

Business Review: Aston Martin

Financial Management and Planning (ACPA7002)

Executive Summary

This business review utilizes financial statements from Aston Martin Lagonda (AML) from 2019 through to the partial results of 2022 (H1 and Q3). Following assessment of 21 financial ratios, digestion of the annual report, presentations and discussion this report considered Aston Martin to be a high risk investment. Which, despite significant efforts to move towards sustainably positive free cash flow including operational efficiency gains, changing pricing and product portfolios and adjustment to supply and demand models, is not considered a wise financial investment, particularly ahead of increasing socioeconomic instability.

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Contents

Introduction	2
Limitations	2
Income Statement	3
Financial Ratios	4
Profitability Ratios.....	5
Liquidity Ratios.....	6
Activity (Efficiency) Ratios.....	8
Gearing Ratios	8
Investment Ratio	9
Conclusion and Recommendations	10
Appendixes.....	11
Financial Ratios - Calculations.....	11
References	13
Income Statement and Balance Sheet	15

Introduction

Aston Martin Lagonda (AML), founded in 1913, is an iconic British brand specialising in ultra-luxury automotive excellence. This business review utilised published financial statements and reports to critically assess the financial health of AML, taking wider aspects into consideration with the intention of defining whether the company represents a worthwhile investment opportunity. To capture the needs of various stakeholders including; shareholders, banking facilities, competitors, and internal and external interested parties, multiple categories of financial ratio will be considered.

Limitations

A total of 21 financial ratios will be calculated and discussed to evaluate a broad suite of financial areas. However, there are limitations which need to be considered when using any ratios or financial figure.

All data points utilised in this review are historic and as such need to take into consideration the context and timing of the data including.

- Social effects – including the implications of the Coronavirus pandemic, Brexit and, more recently, changes in cost of living, inflation and rising energy prices.
- Internal effects – including changes in accounting policies, operational change, structural or organisational change.
- Data manipulation – including strategic use of financial statements to boost year end results. This is particularly impactful when considering partial year data in the case of the 2022 H1 and Q3 figures.

Trends in ratios year on year will give a clear sense of the internal fluctuations in the business. However, to access level of performance against industry a comparison is required. This comparator should be relevant to the automotive industry as financial ratios will vary significantly between sectors and business models so ratio values will be subjective. For example, if an industry is fast moving/ low margin i.e retail, the threshold of acceptable ratio values will be notably different when compared to a typically slow moving/ high margin industries like the automotive industry, even more so with an ultra-luxury brand like Aston Martin. To this end industry comparators will be highlighted and discussed throughout this review.

This business review will also consider how well the business met their own expectations and aims from the previous financial year as this will provide a clear indicator of how healthy the business is.

Income Statement

The income statement (Table 1) is critical to better understand the profitability of AML. First impressions of the income statements from 2019 to H1 2022 are not encouraging. Whilst Gross Profit is positive it is not convincingly so and following the deduction of operational costs, the operating profit turns negative in all years reviewed. This loss is further compounded with the additional of typically high financial expenses resulting in a Net Profit/loss of at best -£117.6mil (-11.99% margin) and at worse (in 2020 as expected due to the coronavirus pandemic) a loss of £-410.5mil (-67.10%).

	Q3 2022	H1 2022	FY 2021	FY 2020	FY 2019*
	£m	£m	£m	£m	£m
Profit and Loss					
Revenue	315.5	541.7	1095.3	611.8	980.5
Cost of Sales	-217.4	-353.6	-751.6	-500.7	-642.7
Gross Profit	98.1	188.1	343.7	111.1	337.8
Gross Margin % (Calculated)	31.09%	34.72%	31.38%	18.16%	34.45%
Operating Expenses					
Selling and distribution expenses	-	-51.9	-84.8	-79.6	-95
Administrative and other operating expenses	-	-226.1	-335.4	-354.4	-275.8
Other expenses	-	-	-	-	-19
"Operating expenses" + "Adjusting operating items"	-156.6	-	-	-	-
Operating profit/loss	-58.5	-89.9	-76.5	-322.9	-52
Operating Profit Margin % (Calculated)	-18.54%	-16.60%	-6.98%	-52.78%	-5.30%
Finance income	-	25.6	36.4	40	16.3
Finance expense	-	-221.1	-173.7	-183.1	-83.9
"Net financing expense"	-167.4	-	-	-	-
Profit/Loss before tax	-225.9	-285.4	-213.8	-466	-119.6
Income tax credit/(charge)	-2.3	-4.4	24.5	55.5	2.0
Net income (Profit/Loss for the year)	-228.2	-289.8	-189.3	-410.5	-117.6
Net Profit (%) (calculated)	-72.33%	-53.50%	-17.28%	-67.10%	-11.99%

Table 1: Income Statement derived from AML Annual Reports and (interim) results (2020,2021, 2022). *2019 results are restated values recorded in the 2020 Annual report.

Accounting for the expected anomalous results of 2020, the general trend in revenue appears to be positive, albeit slight, reflecting the ongoing efforts of the AML Executive team to move towards improved revenues and profitability.

Actions towards this goal include the following and will be discussed throughout this review and the different financial ratios;

- Changes to pricing dynamics, models and structures. AML moved towards a higher mix offering, with less focus on specials, and growth into new markets including the introduction of the DBX SUV model in 2020. Heralded as an expansion of AMLs core portfolio the DBX model took 20% of the SUV market share by 2022. This development is particularly relevant to the North American market, with continued scaled production into 2022 and beyond.
- Operational efficiency improvements actioned in 2021 are reflected in reduced unit cost with impactful reduction in cost of sales into 2022. The automotive industry is typically considered capital intensive with property, plants and machinery taking up a large share of expenditure (Maverick, 2021). This is true for AML, with yearly property, plant and equipment assets valued at ~£350 mil year on year since 2019. Project Horizon, unveiled in 2020 and continuing into mid 2020's, aimed to consolidating production lines at Gaydon, the main manufacturing

centre, with similar improvements expanded to St Athan. These improvements have led to a 20% manufacturing cost per unit reduction in 2021. This action has impacting the COGs in the figures referenced in this review, evident in the net saving of over £1000 per unit.

- Business model change in the early 2020's instigated a stepwise change in demand/ supply mechanisms to move in line with a low inventory, demand led model, in sync with the ultra-luxury automotive industry.
- Foreign exchange movements have also had an impact due to the weakening GBP against the dollar (Campbell, 2022).

Financial Ratios

Twenty-one ratios have been calculated herein to provide a broader overview and comparable interpretation of AMLs financial health.

	2022 Q3	2022 H1	2021	2020	2019 *
Profitability Ratios					
Gross margin %	31.09%	34.72%	31.38%	18.16%	34.45%
Operating profit %	-18.54%	-16.60%	-6.98%	-52.78%	-5.30%
Net profit %	-72.33%	-53.50%	-17.28%	-67.10%	-11.99%
Return on assets %	-6.72%	-10.56%	-6.66%	-14.69%	-5.27%
Return on shareholders equity %	-29.07%	-76.71%	-28.66%	-51.05%	-35.68%
Return on capital employed ROCE	-3.13%	-6.77%	-4.89%	-20.03%	-4.26%
Liquidity ratios					
Current Ratio	1.31	0.80	0.96	1.10	0.64
Quick / Liquid Ratio	na	0.48	0.74	0.84	0.41
Cash ratio	0.71	0.16	0.46	0.61	0.12
Free cash flow	na	-233.8	-123.2	-539.3	-337.8
Activity ratios					
Days Sales Outstanding (DSO)	na	97.84	81.81	106.67	93.62
Inventory Turnover	na	1.05	3.72	2.45	3.51
Days Payable Outstanding (DPO)	na	219.87	354.90	427.47	422.25
Leverage ratios					
Gearing ratio	66.04%	78.94%	65.91%	59.52%	75.42%
debt/equity ratio	3.32	6.26	3.30	2.48	5.77
long term debt / equity ratio	na	3.23	1.63	1.21	2.55
Interest coverage	na	na	-50.56%	-328.15%	-94.03%
Investor ratios					
Earnings per ordinary share (GBp)	na	-249	-165.9	-543	-290.6
Dividend cover	na	na	na	na	na
Price per earnings ratio	na	na	na	na	na
Dividend yield ratio	na	na	na	na	na

Table 2: Financial ratio values utilising figures from AML Annual Reports and (interim) results (2020,2021, 2022).
*2019 results are restated values recorded in the 2020 Annual report.

Profitability Ratios

Gross margin (%):

Gross margin has largely stabilized after the impact of covid. However, this return to 2019 levels should not be considered wholly positive as 2019 was a historically bad year. Looking into comprehensive income in greater detail we note a significant loss associated with remeasurement of defined benefit liability in 2020, with associated increase in taxation on items that will never be reclassified to income statement. Additional detail is provided in note 26 and 10 and provide the explanation that this related to the pension obligations of the group in association with changing industry standards.

Operating profit (%):

Throughout the review period operating profits have consistently been in the negative. Following identification of significant overheads in 2020, actions were taken to improve efficiency including the instigation of Project Horizon (as described above) resulting in a cost reduction. Low operating margin H1 and Q3 2022 results reflect higher depreciation and amortisation from investments into the DBX campaign. However, the impact of changing socioeconomic factors in late 2022 onwards have not yet been reflected in AMLs figures particularly the impact of inflation and the increase in energy prices which will have a disproportionately large impact on industries reliant on production.

Net profit (%):

Current figures for FY 2022 have been impacts by supply chain issues which will be discussed further under inventory turnover. It should be noted however that the results of 2022 are partial, anomalous, and likely resulting in a negative skew as results are intended to smooth in Q4 with efforts to improve inventory, stocks, and delivery at year end.

When AML net profit margins are compared to other automotive companies (Carlier, 2022) the scale of the financial issue becomes stark. However, whilst AML's net profit for 2020 (-17.28%) is disproportionately low, its closest luxury comparator, Tesla, is also in the negative and may therefore highlight this different respond of high margin retailers when compared to retailers with an intentionally higher turnover.

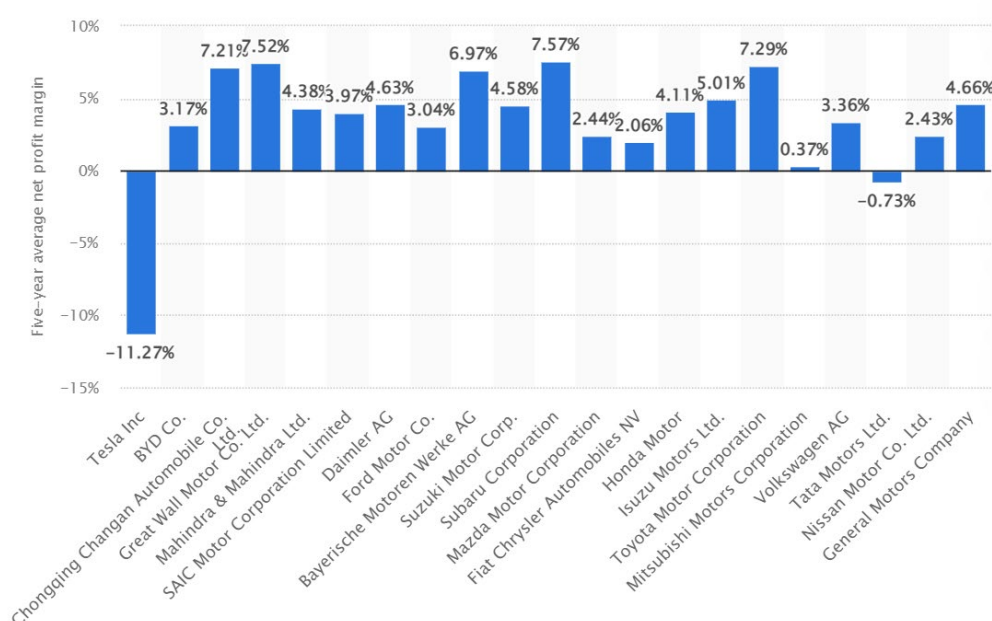


Figure 1 Net profit margin of major car companies June 2020 (Carlier, 2022)

Return on assets (%):

Whilst high Property, Plant and Equipment is an expectation for the automotive industry the value on intangible assets at AML is concerningly high. On further inspection a comparatively large proportion of this value equated to

- Goodwill – this category refers to Acquisitions and intangible assets representing long term investments which cannot be attributed to a single years balance sheet including assets like IP (intellectual property).
- Brand – values associated with brand are atypically high for AML associated with a clear push towards brand development in 2021 ahead of the DBX 7 product launch.

Return on Shareholder equity (%):

The H1 2022 results show an alarmingly low return on shareholder equity, exceeding the value of 2020. This anomalous result largely re-bounds in the Q3 results and tally's with anticipated poor results in Q1 associated with supply chain issues and amortisation.

Return on Capital Employed (ROCE):

The ROCE measures returns against the capital that was invested; it represents a widely used comparator and provides an estimation of how well a business is utilising its resources. A good long-term average ROCE would be over 10% and stable year on year, in contrast the ratios for AML average to ~-5% (excluding 2020 values). This suggests the investments into AML are not being utilised to a level that is required for long term success.

Liquidity Ratios

This category of ratios provides an insight into AMLs short-term capability to convert assets to cash, to cover obligations and liabilities. This also provides insight into credit worthiness and, if surplus, implications for investment opportunity.

Current Ratio:

Current ratio assesses the relationship between current assets and liabilities. A current ratio greater than 1 indicates assets exceed liabilities, with the reverse true for results less than 1.

As shown above, profitability was significantly impacted in 2020, however the current ratio is the higher than other years. This surprising result related to high cash and cash equivalents as well as lower than normal trade and other payables.

The only results which reflect a good ratio is Q3 2022 at 1.31. It is difficult to quantify why these values are so positive as a full breakdown of current assets and current liabilities were not available. However, from the information available, liabilities remain consistent with previous years and current assets are significantly higher (160% higher than 2021 and 250% higher than 2019). This increase in assets related to an almost double (compared to 2021) value for cash and cash equivalents.

Quick Ratio:

Also referred to as the acid test or liquid ratio this calculation assesses the relationship between cash equivalent current assets and current liabilities i.e inventory have been omitted as they are non -cash equivalent. As with the current ratio, the liquidity identified in 2020 is significantly higher than other years and the only year to surpass an adequate industry value for the quick ration (0.8).

The relative difference between the current ratio and the quick ratio has remained fairly consistent across the study period suggesting there has been relatively little impact as a result of de-stocking

initiatives in either base figures or financial ratios calculated. If this initiative had been prominent liquid ratio would ideally have reflected a comparatively greater increase reflecting reduction in stock.

Cash Ratio:

A cash ratio of between 0.5 and 1 is typically considered to be good. A cash ratio equal to or greater than 1 would suggest the companies cash and cash equivalents can cover all current liabilities. This is not the case for AML where cash ratios are typically below 0.5 with the exceptions of 2020 and Q3 2022 where cash and cash equivalent values were higher than expected due to implications of covid 19 in the former, and accelerated inventory decrease in Q3 2022 following issues in supply chain in the first half of that year. The table below (Dyson & Franklin, 2017) succinctly summaries how this changing inventory impacts the cash flow.

Liquid and cash ratios remain steady in relation to one another suggesting there have been no great shifts in cash liquidity despite efforts .

TABLE 7.1 The effect of working capital movements on cash flow

Item	Movement (closing less opening balance)	Effect on cash
Inventory	Increase	Down (more cash has been spent on inventory). Insert the movement in brackets
	Decrease	Up (less cash has been spent on inventory)
Trade receivable, other debtors and prepayments	Increase	Down (less cash has been received). Insert the movement in brackets
	Decrease	Up (more cash has been received)
Trade payables, other creditors and accruals (excluding taxation payable and dividends declared)	Increase	Up (less cash has been spent)
	Decrease	Down (more cash has been paid). Insert the movement in brackets

Figure 2 – The effect of working capital movements on cash flow (Dyson & Franklin, 2017 – p.165)

Free Cash Flow:

The Executive Chairman’s statement in the H1 2022 results outline a goal to become sustainability Free Cash Flow positive moving into 2024. From 2020 onwards Free Cash Flow (FCF) has replaced AML’s previous metrics, KPIs of Adjusted Diluted EPS and Adjusted Return on Invested Capital. This change to utilising FCF can have a positive effect on management and results in a greater understanding and visibility of cash flow at all levels throughout the business operations (Davies and Merin, 2014). At AML, FCF is also a key performance measure and related to bonus calculations.

Whilst there are a variety of calculations for FCF, AML’s definition is “operating cash flow less capital investment and net interest” (Annual Reports). However, definition of FCF can be impacted by the accounting system utilised and is typically more complex for non-US companies under IFRS accounting standards (IFRS.org) compared to US GAAP standards. Under IFRS lease depreciation needs to be deducted from the cash flow from operations (CFO) as it is not a true “non-cash expense” (Breaking into Wall street, 2022).

	Q3 2022	H1 2022	Dec 31 2021	Dec 31, 2020	Dec 31, 2019*
	£m	£m	£m	£m	£m
Net cash inflow/(outflow) from operating activities		-33.1	178.9	-198.6	19.4
Cash used in investing activities (excluding interest received)		-138.2	-185.2	-260.7	-310.2
Interest paid less interest received		-62.5	-116.9	-80	-47
Free cash flow		-233.8	-123.2	-539.3	-337.8

Free cash flow was improving in 2021 with positive cash inflow potentially relating to funding made available through Lawrence Stoll's consortium (£500 million) (BDO, 2021). However, recent 2022 results show significant negative values and leave little hope for the sustainable return to positive free cash flow.

Activity (Efficiency) Ratios

Days Sales Outstanding (DSO):

Aston Martin's DSO values are relatively high with payment of invoicing typically taking 90 to 100 days.

Inventory Turnover:

The inventory turnover for H1 2022 is significantly lower than other years, despite calculating for the reduced inventory average period. This likely reflects the supply chain issues which impacted both Q1 and H1 results driven by delays on the DBX line relating to working capital issues. This resulted in 350 units of the DBX 707 model awaiting parts at the end of June and the H1 financial period.

This low value for inventory turnover may also reflect the first notable effects of destocking associated with a move towards a demand and supply model more consistent with the ultra-luxury brand, evident in the reduction of stock by 1800 vehicles between 2021 and H1 2022.

This ratio, more so than the others, highlights the importance of context in making any assessments of financial health from ratios. For example, in contrast to an auto dealership, which may strive for an average inventory turnover of around 10 (Maverick, 2021), AML's values of 1, or even 2 and 3 as in other years, is a significant red flag. However, in the context of a changing demand and supply relationship this may not be as alarming as first imagined. This is supported by financial statements in 2021 indicating retail sales exceeded wholesales meaning supply was better aligned with customer demand (Annual Report 2021).

Days Payable Outstanding (DPO):

The most salient point to take away from AML's DPO values is that their payment of supplier invoices far exceeds those normally expected for any industry. Such extensive delays in invoice payments suggests resistance to pay suppliers due to cash flow issues and has implications for credit-worthiness and is likely reflected in the supply chain issues experienced in 2022.

Gearing Ratios

A greater understanding of assets in comparison to borrowing is provided by gearing ratios (aka leverage ratios) providing insight to whether AML has taken on excessive debt to sustain finance growth and therefore introduced significant financial risk.

Proceeding from new borrowing continue to rise at a pace greater than the repayment of existing borrowings. Resulting in a net increase in the financial expenses, only likely to worsen as higher debt interest payments and interest rates rise (Campbell, 2022). Financial expense values, particularly "Bank Loan, overdraft and secured notes" have climbed year on year through the reviewed timeframe. Initially £55.3m in 2019 (£83.9m Total Financial Expense) this figure has climbed to £151.3m in 2021

(£173.1m Total Financial Expense) reflecting a significant increase in interest on borrowings throughout the period.

Gearing (Leverage) Ratio:

A gearing ratio of 25% or less would reflect a good investment opportunity, moderate between 25-50% and a gearing ratio of above 50% would reflect a high risk investment (Boyte-White, 2021). AML's gearing ratio values are consistently more than 50% and therefore reflect greater financial risk particularly in association with low profitability and increasing interest rates meaning AML is more susceptible to defaulting on borrowing and bankruptcy. AML's high gearing ratios were concerningly high in 2019 with the increasing risk associated with Brexit (Neil 2019) and there has been no notable improvement in these trends since.

Debt/Equity Ratio and Long Term Debt/Equity Ratio:

The long term D/E takes anything interest bearing in Non-current liabilities, in this case "Borrowings" over Shareholder equity.

The state of AML's rating was knocked in 2019 following the significant increase in borrowings to finance the DBX SUV Launch. Not only was the value of borrowing large (\$250m), the terms of this borrowing 12%, raising to 15% in the second tranche raises concern over long term interest rates (Neil, 2019). The high interest rates here likely signal a company on the edge (Lombard, FT), as shown by concerning ratios relevant to creditworthiness this is translating to higher risk borrowing to sustain. S&P Global said back in 2019 "...we believe that AML has reached the ceiling in terms of the amount of term debt and cash interest burden that it can sustainably service." (Niel, 2019)

Interest Coverage:

The interest coverage ratio is defined by operating profit over interest charge. For this calculation the *Bank loans, overdrafts and secured notes* portion of the financial expenses has been utilised. As this information is not available in the partial year results for 2022 the ratio has not been calculated for these results.

Investment Ratio

The calculation of investment ratios is impacted by the lack of dividends paid though the duration of the review period. As a result, Dividend cover and Dividend yield ratio are incalculable.

Earnings per ordinary share (EPS):

This ratio calculates the earnings generated per share issues in the company. As evidence in the below chart the Aston Martin share price has not yielded strong trends since the float in 2018 and this is largely reflected in the EPS. If you had invested in Aston Martin in 2018 you would now be sitting on a 96% loss, and even investment in 2020 would mean a 79% loss in investment (Ted Wainman, 2023).

A strategic cooperation agreement signed in 2020 between Mercedes-Benz and Aston was developed to enhance the existing technological partnership, originally launched in 2013, between the two companies and de-risk further investment in research and development for Aston Martin. The terms of this arrangement focused on new share issue to Mercedes in several stages or tranches over the subsequent 3 years (Stuggart, 2020). As confirmed in the H1 2022 results the issuance of Tranche 2 has been pushed into 2024, without impacting the continued progress of the Mercedes technical transfer relationship and reducing the detrimental impact new share issuance would have on the share price.

There have been multiple phases of investment and equity raise through the review period most recently with the £653mil equity capital raised in mid-2022 from Saudi Arabia's public investment fund (PIF) along with a rights issue to other shareholders in September (Campbell, 2022).



Figure 3 – Aston Martin Share price GBP (London Stock exchange [24/01/23])

Dividend cover and Dividend yield ratio:

Dividend cover reflects company profits in relation to dividends and aims to answer the question of how easy it is for the company to continue paying the current Dividend. Dividend yield ratio is expressed as a percentage and reflects the proportion of the companies market price that is paid to shareholders as dividend.

As stated above AML have not released dividends for the duration of this review and therefore these ratios cannot be calculated.

Price per earning ratio:

Trailing P/E ratio is calculated using the market value on closing of the 31st December for each financial year. However this ratio cannot be utilised for AML as it is currently making a loss (Groves, 2022).

Conclusion and Recommendations

In summary AML's financial statements and ratios do not paint a positive picture. Despite a clear and well considered route forward to sustainable free cash flow positive values, through changing supply and demand in line with an ultra-luxury industry, adjusting pricing profiles and product mix, and efficiency savings in operational costs, there has been little convincing trend to positivity identified in the financial ratios.

Given poor financial figures in association with detrimental socioeconomic effects including cost of living and interest rate increase, alongside internal pressures to pay out shares (Tranche 2 – 2024), there is a real risk that AML is slowly crawling towards bankruptcy. This conclusion is only reinforced by poor activity ratios impacting perception of credit-worthiness, and affecting the potential for further borrowings and increasing the interest rates associated with those loans. Therefore, any investment in AML is not considered prudent at this time.

Appendixes

Financial Ratios - Calculations

Financial Ratio	Theory	Excel formula
Productivity Ratios		
Gross Margin %	$(\text{Gross Margin} \div \text{Revenue}) \times 100$	$(=\text{Gross Profit} / \text{Revenue})$
Operating Profit %	$(\text{Operating Profit} \div \text{Revenue}) \times 100$	$(=\text{Operating Profit} / \text{Revenue})$
Net Profit %	$(\text{Net Income} \div \text{Revenue}) \times 100$	$(=\text{Net Income} / \text{Revenue})$
Return on Assets	$(\text{Net Income} \div \text{Assets}) \times 100$	$(=\text{Net Income} / \text{Total Assets})$
Return on Equity	$(\text{Net Income} \div \text{Shareholder's Equity}) \times 100$	$(=\text{Net Income} / \text{Total Shareholder Equity})$
Return on Capital Employed (ROCE)	$(\text{Net Operating Profit} \div \text{Shareholder capital} + \text{reserves} + \text{Net-Current Liabilities}) \times 100$	$(=\text{Operating Profit} / (\text{Total Shareholder Equity} + \text{Total Current Liabilities}))$
Liquidity		
Current ratio:	$\text{Current Asset} \div \text{Current Liabilities}$	$(=\text{Total Current assets} / \text{Total Current Liabilities})$
Quick Ratio	$(\text{Current Assets} - \text{Stock}) \div \text{Current Liabilities}$	$(=(\text{Total Current Assets} - \text{Inventories}) / \text{Total Current Liabilities})$
Cash Ratio	$\text{Cash and Cash Equivalents} \div \text{Current Liabilities}$	$(=\text{Cash and Cash equivalents} / \text{Total Current Liabilities})$
Free Cash Flow	$\text{Operating cash flow} - (\text{Capital investment} + \text{net interest})$	$(=\text{Net Cash flow from operating activities} - ((\text{Cash used in investing activities} [\text{excluding interest received}] + \text{Interest paid less interest received}) \times -1))$
Activity		
Days Sales Outstanding (DSO)	$\text{Trade and other receivables (both current and non-current)} \div \text{Average Revenue per Day (revenue/day)}$	$(=\text{Current Trade and other receivables} + \text{Non-Current Trade and other receivables}) / (\text{Revenue} / 365)$
Inventory Turnover	$\text{Cost of goods sold} \div \text{Average Inventory / Stock (Opening inventory} + \text{closing inventory / period)}$	$(=\text{Cost of Sales} \times -1) / ((\text{Inventories (current FY)} + \text{Inventories (Previous FY)}) / 2)$
Days Payable Outstanding (DPO)	$\text{Trade and other payables (both current and non-current)} \div \text{Average cost of good per day (COGS/time)}$	$(=\text{Current Trade and other payables} + \text{Non-Current Trade and other payables}) / ((\text{Cost of Sales} \times -1) / 365)$
Gearing Ratio		
Gearing ratio	$\text{Non Current Liabilities} \div \text{equity plus non current liabilities}$	$=\text{Total Non-Current Liabilities} / (\text{Total Shareholders equity} + \text{Total Non current Liabilities})$
Debt/Equity ratio	$\text{Total Liabilities} \div \text{Stockholders equity}$	$=\text{Total Liabilities} / \text{Total Shareholder equity}$
Long term debt/equity ratio	$\text{long term debt} \div \text{stockholders equity}$	$=\text{Non-current borrowings} / \text{Total Shareholders Equity}$
Interest coverage	$\text{Operating profit} \div \text{Interest charge}$	$(=\text{Operating Profit} / \text{Banks loans, overdrafts and secured notes}) \times -1$
Investment ratio		

Earnings per ordinary share	Net income (profit after tax) ÷ no of shares	
Dividend cover	Net income (profit after tax) ÷ dividend proposed and paid	na
Price per earning ratio	Market value per share ÷ EPS	na
Dividend yield ratio	Dividend per share ÷ market value per share	na

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Income Statement and Balance Sheet

Income Statement

	Q3 2022	H1 2022	FY 2021	FY 2020	FY 2019*
	£m	£m	£m	£m	£m
Profit and Loss					
Revenue	315.5	541.7	1095.3	611.8	980.5
Cost of Sales	-217.4	-353.6	-751.6	-500.7	-642.7
Gross Profit	98.1	188.1	343.7	111.1	337.8
Gross Margin % (Calculated)	31.09%	34.72%	31.38%	18.16%	34.45%
Operating Expenses					
Selling and distribution expenses	-	-51.9	-84.8	-79.6	-95
Administrative and other operating expenses	-	-226.1	-335.4	-354.4	-275.8
Other expenses	-	-	-	-	-19
"Operating expenses" + "Adjusting operating items"	-156.6	-	-	-	-
Operating profit/loss	-58.5	-89.9	-76.5	-322.9	-52
Operating Profit Margin % (Calculated)	-18.54%	-16.60%	-6.98%	-52.78%	-5.30%
Finance income	-	25.6	36.4	40	16.3
Finance expense	-	-221.1	-173.7	-183.1	-83.9
Bank loans, overdrafts and secured notes	-	-	-151.3	-98.4	-55.3
"Net financing expense"	-167.4	-	-	-	-
Profit/Loss before tax	-225.9	-285.4	-213.8	-466	-119.6
Income tax credit/(charge)	-2.3	-4.4	24.5	55.5	2.0
Net income (Profit/Loss for the year)	-228.2	-289.8	-189.3	-410.5	-117.6
Net Profit (%) (calculated)	-72.33%	-53.50%	-17.28%	-67.10%	-11.99%

Balance Sheet

	Q3 2022 £m	H1 2022 £m	Dec 31 2021 £m	Dec 31, 2020 £m	Dec 31, 2019* £m
Non-current assets					
Intangible assets		1392.6	1384.1	1336.8	1183.6
Property, plant and equipment		352.6	355.5	389.6	350.5
Right-of-use lease assets		76.6	76	71.4	81.8
Trade and other receivables		2.3	2.1	0.9	1.8
Other financial assets		-	0.5	0.1	0.2
Deferred tax asset		157.3	156.4	106.5	45.7
Total Non-current assets	1978.2	1981.4	1974.6	1905.3	1663.6
Current assets					
Inventories		307.6	196.8	207.4	200.7
Trade and other receivables		288.1	243.4	177.9	249.7
Income tax receivable		1.2	1.5	0.2	0.3
Other financial assets		9.2	7.3	14.6	8.9
Cash and cash equivalents	771.8	156.2	418.9	489.4	107.9
Total Current assets	1416	762.3	867.9	889.5	567.5
Total assets	3394.2	2743.7	2842.5	2794.8	2231.1
Current liabilities					
Borrowings		62.3	114.3	113.5	114.8
Trade and other payables		842.8	721	578.9	734.1
Income tax payable		4	5.5	1.2	8.9
Other financial liabilities		15.4	34.8	83.3	6.3
Lease liabilities		7.4	9.7	9.3	14.1
Provisions		17.9	19.9	22.1	12
Total Current Liabilities	1082.8	949.8	905.2	808.3	890.2
Non-current liabilities					
Borrowings		1221.5	1074.9	971.3	839.1
Trade and other payables		9.2	9.8	7.5	9.4
Other financial liabilities		-	-	-	2.6
Lease liabilities		94.6	93.7	93.7	97.3
Provisions		20.6	19	16.8	16.2
Employee benefits		68.8	78.7	92.5	36.8
Deferred tax liabilities		1.4	0.8	0.6	9.9
Total Non-current Liabilities	1526.4	1416.1	1276.9	1182.4	1011.3
Total liabilities	2609.2	2365.9	2182.1	1990.7	1901.5
Net assets	785	377.8	660.4	804.1	329.6
Capital and reserves					
Share capital		11.6	11.6	11.5	2.1
Share premium		1123.4	1123.4	1108.2	352.3
Merger reserve		143.9	143.9	144	-
Capital redemption reserve		9.3	9.3	9.3	-
Capital reserve		6.6	6.6	6.6	6.6
Translation reserve		7	2.7	0.4	-0.4
Hedge reserves		3	6.7	10.9	-2.3
Retained earnings		-945.8	-662.4	-503.1	-42.8
Equity attributable to owners of the group		359	641.8	787.8	315.5
Non-controlling interests		18.8	18.6	16.3	14.1
Total shareholders' equity	785	377.8	660.4	804.1	329.6

	Q3 2022 £m	H1 2022 £m	Dec 31 2021 £m	Dec 31, 2020 £m	Dec 31, 2019* £m
Net cash inflow/(outflow) from operating activities		-33.1	178.9	-198.6	19.4
Cash used in investing activities (excluding interest received)		-138.2	-185.2	-260.7	-310.2
Interest paid less interest received		-62.5	-116.9	-80	-47
Free cash flow		-233.8	-123.2	-539.3	-337.8