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McLaren Holdings Limited - Business Review

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Executive Summary

This report provides a financial analysis of McLaren Holdings Limited ("McLaren"), to assess suitability as a strategic alliance partner in a joint venture to develop a new electric car model. The information discussed in this report has been sourced from McLaren's recent financial statements and wider contextual reading. The data extracted from the financial statements has been analysed by utilising various financial ratios, to assess the financial health of the group. The financial statements analysed, and ratio calculations, can be found in the appendices.

This analysis, supported by wider reading, has presented a challenging picture of McLaren's recent finances. Net losses have been made in the periods reviewed, further impacted by the onset of the pandemic, and management of finances is presented as questionable. There has been a positive recovery in 2021 Q3, however the information presented by the financial statements and ratio calculations do not provide a stable trend in McLaren's financial health, and do not evidence profitability from business operations. This report finds that McLaren have greatly reduced debts in the most recent period through strategic management of assets, debt, and equity. However, returns on investment and other financing are currently still negative, and McLaren Automotive is not cited as a top market competitor.

This report concludes that the findings do not present McLaren's financial health as profitable or stable, and do not support McLaren as a positive investment prospect currently. Therefore, the recommendation of the report is to delay the decision to embark on a joint venture with McLaren. Further monitoring of financial information will reveal if the upward trajectory of recovery continues and leads to a profitable outcome. Comparative research on competitors in the market is advised to provide a benchmark to assess financial performance against and enable consideration of other opportunities.

The analysis in this report is limited by the figures presented in the financial statements, which are indicative of performance only at the data generation point, not reflecting any seasonality. Further, the most recent period reviewed was 2021 Q3, and therefore does not reflect McLaren's activities and performance in the last two quarters.

1. Introduction

McLaren Holdings Limited ("McLaren") is the global technology brand comprising companies McLaren Automotive, McLaren Racing, and formerly McLaren Applied (McLaren Holdings Ltd., 2021, p.3; McLaren Group, 2022). The luxury supercar manufacturer McLaren Automotive was established following the historical success of McLaren Racing, to deliver high performance vehicles at the front end of innovative technologies (Cattlin, 2021). Their latest model "The Artura" is a future-focused plug-in hybrid featuring interconnected electrical architecture; the company's first step towards electrification (McLaren Holdings Ltd., 2021, p.4; McLaren Group Ltd., 2020, p7).

The potential joint venture opportunity with McLaren would enable access to their knowledge and expertise in developing a new electric car model, facilitating cross-company innovation and market differentiation. This report presents a financial review of McLaren to ascertain their suitability as a partner in seeking this strategic alliance (Tidd and Bessant, 2018, p.399). The report comprises a discussion on the use and limitations of financial ratios, ratio calculations and analysis from McLaren's financial statements, the summary of findings, and the report's conclusion and recommendations.

2. Use and Limitations of Ratios

Businesses produce financial statements recurrently, to monitor the business' financial health and performance through three main statements (Atrill and McLaney, 2019, p.29). The Income Statement provides details relating to profits generated (Fields, 2011, p.8; Atrill and McLaney, 2019, p.73). The Balance Sheet displays the business assets and liabilities, showing how the business is funded (Atrill and McLaney, 2019, p.33). Lastly, the Cash Flow Statement shows the movement of cash, and equivalents, through the business (Fields, 2011, p.64; Atrill and McLaney, 2019, p.166). As the financial statements represent an historical record, awareness of the period the statements cover, and potential changes in

information before and after the creation date is important (Fields, 2011, p.76; Atrill and McLaney, 2019, p.49). Certain accounting conventions exist, providing standardisation for ease of comparison between competitors and other sectors (Fields, 2011, p.10; Atrill and McLaney, 2019, p.51). The three statements convey different types of related financial information and when analysed can indicate a business' wealth, how any profits were generated, and the level of financial resilience at the reporting date (Atrill and McLaney, 2019, p.74; 165).

Calculating financial ratios can aid analysis; relatable figures across the statements are compared to determine how the business is performing in various areas. Comparing like-for-like ratios for set reporting periods, can help to identify any areas of strength and weakness, within the business and compared to other companies of similar standing. The ratios do not provide specific answers but help to express information, which directs further investigation. Many metrics can be compared through ratios, but not all will provide useful business information; it is prudent to assess which relationships will be most beneficial in comparison. Although there is no definitive list of ratios, some are more commonly employed, which can be categorised within Profitability, Efficiency, Liquidity, Leverage, and Investment. Analysts should calculate each ratio consistently when comparing two or more sets of data, creating a coherent and accurate analysis (Fields, 2011, p.113, 116; Atrill and McLaney, 2019, p.195-196).

The comparison of ratios reveals trends and changes in business performance, and requires supplementary contextual information (Fields, 2011, p.114-115; Atrill and McLaney, 2019, p.197). This is important to expand, to some extent, the associated limitations. Data accuracy in financial statements is required for accurate ratio analysis; investigating the process of establishing the data will help to reveal any considerations. Figures may be distorted, for example through inflation and historical values. Annual reports do not show the fluctuations throughout the year; interim reporting would help to reflect performance in relation to seasonality. As ratios compare only relative performance, they should be used as

an indicator and driver for analysis rather than an absolute (Elmerraji, 2022). When comparing different businesses, an awareness of factors such as scale, reporting procedures, and differing accounting periods is required to ensure greater reliability (Fields, 2011, p.114-115; Atrill and McLaney, 2019, p.234-236).

3. Ratio Analysis

3.1 Profitability Ratios

The Profitability Ratios (Table 1) explore McLaren's success in generating profits in relation to sales and assets (Atrill and McLaney, 2019, p.196; Hayes, 2021).

Profitability Ratios	2021 Q3	2020	2019
Gross Profit Margin (%)	31.76	18.64	30.42
Operating Profit Margin (%)	-18.16	-38.37	1.67
Net Profit Margin (%)	-13.9	-83.09	-2.3
Return on Assets (%)	-4.63	-38.3	-1.91
Return on Shareholder's Equity	-0.1	-2.08	-0.13
Return on Capital Employed (%)	-7.66	-27.92	2.39

Table 1.

The profit margin ratios, relate profit levels to sales revenue. These three ratios are linked, and it is normal that the margin percentage decreases at each progressive expense level (Hayes, 2021). The Gross Profit Margin appears healthy across the three periods, despite the dip in 2020 (Fields, 2011, p.131). However, the Operating Profit and Net Profit Margins show that McLaren have not generated profits after expenses (Atrill and McLaney, 2019, p.202-203).

The return ratios explore profit generated in relation business funding. Return on Assets (ROA) suggests McLaren's effectiveness in using its assets to create profit and Return on Shareholder's Equity (ROE) indicates success in creating profit from investment, therefore

linking to the Net Profit Margin and Debt/Equity ratios (Atrill and McLaney, 2019, p.202-203; Hayes, 2021). The losses made across periods, have yielded negative returns on funds and assets. Return on Capital Employed (ROCE) also shows return on investment, additionally considering debt, in relation to operating profit providing an indication on longer-term performance (Hayes, 2021b). The ROCE in 2019 was low, but 2020 and 2021 Q3 follow the pattern of a steep dip and signs of recovery.

3.2 Efficiency or Activity Ratios

These ratios (Table 2) explore McLaren's efficiency in managing resources; the important metrics are monies owed, monies owing and inventory (Fields, 2011, p.119-120; Atrill and McLaney, 2019, p.208).

Efficiency/Activity Ratios	2021 Q3	2020	2019
Days Sales Outstanding (DSO)	28.12	70.49	49.59
Inventory Turnover	2.44	4.75	6.82
Days Payable Outstanding (DPO)	50.85	35.69	35.88

Table 2.

For the last period, compared with prior, the DSO and DPO ratios indicate that McLaren were receiving payments more quickly on average but taking longer to repay monies owed, respectively. However, the DSO and DPO figures present an average across the period, and therefore the ratios may be distorted by extremes in payment rates of accounts (Atrill and McLaney, 2019, p.210-211).

The Inventory Turnover ratio suggests the average rate of sales compared to inventories held, relating how many times inventory is replenished to facilitate the company's sales (Fields, 2011, p.142; Fernando, 2022). For McLaren, the ratio shows a steady decrease over the periods reviewed. Low Inventory turnover can affect profitability and impact liquidity, so this could indicate a weakness or a strength, depending on the circumstances.

3.3 Liquidity Ratios

The Liquidity Ratios (Table 3) assess McLaren's capacity to repay its current financial commitments, therefore relating to profitability. The Current Ratio compares current assets to current liabilities. The Quick Ratio presents a more severe calculation, removing the value of inventory from current assets, as inventories are not easily available as ready cash (Fields, 2011, p.118; Atrill and McLaney, 2019, p.216-217). Additionally, Cash Flow from Operations assesses the ability to pay current liabilities via cash flow from business operations in the period (Hargrave, 2021).

Liquidity Ratios	2021 Q3	2020	2019
Current Ratio	1.84	0.84	0.81
Quick Ratio	1.32	0.66	0.61
Cash Flow from Operations (CFO)	-0.24	-0.35	0.31

Table 3.

In 2019 and 2020, the Current Ratio suggests McLaren did not have enough current assets to cover its current liabilities, as the figures are below 1 (Fields, 2011, p.116). However, this is much improved in 2021 Q3 and, although the ratio is not high, it suggests McLaren was in a stronger position to meet its liabilities. A similar pattern is presented in the Quick Ratio calculations; for 2019 and 2020 the figures are below the adequate level of 0.8 (Fields, 2011, p.119), but much improved in 2021 Q3. However, the CFO ratios suggest McLaren was not positioned to pay off current liabilities from operational cash flows in periods compared, reflecting negative Operating Profit Margins.

3.4 Leverage Ratios (Gearing)

Leverage relates to business funding through borrowing rather than provided by shareholder equity (Atrill and McLaney, 2019, p.219). Borrowing carries a level of risk if the business is unable to make repayments but can be beneficial if managed effectively (Fields, 2011, p.135; Atrill and McLaney, 2019, p.219). Two ratios can calculate the level of gearing in McLaren and its ability to repay due interest charges (Table 4) (Atrill and McLaney, 2019, p.223).

Leverage Ratios (Gearing)	2021 Q3	2020	2019
Debt/Equity Ratio (%)	67.02	221.11	237.28
Interest Coverage (%)	N/A	-11.54	253.24

Table 4.

The Debt/Equity Ratio shows that the level of financing via borrowing was over 200% more than shareholder equity in 2019 and 2020, but significantly decreased in 2021 Q3. The Interest Coverage ratios show that McLaren was in a very strong position to repay interest charges in 2019. However, in 2020 the ratio shows a negative percentage, suggesting EBITDA would not cover the interest charges. These figures link to the associated Operating Profit Margins. The information is not available for 2021 Q3 to see how the business may have recovered from this.

3.5 Investor Ratios

Investor ratios (Table 5) link to profitability, demonstrating McLaren's performance in creating returns on shareholder investment, and can provide insight for potential investors (Atrill and McLaney, 2019, p.224; Elmerajji, 2022).

Investor Ratios	2021 Q3	2020	2019
Earnings per Share (EPS)	-\$6.38	-\$72.14	-\$3.84
Dividend Cover	N/A	N/A	N/A
Price per Earnings ratio	-1.58	-0.14	-2.62
Dividend Yield	N/A	N/A	N/A

Table 5.

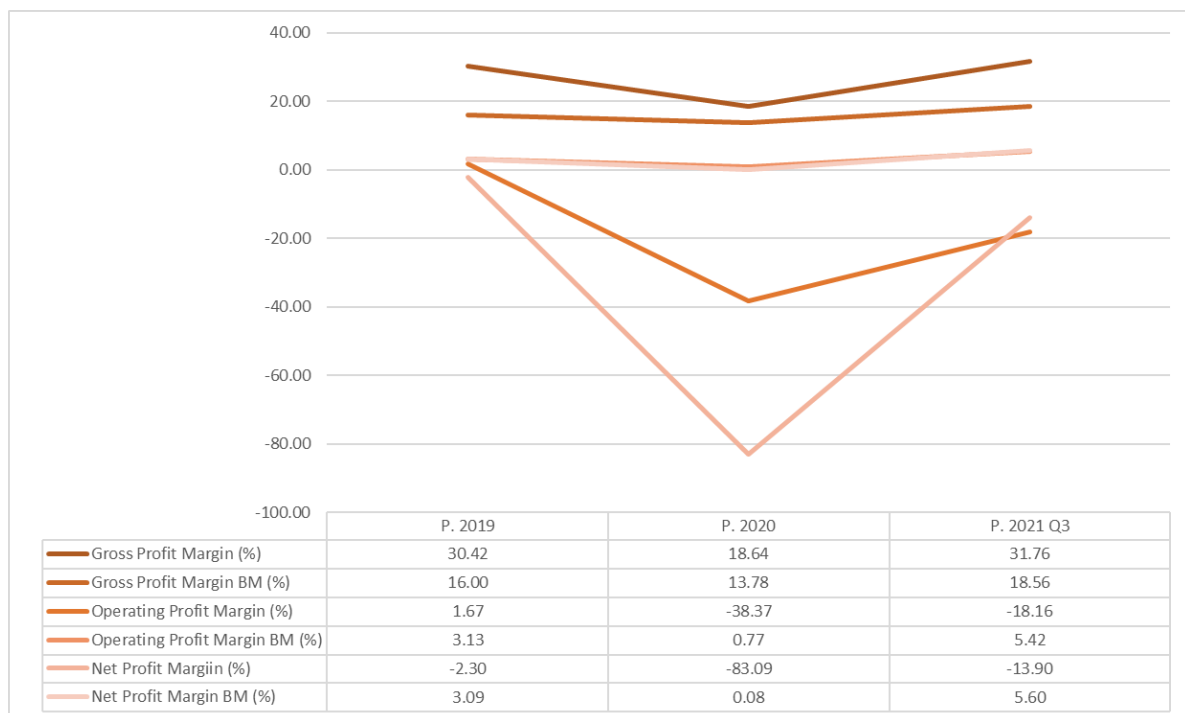
The EPS ratio calculations do not reflect positively for investors; they show a loss on shares has been made in the three periods. The level of loss increased sharply in 2020, and although this has greatly recovered in 2021 Q3, EPS remains in the negative. The Price per Earnings ratio relates to EPS, comparing this to the market value per share for the period. The negative EPS consequently makes the Price per Earnings ratio irrelevant as it also presents a negative figure and so does not provide useful information (Palmer, 2021). Clearly this does not present an attractive prospect to investors.

The Dividend Cover and Dividend Yield ratios show how comfortably the business can cover the period's due dividends, and how the due dividend per share compares to the period market value (Atrill and McLaney, 2019, p.225). As no profits were made in the periods reviewed, resultantly no dividends were paid and therefore these ratios cannot be calculated.

4. Summary of Findings

4.1 Profitability ratios.

The profit margin ratios (Graph 1) suggest that although McLaren comfortably covered the COGS in its sales revenue, the margins generated were not enough to cover the additional business expenses (Atrill and McLaney, 2019, p.206). There is a significant drop in all profit margins in 2020, with recovery shown in 2021 Q3. McLaren reported the main cause of the dip was reduced volume sales, impacted by the pandemic (McLaren Group Ltd., 2020, p.5). Although COGS fell, aligned with volume of sales, and despite resultant savings in operating expenses, aided by UK Government schemes, certain fixed costs in this area have impacted the operating profit (McLaren Group Ltd., 2020, p.4, 9).



Graph 1. Profit Margin Ratios – McLaren and Industry Benchmark (BM)
(BM Source: CSIMarket, 2022)

The benchmark figures from industry suggest there was a similar pattern in profit margins. However, the rate of fall and recovery demonstrated in McLaren's ratios was far steeper than

on average in the sector. Despite resultant losses in 2021 Q3, this suggests a positive recovery trajectory.

McLaren entered 2020 with a new 5-year business strategy to limit supply to increase demand (McLaren Group Ltd., 2020, p.3, 6). With the onset of the pandemic, this plan was swiftly adjusted to focus activities on increased high-value item wholesales to enhance return, alongside further actions to mitigate the pandemic impacts (McLaren Group Ltd., 2020, p.4). McLaren did not achieve wholesale unit targets due to limited production and supply chain challenges, reflecting the dip in revenue, however increased demand, and a clear improvement in EBITDA in 2020 Q4 were reported (McLaren Group Ltd., 2020, p.5, 6).

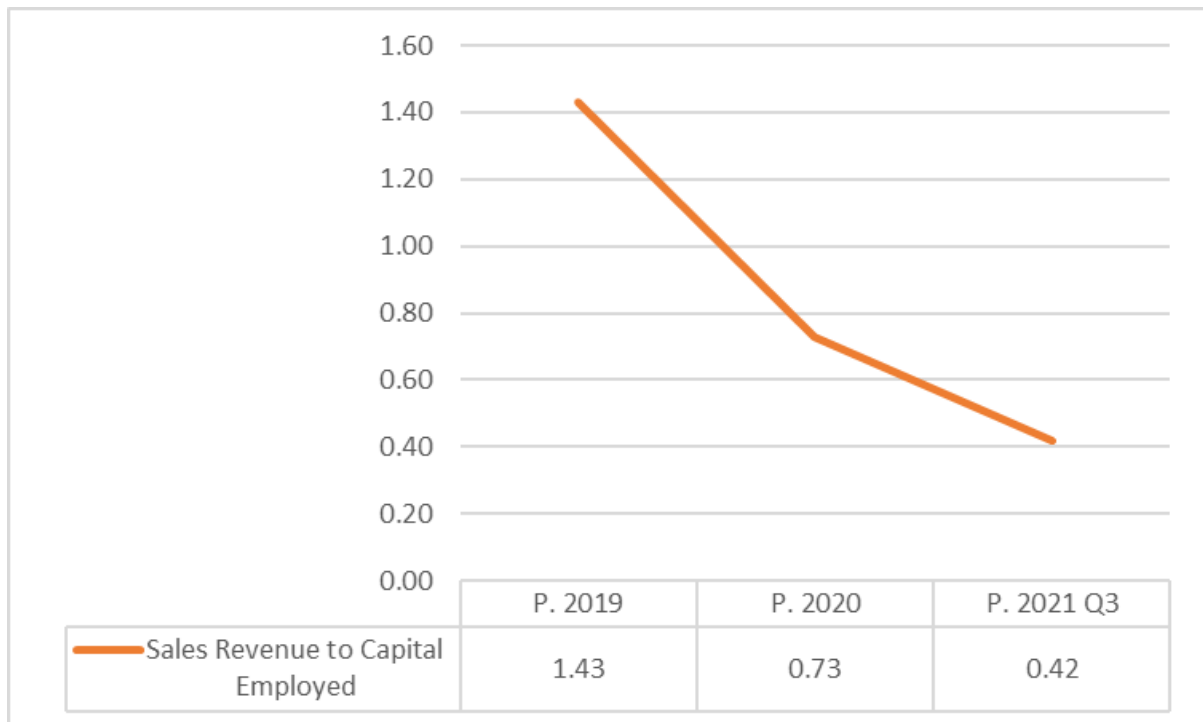
4.2 Return Ratios

Despite negative returns, the return ratios suggest that between 2020 and 2021 Q3 McLaren improved on ROA more than ROE (Graph 2), which opposes average returns in the sector. This indicates that McLaren have reduced their funding through debt (Fields, 2011, p.132), also evidenced in the balance sheets for the periods, displaying reduced liabilities and increased shareholder equity (Appendix C). A three-phase strategy concerning increased working capital, sale of shares in McLaren Racing, and a Sale and Leaseback agreement on McLaren's headquarters was reported in 2020 to improve liquidity (McLaren Group Ltd., 2020, p.4-5). The strategy allowed McLaren to manage their liabilities with capital raised, including converting debt into shares, echoed in the improved Debt/Equity ratio (McLaren Group Ltd., 2020, p.5, 8; Smith, Agini and Campbell, 2020). Resultantly, despite the dip in total assets, the net assets in 2021 Q3 are greatly improved.



Graph 2. Return Ratios – McLaren and Industry Benchmark (BM)
(BM Source: CSIMarket, 2022b)

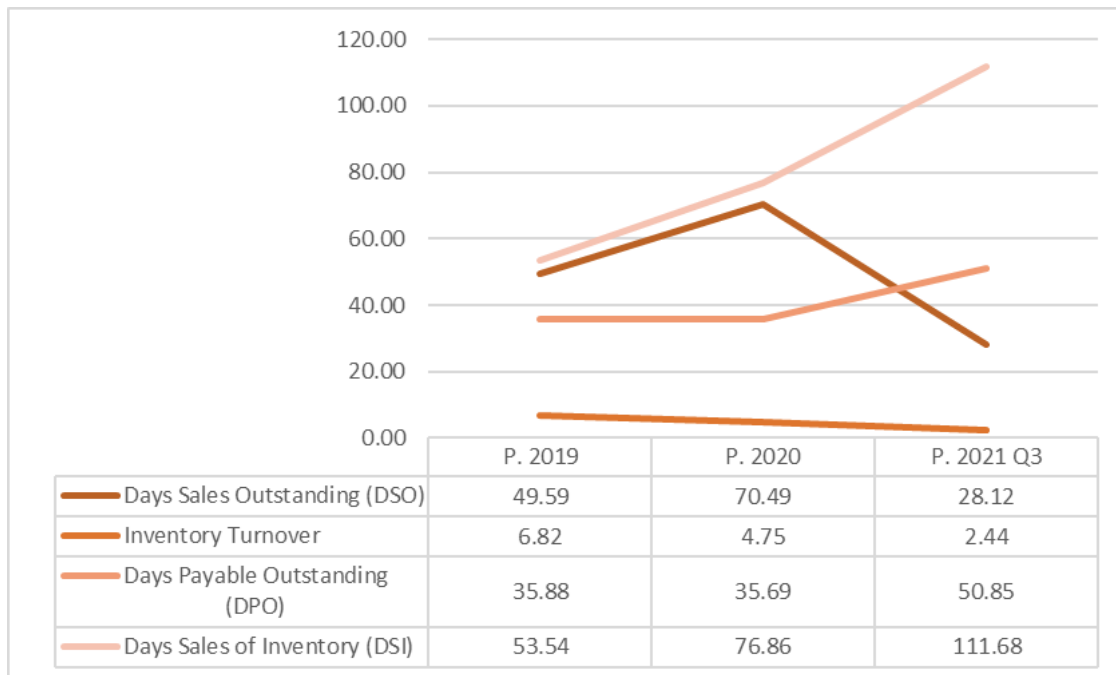
The impact of rebalancing assets and liabilities is evidenced in ROCE in 2021 Q3 (Graph 2), indicating McLaren had improved efficiency in creating profit from the capital employed, however a declining trend is still apparent. From an investor perspective, evaluating the stability of ROCE over a longer period would enable a more considered assessment (Hayes, 2021b). ROCE links Operating Profit Margin and Sales Revenue to Capital Employed efficiency, as generation of operating profit and efficient use of capital employed impact returns (Atrill and McLaney, 2019, p.214). The latter ratio (Graph 3) shows a decline, reducing by approximately half each period. This suggests McLaren are consistently less efficient in using their assets to produce revenue (Atrill and McLaney, 2019, p.212). However, McLaren acknowledge the impact of a loss from the sale of the Applied business (McLaren Holdings Ltd., 2021, p.3), which is reflected in the Fixed Assets for 2021 Q3, alongside the sale of headquarters (ref: Appendix). So, the potential beneficial impact of these developments may not yet be apparent.



Graph 3. Sales Revenue to Capital Employed Ratio

4.3 Efficiency Ratios

When comparing other Efficiency ratios (Graph 4), DSO on average increased by around 42% in 2020 but dropped again significantly in 2021 Q3. The credit terms are unknown, but this indicates a favourable development, suggesting cash inflow from trade customers is improved (Fields, 2011, p.120;122; Atrill and McLaney, 2019, p.210), which is reflected in the current assets on the balance sheet (Appendix C) and indicates reduced financial credit risk, aiding liquidity (McLaren Group Ltd., 2020, p.15). In contrast the DPO, which was stable between 2019 and 2020, has increased by around 42% in 2021 Q3. Whilst the result may have aided increased working capital, deferring payments could reflect negatively on the business' reputation (Atrill and McLaney, 2019, p.211). Sources suggest McLaren experienced difficulties paying their suppliers in early 2020, which forced the need to improve liquidity (Sylt, 2020).



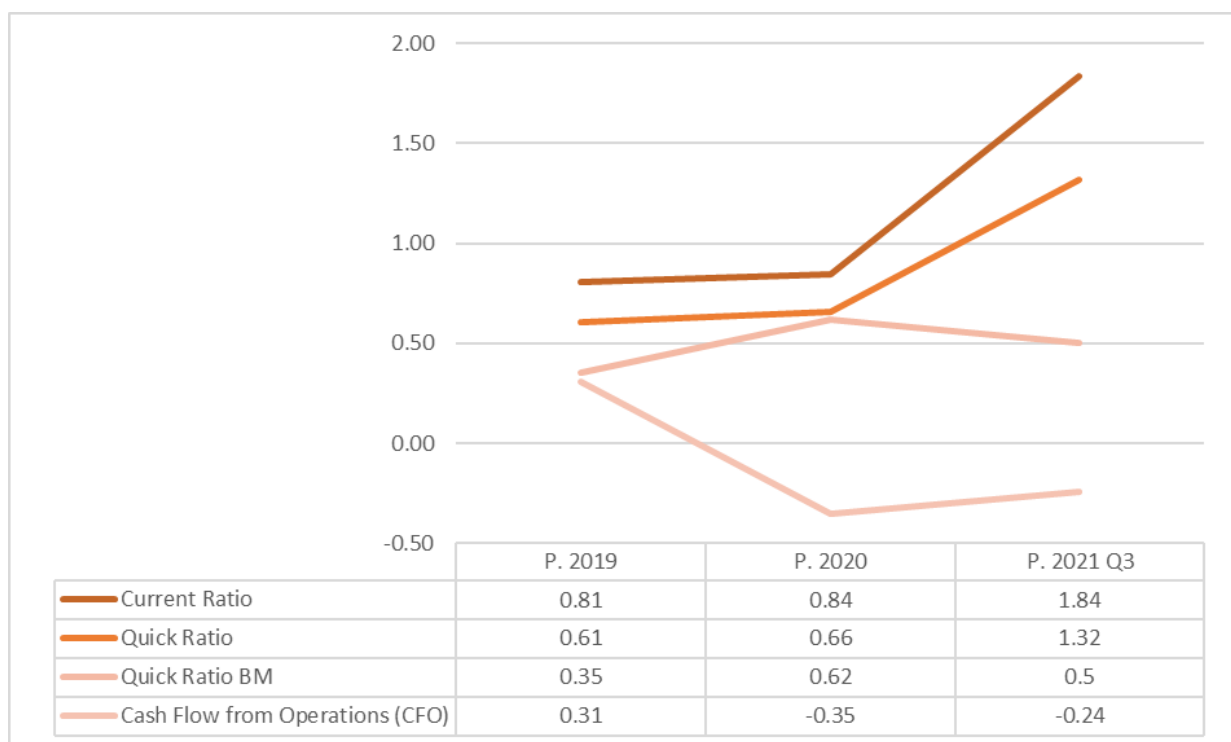
Graph 4. Efficiency Ratios

The Inventory Turnover ratio shows a steady decline. However, McLaren reported a planned limited production (McLaren Group Ltd., 2020, p.4), and the low, declining inventory turnover could reflect the strategic management of this, although not clarified by the ratios (Fields, 2011, p.128). This pattern is mirrored in the increasing Days Sales of Inventory ratio (DSI), which shows the average number of days taken to sell inventory. Again, this could align with McLaren's new strategy, but potential sales could be lost if demand is greater than available supply (Hayes, 2022). McLaren report this as a positive, in strategic reduced stock holding towards a demand-led market (McLaren Group Ltd., 2020, p.6; McLaren Holdings Ltd., 2021, p.4).

4.4 Liquidity Ratios

The 2020 strategy to improve liquidity is successfully reflected in the Current and Quick Ratios (Graph 5) (McLaren Group Ltd., 2020, p.4-5). A dramatic increase of liquidity is shown in 2021 Q3, indicating better performance than the industry average. The 2021 Q3

improvement on the Quick Ratio could be considered significant as the inventories value for the period had increased. This demonstrates McLaren's effectiveness in improving liquidity through their liability management strategies. The near doubling of available cash shown on the balance sheet for 2021 Q3 also contributes to McLaren's strengthened liquidity (Appendix C). However, considering the cash flow statement, the cash improvement is clearly resultant of investing and financing activities (Appendix C), rather than business operations, as the CFO ratios show. This indicates that, whilst improving, the operational business function is not currently profitable.



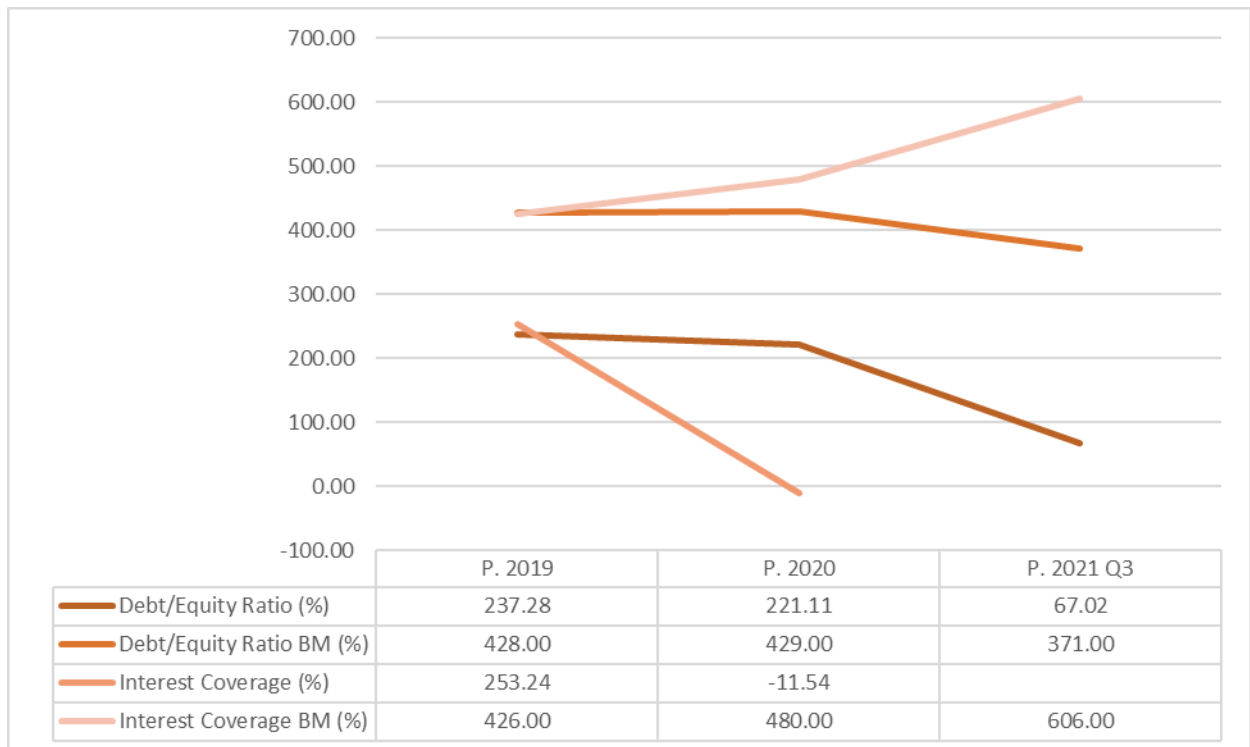
Graph 5. Liquidity Ratios
(Source for Industry Benchmark (BM): CSIMarket, 2022c).

McLaren report strategic measures to mitigate their liquidity risk, evidenced in the pandemic, and prior performance, mitigation activities undertaken in 2020 and 2021 Q3 (McLaren Group Ltd., 2020, p.15,16). While these options do provide some future security in liquidity, success requires excellent financial management, and investors might question if a

continued issuing of shares and selling of assets to increase working capital and pay off debts, is sustainable in the longer term (Smith, Agini and Campbell, 2020). For example, the uncertainty over the completion of Phase 3 of the 2020 strategy, led to uncertainty over McLaren's status as a going concern at the end of that period (McLaren Group Ltd., 2020, p.43).

4.5 Leverage Ratios (Gearing)

The vast reduction in the debt/equity ratio for 2021 Q3 (Graph 6) reflects the strategic decrease and conversion of debt into equity. This indicates McLaren is less reliant on borrowings compared to equity, therefore positive for investors, although sources suggest this was done from necessity rather than want, and with negative Net Profit Margins the increased equity impacts ROE (Campbell and Smith, 2020; Sylt, 2020). This presents a differentiation to the industry average; a higher debt/equity ratio is expected for the high-capital luxury auto industry (Maverick, 2021). These ratios link with the Liquidity ratios discussed, as actions to improve liquidity have reduced debt.



Graph 6. Leverage Ratios (Gearing) – McLaren and Industry Benchmark (BM)
(BM Source: CSIMarket, 2022c)

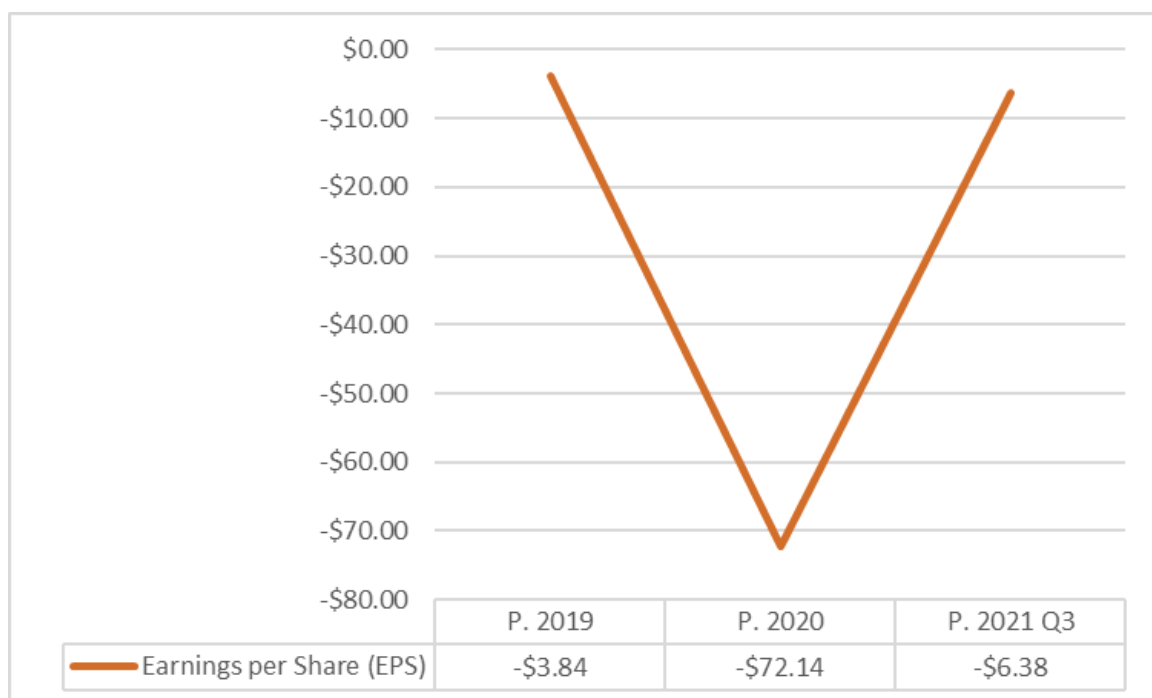
The strategies over the past two periods appear successful from the figures shown; the strategic selling, and in some cases recouping, of shares in McLaren's companies and assets resulted in improving financial health. However, these strategies are not without risk and reports acknowledge some losses and uncertainties along the way (McLaren Group Ltd., 2020, p.5, 8, 9; McLaren Holdings Ltd., 2021, p.5-6). For example, McLaren Racing is now described as a joint venture due to third party investment (McLaren Group Ltd., 2020, p.8), although the company is cited as financially unstable historically and therefore this could be a positive strategic move (McLaren Group Ltd., 2019, p.5; McLaren Group Ltd., 2020, p.8)

However, the Interest Coverage ratios indicate a dramatic drop in the ability to cover interest payable in 2020. This is evident from the period's EBITDA loss, but the interest due in 2020 was largely impacted by the increase in fair value on Preference Shares. Although a seemingly worrying development, the report notes suggest the increased value of the shares

indicate future positive returns, relating to anticipated improved cash flow and industry equity values (McLaren Group Ltd., 2020, p.60).

4.6 Investor Ratios

The losses generated by McLaren in the past three periods do not enable relevant information through Investor ratio calculations. However, the EPS ratio (Graph 7) does show a vast improvement in 2021 Q3, although still on a declining trend when compared to 2019. Despite this, the market value per share was incrementally improved in 2021 Q3 (Financial Times, 2022), along with the increased fair value of Preference Shares. However, the information provided in the financial statements and resultant ratio calculations do not deliver conclusive evidence concerning positive outcomes for investors.



Graph 7. Earnings per Share Ratios

In summing up, many of the ratio calculations show McLaren's financial health is on an upward trajectory, however this follows a dramatic dip from the pandemic, and McLaren are not presented in a profitable position, even prior to 2020 (McLaren Group Ltd., 2019, p.5). The challenge for investors will be to assess the level of risk they are willing to endure, and whether there is confidence in McLaren's strategic management of finances to mitigate investor uncertainties.

5. Conclusion and Recommendation

Calculating financial ratios is a useful tool for analysing financial statements, to ascertain the financial health of a company. By linking financial data, various metrics and indicators can be compared and monitored. However, the ratios are limited to the extent of information they can convey, and wider research and contextual understanding is additionally required for clearer analysis.

The ratios calculated from McLaren's financial statements overall present a struggling picture of financial health. The profitability ratios indicate that although McLaren is generating a healthy gross profit margin, turnover does not cover their operating costs, and they are not making positive returns. This is reflected in the liquidity and leverage ratios. It is evident that McLaren have dramatically improved their liquidity and rebalanced the debt and equity in favour of increased equity, however the interest coverage was negative at the end of 2020, as they had not generated enough operating profit to cover interest payments due.

McLaren have made some strategic decisions which seem to have been successful in improving their financial situation, importantly significantly improving cash flow (McLaren Holdings Ltd., 2021, p.7). However, the CFO ratios indicate that this is not from profitable business operations but through other financing activities, such as sale of assets and converting debt into shares. Although McLaren's fixed assets are reduced, increased cash and inventories have aided improved current assets, in turn supported improving liquidity. The increased inventory level is attributed mainly to preparing the launch of the new model The Artura which, coupled with the strategic limiting of product supply, may explain the steadily slowing rate of inventory turnover (McLaren Holdings Ltd., 2021, p.7). With the launch delayed to 2022, the statements do not show the impact of this, but a positive indicator would be improved CFO and Sales Revenue to Capital Employed.

Although there are indications of improvement, this has not been enough to ultimately create profit at this stage. The rebalancing of assets to reduce debt may yield a profitable and

stable future but at present this is not evident. McLaren reports success in their demand-led market strategy (McLaren Holdings Ltd., 2021, p.4), but the margins have not created enough profit to substantiate this yet. The strategic financial management plan does raise the question, is this sustainable long term? Their historical financial difficulties are a challenging prospect for investors, whose continued support is suggested to be reluctantly given to avoid losing out on their investment (Smith, Agini and Campbell, 2020; Sylt, 2020). Ultimately the ratios do not present security for potential investors or show a positive future trend yet.

The concluding recommendation is to delay decision-making on the joint venture. It will be important to see if McLaren ended 2021 in profit, for the first time in at least three periods, and if improving profitability can continue to rise. In the meantime, comparative research on competitors would be useful to benchmark McLaren's performance and to potentially identify alternative companies for the joint venture. McLaren Automotive is McLaren's leading company (Cattlin, 2021; McLaren Holdings Ltd., 2021, p.4), however, Automotive does not seem to compete with other manufacturers in the market (Cattlin, 2021; Shale-Hester, 2021; YouGov, 2022) and further exploration of comparative performance in the industry will provide a wider perspective.

Appendices

Appendix A: References

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McLaren Annual Report									
Income Statement					Balance Sheet				
Year	2021 Q3	2020	2019		Year	2021 Q3	2020	2019	
Revenue	495,501	771,660	1,485,785		Fixed Assets	911,955	1,156,980	1,182,108	
COGS	338,145	627,847	1,033,817		Inventories	163,880	112,773	151,656	Note 7
Gross Profit	157,356	143,813	451,968		Debtors	296,830	337,658	396,755	
Operating Profit	-89,990	-296,083	24,856		Cash at bank and in hand	116,283	66,784	56,252	
EBITDA	39,365	-49,113	181,896	Note 1	Current Assets	576,993	517,215	604,663	
Interest Payable	N/A	425,600	71,827	Note 2	Total Assets	1,488,948	1,674,195	1,786,771	
Net Income	-68,893	-641,162	-34,112						
					Creditors	314,070	613,600	747,523	
Dividend	0	0	0	Note 3	Current Liabilities	314,070	613,600	747,523	
Dividend per Share	0	0	0						
	£	£	£		Creditors due after one year	462,383	618,543	657,250	Note 8
Net Income	-68,893,000	-641,162,000	-34,112,000		Provision for liabilities	41,303	40,555	26,796	
Operating Cash Flow	-75,554	-217,407	230,569		Deferred Capital Funding	0	92,836	96,493	
End of Period Market value per Share	\$10.07	\$10.05	\$10.05	Note 4	Long Term Liabilities	503,686	751,934	780,539	
No. Ordinary Shares	10,800,000	8,888,135	8,888,135	Note 5	Total Liabilities	817,756	1,365,534	1,528,062	
	£000	£000	£000						
Average Revenue Per Day	1,815.02	2,114.14	4,070.64	Note 6	Net Assets	671,192	308,661	258,709	
Average COGS Per Day	1,238.63	1,720.13	2,832.38						
Average Inventory Value	138,327	132,215	151,656	Note 7	Called up Share Capital	108	89	89	
					Preference Shares		688,350		Note 8
Note 1. Figure from McLaren Financial Statements Notes					Share Premium Account	839,481	203,123	203,123	
Note 2. 2021 Q3 No figure for Interest Payable given					Total Reserves	188,775	271,746	269,685	
Note 3. No profit made in any period, therefore no Dividend paid.					Accumulated Losses	-357,172	-854,647	-214,188	
Note 4. Figures from Financial Times (2022) - McLaren Technology Acquisition Corp					Shareholders Equity	671,192	308,661	258,709	
Note 5. 2021 Q3 No. Ordinary shares calculated by Called up Share Capital / £0.01									
Note 6. 2021 Q3 Average Revenue per Day and Average COGS per day calculated on 273 Days					Trade Debtors	51,039	149,019	201,872	Note 10
Note 7. Average Inventories = 2021 Q3+2020; 2020+2019; 2019 as shown					Trade Creditors	62,990	61,398	101,638	Note 11
					Long Term Debt	449,839	682,475	613,857	Note 9
					Note 8. 2020 Preference Shares moved to Shareholders Equity				
					Note 9. Includes Senior secured notes and Bank Loans and overdraft				
Ratios	2021 Q3	2020	2019		Calculation				
Profitability Ratios					Profitability Ratios				
Gross Profit Margin (%)	31.76	18.64	30.42		Gross Profit / Sales * 100				
Operating Profit Margin (%)	-18.16	-38.37	1.67		Operating Profit / Sales * 100				
Net Profit Margin (%)	-13.90	-83.09	-2.30		Net Income / Sales * 100				
Return on Assets (%)	-4.63	-38.30	-1.91		Net Income / Total Assets * 100				
Return on Shareholders Equity	-0.10	-2.08	-0.13		Net Income / Shareholders Equity				
Return on Capital Employed (%)	-7.66	-27.92	2.39		Operating Profit / (Shareholders Equity + Long Term Liabilities) * 100				
Liquidity Ratios					Liquidity Ratios				
Current Ratio	1.84	0.84	0.81		Current Assets / Current Liabilities				
Quick Ratio	1.32	0.66	0.61						

Appendix C: McLaren Financial Statements

McLaren Holdings Limited
Interim financial statements
30 September 2021

Condensed consolidated profit and loss account for the 9 months ended 30 September 2021

	Note	2021 £000	2020 £000
Turnover	4	495,501	310,365
Cost of Sales		(338,145)	(260,139)
Gross profit		157,356	50,226
Administrative expenses		(174,362)	(159,626)
Other operating income		6,421	33,529
Exceptional items		34,370	(19,230)
Operating profit/(loss) before impairment, depreciation and amortisation		23,785	(95,101)
Impairment of assets		(377)	-
Depreciation		(11,704)	(16,412)
Amortisation		(101,694)	(96,603)
Operating loss		(89,990)	(208,116)
Finance costs (net)		(35,247)	(54,995)
Loss before taxation		(125,237)	(263,111)
Tax on loss	6	56,344	52,739
Loss for the financial period		(68,893)	(210,372)

McLaren Holdings Ltd. (2021)

Condensed consolidated balance sheet
as at 30 September 2021

	Note	30 September 2021 £000	31 December 2020 £000
Fixed assets			
Intangible assets	7	828,717	829,851
Tangible assets	8	61,833	260,368
Heritage assets		21,405	21,405
		<u>911,955</u>	<u>1,111,624</u>
Current assets			
Inventories	9	163,880	112,773
Debtors	10	296,830	336,375
Cash at bank and in hand		116,283	66,709
		<u>576,993</u>	<u>515,857</u>
Creditors: Amounts falling due within one year	11	<u>(314,070)</u>	<u>(462,336)</u>
Net current assets		<u>262,923</u>	<u>53,521</u>
Total assets less current liabilities		<u>1,174,878</u>	<u>1,165,145</u>
Creditors: Amounts falling due after more than one year	12	<u>(462,383)</u>	<u>(631,011)</u>
Provisions for liabilities		<u>(41,303)</u>	<u>(40,330)</u>
Deferred capital funding	13	<u>-</u>	<u>(92,836)</u>
Net assets		<u>671,192</u>	<u>400,968</u>
Capital and reserves			
Called-up share capital		108	108
Share premium account		839,481	643,763
Merger reserve		218,547	218,547
Capital contribution reserve		2,039	2,039
Other reserves		(70,903)	8,572
Revaluation reserve		39,092	42,586
Accumulated losses		(357,172)	(514,647)
Total Equity		<u>671,192</u>	<u>400,968</u>

McLaren Holdings Ltd. (2021)

Condensed consolidated statement of cash flows
for the 9 months ended 30 September 2021

	Note	2021 £000	2020 £000
Net cash flows used in operating activities	14	(69,493)	(285,554)
Taxation paid		(6,061)	(285)
Net cash used in operating activities		(75,554)	(285,839)
Cash flow from investing activities			
Addition of intangible assets		(115,774)	(162,844)
Addition of tangible assets		(2,832)	(3,046)
Proceeds from disposal of tangible assets		167,805	-
Sale of business		(5,156)	-
Net cash from (used in) investing activities		44,043	(165,890)
Cash flow from financing activities			
Repayments of obligations under finance lease		(1,593)	(1,526)
Repayment of revolving credit facility		(68,899)	67,722
Interest paid		(34,322)	(37,437)
Notes repurchase		(621,229)	-
Proceeds from issue of senior secured notes		446,461	-
Transaction fees on issue of senior secured notes		(10,402)	-
Cashflows relating to movement in restructuring reserve		175,305	-
Proceeds from issue of ordinary share capital		195,717	440,659
Funding to related party		-	(33,268)
Net cash from financing activities		81,038	436,150
Net increase/(decrease) in cash and cash equivalents		49,527	(15,579)
Cash and cash equivalents at beginning of period		66,709	55,523
Effect of foreign exchange rate changes		47	1,480
Cash at end of period		116,283	41,424

McLaren Holdings Ltd. (2021)

McLaren Group Limited
Annual report and consolidated financial statements
31 December 2020

Consolidated profit and loss account

for the year ended 31 December 2020

	Note	2020 £000	2019 £000
Turnover	5	771,660	1,485,785
Cost of Sales		(627,847)	(1,033,817)
Gross Profit		143,813	451,968
Administrative expenses		(245,710)	(276,090)
Other operating income		51,821	28,606
Operating (loss)/profit before interest in joint venture, impairment, depreciation and amortisation		(50,076)	204,484
Share of loss from Joint Venture		(886)	-
Impairment of assets		(12,762)	-
Depreciation		(29,635)	(27,527)
Amortisation		(202,724)	(152,098)
Operating (loss)/profit	6	(296,083)	24,859
Interest receivable and similar income	8	14,812	17,811
Interest payable and similar expenses	8	(425,600)	(71,827)
Gain on sale of share in subsidiary	9	21,070	-
Loss before taxation		(685,801)	(29,157)
Tax on loss	10	44,639	(4,955)
Loss for the financial year		(641,162)	(34,112)

McLaren Group Ltd. (2020)

Consolidated balance sheet

as at 31 December 2020

	Note	2020 £000	2019 £000
Fixed assets			
Intangible assets	11	829,851	834,162
Tangible assets	12	260,368	290,543
Heritage assets	13	34,155	55,665
Investment in associate	14	-	1,738
Investment in joint venture	14	32,606	-
		<u>1,156,980</u>	<u>1,182,108</u>
Current assets			
Inventories	15	112,773	151,656
Debtors	16	337,658	396,755
Cash at bank and in hand		66,784	56,252
		<u>517,215</u>	<u>604,663</u>
Creditors: Amounts falling due within one year	17	<u>(613,600)</u>	<u>(747,523)</u>
Net current liabilities		<u>(96,385)</u>	<u>(142,860)</u>
Total assets less current liabilities		<u>1,060,595</u>	<u>1,039,248</u>
Creditors: Amounts falling due after more than one year	18	(1,306,893)	(657,250)
Provision for liabilities	21	(40,555)	(26,796)
Deferred capital funding	23	(92,836)	(96,493)
Net (liabilities)/assets		<u>(379,689)</u>	<u>258,709</u>
Capital and reserves			
Called up share capital	26	89	89
Share premium account		203,123	203,123
Revaluation reserve		42,586	44,219
Capital contribution reserve		2,039	2,039
Merger reserve		218,547	218,547
Other reserves		8,574	4,880
Accumulated losses		(854,647)	(214,188)
Total Equity		<u>(379,689)</u>	<u>258,709</u>

McLaren Group Ltd. (2020)

Consolidated statement of cash flows
for the year ended 31 December 2020

	Note	2020 £000	2019 £000
Net cash (used in)/from operating activities	28	(216,624)	235,697
Taxation paid		(783)	(5,128)
Net cash (used in)/from operating activities		(217,407)	230,569
Cash flow from investing activities			
Addition of intangible assets		(221,856)	(297,930)
Addition of tangible assets		(15,961)	(21,453)
Proceeds from disposal of investment	14	3,000	-
Proceeds from disposal of tangible assets		12	49
Interest received		55	204
Sale of share of subsidiary		(1,505)	-
Net cash used in investing activities		(236,255)	(319,130)
Cash flow from financing activities			
Repayment of obligations under finance lease		(2,487)	(1,048)
Receipts from revolving loan facility		68,899	216,144
Repayment of revolving loan facility		-	(216,144)
Interest paid		(42,443)	(34,016)
Proceeds from issue of preference shares		290,659	-
Proceeds from short term bank loan		150,000	-
Proceeds from issue of ordinary share capital		-	53,132
Proceeds from Bond issuance		-	72,382
Transaction fees on Bond issuance		-	(1,470)
Revolver loan facility arrangement fee		-	(1,214)
Buyout of shareholder		-	(37,500)
Net cash generated from financing activities		464,628	50,266
Net increase/(decrease) in cash and cash equivalents		10,966	(38,295)
Cash and cash equivalents at beginning of year		56,252	96,869
Effect of foreign exchange rate changes		(434)	(2,322)
Cash and cash equivalents at end of year		66,784	56,252

McLaren Group Ltd. (2020)

McLaren Group Limited
Annual report and consolidated financial statements
31 December 2019

Consolidated profit and loss account

for the year ended 31 December 2019

	Note	2019 £000	2018 £000
Turnover	5	1,485,785	1,256,555
Cost of Sales		(1,033,817)	(897,049)
Gross profit		451,968	359,506
Administrative expenses		(276,090)	(238,016)
Other operating income		28,606	27,865
Operating profit before depreciation and amortisation		204,484	149,355
Depreciation		(27,527)	(21,175)
Amortisation		(152,098)	(132,972)
Operating profit/(loss)	6	24,859	(4,792)
Interest receivable and similar income	8	17,811	308
Interest payable and similar expenses	8	(71,827)	(64,978)
Loss before taxation		(29,157)	(69,462)
Tax on loss	9	(4,955)	7,683
Loss for the financial year		(34,112)	(61,779)

McLaren Group Ltd. (2019)

Consolidated balance sheet

as at 31 December 2019

	Note	2019 £000	2018 £000
Fixed assets			
Intangible assets	10	834,162	693,424
Tangible assets	11	290,543	288,034
Heritage assets	12	55,665	58,186
Investments	13	1,738	-
		<u>1,182,108</u>	<u>1,039,644</u>
Current assets			
Inventories	14	151,656	155,393
Debtors	15	396,755	296,577
Cash at bank and in hand		56,252	97,347
		<u>604,663</u>	<u>549,317</u>
Creditors: Amounts falling due within one year	16	<u>(747,523)</u>	<u>(671,470)</u>
Net current liabilities		<u>(142,860)</u>	<u>(122,153)</u>
Total assets less current liabilities		<u>1,039,248</u>	<u>917,491</u>
Creditors: Amounts falling due after more than one year	17	(657,250)	(590,760)
Provisions for liabilities	20	(26,796)	(8,413)
Deferred capital funding	22	(96,493)	(100,150)
Net assets		<u>258,709</u>	<u>218,168</u>
Capital and reserves			
Called up share capital	25	89	87
Share premium account		203,123	149,993
Revaluation reserve		44,219	52,804
Capital contribution reserve		2,039	2,039
Merger reserve		218,547	218,547
Other reserves		4,880	(14,630)
Accumulated losses		<u>(214,188)</u>	<u>(190,672)</u>
Total equity		<u>258,709</u>	<u>218,168</u>

McLaren Group Ltd. (2019)

Consolidated statement of cash flows
for the year ended 31 December 2019

	Note	2019 £000	2018 £000
Net cash flows from operating activities	26	235,697	188,674
Taxation paid		(5,128)	(9,054)
Net cash inflow from operating activities		230,569	179,620
Cash flow from investing activities			
Addition of intangible assets		(297,930)	(252,231)
Addition of tangible assets		(21,453)	(37,917)
Proceeds from disposal of tangible assets		49	386
Interest received		204	308
Net cash outflow from investing activities		(319,130)	(289,454)
Cash flow from financing activities			
Repayments of obligations under finance lease		(1,048)	(847)
Receipts from revolving loan facility		216,144	60,000
Repayments of revolving loan facility		(216,144)	(70,019)
Interest paid		(34,016)	(32,619)
Proceeds from issue of ordinary share capital		53,132	150,000
Proceeds from Bond issuance		72,382	-
Transaction fees on Bond issuance		(1,470)	-
Revolver loan facility arrangement fee		(1,214)	-
Buyout of shareholder		(37,500)	-
Net cash inflow from financing activities		50,266	106,515
Net decrease in cash and cash equivalents		(38,295)	(3,319)
Cash and cash equivalents at beginning of year		96,869	99,336
Effect of foreign exchange rate changes		(2,322)	852
Cash and cash equivalents at end of year		56,252	96,869
Cash and cash equivalents consists of:			
Cash at bank and in hand		56,252	97,347
Overdraft		-	(478)
Cash and cash equivalents		56,252	96,869

McLaren Group Ltd. (2019)