly welcome the U.K. government's efforts to engage with the U.S. administration on negotiating a trade agreement that would benefit all stakeholders. Given the scale of tariffs on the U.K. car industry, getting an agreement in place for U.K. carmakers as soon as possible is and should be a top priority for government and the industry.

Whilst acknowledging that the ramifications on our business, the automotive sector and the global economy from the tariffs may make things harder going forward, we continue to expect to achieve our key financial targets for the year, being the delivery of positive adjusted EBIT for the full year and positive free cash flow generation in the second half.

And on that note, to take us through the detail, I'd like to hand over to Doug to talk about the quarter one financials.

Doug Lafferty

Chief Financial Officer, Aston Martin Lagonda

Thanks, Adrian. Good morning, everyone. I know it's a busy morning for you all, so thanks for joining.

As Adrian has mentioned, overall, our Q1 performance was in line with the guidance we provided in February, with our 2025 guidance remaining unchanged since our update to the market in March, where we made that slight reduction to our wholesale volume growth expectations for the year following the imposition of additional U.S. tariffs.

Revenue and total ASP were impacted by fewer Specials deliveries in Q1 as we near the completion of Valiant deliveries. As a result, revenue decreased 13% and total ASP decreased 15%. However, core ASP increased by 10%, driven by our next generation range of vehicles including Vanquish and a continued strong options contribution at around 18% of core revenue.

With Q2 in mind, we expect a similar trend with total volumes broadly in line with the prior year with the same impact on the financials from the mix of fewer Specials. This also reflects our planned ERP roll out at Gaydon which will impact production for around 3 weeks in Q2.

The fewer Specials deliveries also impacted gross profit and gross margin, as expected. Additionally, we chose to invest around £15m in delivering on our excellence in product quality and customer satisfaction. The investment predominantly relates to enhancing the software of all next generation cars in the market to ensure optimal user experience.

We continue to target over 40% gross margin from all new products, and expect benefits from increased personalisation opportunities with an enhanced range of options becoming available to customers from the second half of 2025 onwards. As we ramp up production in

H2, benefitting from additional derivatives and the contribution from Valhalla, we expect to deliver a circa 40% gross margin for the full year.

Whilst adjusted EBITDA decreased year on year by £24m to minus £4m, reflecting the gross profit movement, this was partially offset by a 13% decrease in adjusted operating expenses excluding D&A, as we continue our focus on optimising our cost base and driving operating leverage. Adjusted EBIT decreased by 13% to minus £65m, with D&A decreasing by 22% to £60m, reflecting the lower Specials volumes.

The Company's previously announced organisational adjustments, to ensure the business is appropriately resourced for its future plans, are progressing as planned and we remain on track with our full year guidance to deliver a reduction in adjusted operating expenses (excluding D&A) to c.£300m.

With capital expenditure broadly in line with the prior year, and a reduced net cash outflow from operating activities, largely driven by a guided reduction in working capital outflow, free cash outflow in Q1 2025 decreased by £70m. As mentioned at the Full Year Results, compared to 2024 we expect working capital to benefit from Valhalla deposit collections throughout the course of the year, ahead of deliveries commencing. This was evidenced in Q1 with a net deposit inflow of £18m compared with a £33m outflow in the prior year.

Q2 2025 free cash outflow is expected to be broadly in line with the prior year period, despite including the semi-annual loan note interest payment which, in the prior year, was paid in Q1 as part of the refinancing exercise.

Liquidity, as we had guided, was at circa £400m at the end of the first quarter. This is before the expected liquidity benefit of over £125m associated with the proposed investment from Yew Tree Consortium and the proposed sale of our investment in AMR, which we announced on the 31st of March.

Finally, and just to reiterate what Adrian has mentioned, we will continue to monitor global events closely, in particular relating to the impact of recent U.S. tariffs and we will remain agile as we can be as the external environment continues to evolve.

Despite the increased levels of uncertainty, we still expect to make significant improvements across all key financial performance metrics in 2025, compared to 2024, including our expectation of delivering positive adjusted EBIT for the full year, and free cash flow generation in the second half.

So with that I'll hand back to the operator so we can take some questions in the time we have remaining.

Q&A

Harry Martin (Bernstein): I will have three questions, if that's okay. The first one on the 10% core ASP increase. Was all of that mix? Or is there any sort of underlying price increases in there? And then if you could help split that between model mix and regional mix, that would be useful. It would be good to hear your thoughts on how core ASP growth evolves through the rest of the year as well if that's possible.

Secondly, on the U.S. tariffs, roughly how many months of dealer stock are there in the U.S. already? And then at what point would you communicate any price increases if they were to come?

And then the final question I have is just on the Valhalla. What's the current status of the order book of the remaining slots to be sold? You've still flagged supply chain disruptions to

the launch as a major risk factor. So what's your kind of line of sight here on the early models and the production into the second half of the year?

Doug Lafferty: Harry, it's Doug. I'll take the first one and Adrian will cover the second two. So I think on the ASP for Q1, it was really the Vanquish that drove the lion's share of the improvement. And we didn't have any -- I don't recall, I don't think we had any V12 Vanquish/DBS at the first part of last year. So that's the big change in terms of the mix improvement.

There's a little bit of pricing impact in there as you compound price increases from last year and the options take slightly improved versus Q1, but the lion's share was the Vanquish.

And then with regards to how do we expect core ASP to evolve as we move through the rest of the year, I think we expect it to continue to grow, particularly in the second half. So we're off to a good start and we're seeing the benefits of the new range all being in the market now and we'd expect to see that continue to benefit us as we move through 2025.

Adrian Hallmark: Okay. So in terms of the U.S. tariffs, we won't comment in absolute units on U.S. stocks. But just to give you an indication of the approach that we took, as mentioned in the intro, we anticipated the worst case that there would be a tariff imposed in April.

We had imbalanced our production and favored the U.S. at the back end of last year and the early part of this year so that we could get a reasonable amount of cars into the U.S. prior to the tariffs being applied. And that gave us the opportunity to reduce production in other countries and switch back to U.S. production as we get into quarter two.

What it also means is that we have a window where we can sell down the stock that's in the U.S., and we have enough stock to carry us through April, May and the early part of June. And then we'll start shipping late May, early June when we're in a good shape and we know what we're doing with the tariff and price situation. I think it's fair to say that it's still a situation that is in free float. Whilst the tariffs have been imposed, there are lots of discussions going on about a U.K./U.S. trade agreement and that is possible. We're very optimistic about that. And the government, we know are very focused on it.

We do have already our pricing scenarios on standby. I'm not going to say what they are, but I will say we're not going to pass on the full effect and we're not going to absorb the full effect. There will be a mixed approach to that. But we're not going to declare it until we have to and that's probably mid- to late May. And we will also take the opportunity there to watch what competition do as well as see if the tariffs stay as originally forecast.

But rest assured, we have made the volume adjustments for the tariff affected cars for the rest of the year. So that's where the volume came out of.

We do have a clear plan for what that could do in terms of volume effect. And whilst it's still volatile and anything could change, we're well prepared. Price increases, we will declare sometime late May, you could expect.

As far as Valhalla is concerned, the order book is strong. We are covered through 100% of this year and about 90% of next year, maybe a little more today because it changes every day. We have few cars left to sell at the end of the life of the car, which is in two years time. But literally, the cars are, as we speak, being shipped around the world to go into static display for customers to be able to see them. We've already had the second deposits from customers and we're now loading those cars into production schedule so that they're ready for delivery in the second half of this year.

And finally, the supply chain that you mentioned, it's not so much supply chain issues with Valhalla. It's the product readiness because it is a highly complex program. But we are finished with the hardware. We're working on the detailed attributes and finesse in the way the car drives and the way all the systems interact. It's the fine-tuning stage of the program and it's on track. Complicated car. We're reliant upon it for this year. It will be another benchmark for the company and for the industry in price and performance and technology, and we're in great shape with the order book and in really, really good shape with the project itself. Normal project issues aside.

Arya Ghassemieh (Barclays): First question is on the order book. At the full year results stage, I believe you talked quite a bit about the need for order book stimulation and improving the quality of the order book as well. Could you update us, please, on your progress here and how your initiatives are going? And if you could give a bit more color also on how the order book is doing by model, that would be very helpful.

And then the second question is on dealer inventory. It was encouraging to see retail outpacing wholesale so strongly in the first quarter. Just wondering if you could maybe quantify how much more inventory reduction work you need to do in the coming quarters and how retails might trend relative to wholesales for the rest of the year?

Adrian Hallmark: Okay. So in terms of order book, we won't go through the order book by model. But needless to say that we are still around five months on average and that's weighted average. The Valhalla is a lot longer. It's probably 17 months. Vanquish is the second highest. And we have enormous order book for that and also excess demand for some of the derivatives, specifically the Volante, that's not been launched yet. And there's still a job to do to get us to a position where we are six months plus on all models.

So without going through the detail, but we're still working on that and the stock reduction activity and the production balancing activity that I've already mentioned, which we've already made great strides on, that will continue through the first half of this year and it's already baked into our plans, that we've already declared in February and are reinforcing today.

So in terms of dealer inventory, you can do the math, you've probably already have. We've delivered just under 1,000 wholesales in the first quarter. The retails were almost 50% higher than that. So you can work out what that equates to and that directly is a reduction in dealer stock, which is significant. And we expect to see that continue not at the same rate of reduction, but still reducing as we get to the half year point and then stabilizing at that new level for the rest of the year as we then introduce new derivatives into the product portfolio.

But what I would say, just to give you a flavor of this. If we maintain that mid-point stock level throughout the back end of the year, you can imagine that by adding in the Volante, the Roadster and Valhalla, even though they will flow through, that the core stock levels of the existing cars that we have today will be significantly lower than they are today. So whilst the number may drop down and stay stable, the mix will move towards those new derivatives and the core products will reduce further. This will further enhance the coverage per model from that five months average position. I hope that gives you enough flavor.

Akshat Kacker (JP Morgan): I have three questions, please. The first one is a clarification on the order book. You say it extends up to five months. Now when I think about your wholesales and production run rates, it is expected to look very different in the first half of this year versus where you were in the second half of the last year.

So can I confirm, when you say up to five months, is that based on the current production run rate? Or is that on your expected ramp in the second half? And also, when you comment on retails running 50% over your current wholesales, could you give us more details on the regions there? How is that different in China versus Europe and the U.S., please? That's the first question.

The second question is around capital investments. So obviously needless to say that we are in a very uncertain economic environment and it's very volatile out there. So how much flexibility do you have in the CapEx spend in the business, given you are through all the major product refreshes and even electrification targets might be pushed back?

And the last question is on the software-related product quality issues you had. Are you confident that has been resolved going forward? And also if there wouldn't be any more financial impact from recalls on the vehicles on the road or in dealer stock, please?

Adrian Hallmark: Well I'll kick off, and I've counted four questions there, but we'll still answer them. First of all, the order book five months, it is absolutely based around the forward build schedule, not the backward sales rate. So it's -- yes, it's always forward-looking. In terms of retails, we won't go through the regional mix. What I will say is three things. Number one, China, we are not overly dependent on China. We were never more than 10% and it's dropped even further as a result of the situation economically there in the past 12 to 18 months. We see no immediate signs of recovery in China, but that's already baked into our planning. The good news is we are at least delivering what we've written down.

Most of the world markets are on track, and in fact, U.S. has been one of the highlights in the first quarter of performance better than we had predicted in retail terms and that's before the tariffs were announced. So it's not a gold rush to get in before the tariff level. And I won't give you the April figures, but in April again, on the non-tariff cars, the retail rate is consistent with what we've seen in the first quarter. So apart from China, which is still awaiting recovery, we're on track with our forecasts that we've written down and we are in pretty good shape as we move forward.

I'll jump to the software topic and then hand over to Doug for the CapEx question. We have launched the software campaign, which was both to improve functionality of the car. Things like size of font on screens to make it more legible, the ability to switch off certain systems with two key strokes instead of six, et cetera, et cetera, and the ease of connecting Apple CarPlay. We also baked in some significant software quality improvements to improve the function of the car. This is what drove the incremental cost.

We are now 70% complete with that software update, which is 10 to 12 hours per car, enormous and the result of that is fantastic. We've seen the Net Promoter Score jump up to and even above in some regions our stretch target as a result of satisfaction with the change that we've made on software, and software was the only real issue that we had in quality terms with these new launches. So this is a step change and it's worked.

Doug Lafferty: Yes. So just on the CapEx question, Akshat, so, yes, look, we've got flexibility. But of course, you've got to keep in mind that if you utilise that flexibility at some point down the line, it's going to impact your product portfolio.

So there's a good degree of flexibility in terms of CapEx if we needed to react to a situation that was more crisis, let's say. But obviously if you start pulling investment in future product pipeline, then at some point down the road in a given number of months or years, it's going to impact your ability to generate revenue from new products. So there is

flexibility, but you've got to balance it with how does the portfolio and the pipeline look in the future.

Equally, in the cost base, there's still a little bit of flexibility. Again, when you look at mitigations, you go to discretionary spend. But of course, most of our discretionary spend is really an investment anyway. So it's not like we're particularly frivolous with the money that we invest through SG&A. But of course, if needed, there's also opportunity there to turn some taps off. But that isn't what we're intending to do. We're intending to continue to invest the CapEx that we plan to do this year.

And as you know part of our plan was to reduce SG&A anyway in a sort of measured way including, as I said earlier, the impacts from adjusting the organization that we need for the future. So I hope that answered the question. Flexibility, yes. But at the moment, we're fully focused on delivering what we expected to deliver this year.

Adrian Hallmark: On that note, I think we're just about on time. So thank you everybody, for attending. Thanks, Doug, for the insights. And let's see how the tariff situation develops. Thank you for your time everybody.

Doug Lafferty: Thanks, everyone.