



FINANCIAL RATIO ANALYSIS

Aston Martin Lagonda PLC



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Executive Summary

This business report outlines the findings of an in-depth financial analysis study completed into Aston Martin Lagonda (AML) PLC, in order to guide the group's Executive committee, around a potential £5M GBP joint venture opportunity. The data used to conduct this financial analysis has been extracted from AML annual reports over a five year period from 2018 to 2022 (Income Statement, Cash Flow Statement and Balance Sheet) and has been used to calculate a series of Financial Ratios (Profitability, Liquidity, Activity, Leverage and Investor Ratios).

Critical evaluation of the Financial Ratios calculated, highlight that Aston Martin Lagonda has encountered a prolonged period of difficulty, following on from the global Covid-19 pandemic. Despite making efforts to increase its revenue to being back in line with pre-covid levels, the company has continued to report a loss over the five year period from 2018 – 2022, with Negative Operating and Net Profit Margin ratios. The period of difficulty AML is encountering can further be reinforced through calculation and analysis of its Investor ratios, which are wholly unattractive. Throughout 2018 – 2022, the company has consistently posted a negative Earnings per Ordinary Share (EPS) value, with zero dividends paid over this period (0% Dividend Yield Ratios) – figures which are unattractive from a return on investment and earnings potential perspective.

Despite its recent poor performance in terms of its Profitability and Investor Ratios, it is evident to see that Aston Martin Lagonda has now turned a corner and is now passing through a transition period of financial stabilisation and recovery, following on from the covid-19 pandemic. This can be demonstrated through an improvement in its Liquidity, Activity and Leverage ratio values year on year from 2021, which have been realised under the leadership of Lawrence Stroll (Executive Chairman). With Lawrence at the helm, AML has increased its total assets, cash & cash equivalents and shareholder equity year on year, which has in turn improved its Liquidity (Current, Quick and Cash Ratios) and reduced its reliance on debt (Improved Gearing, Debt/Equity & Long Term Debt/Equity Ratios).

The critical analysis of the Financial Ratios completed in this study, coupled with comparison of AMLs financial performance against competitors in the luxury motorcar market (McLaren) and the wider automotive industry, have led to an overall recommendation of **“Not to Proceed”** being provided to the group's Executive committee. The risks currently associated with this joint venture project are deemed too significant for this £5M GBP opportunity to be pursued, at this point in time. It is however noted that AMLs financial performance is consistent and in some cases better, when compared to its competitors (McLaren Automotive), therefore a recommendation to complete further financial analysis into the performance of the company during the 2023 financial year is also provided, before a re-assessment of this £5M GBP joint venture opportunity is made.

Although this business report has predominantly focused on the financial implications associated with performing this joint venture project, it is worth noting that there are various other factors, aside from the field of finance that should also be considered in reaching a final decision. AMLs is an automotive powerhouse and its brand/image in the global market should be considered, alongside other topical areas such as its Corporate Social Responsibility (CSR) policies, and its Environmental policies.

Introduction

Aston Martin Lagonda (AML) PLC is a FTSE 250 British Manufacturer of ultra-luxury high performance super cars (**Aston Martin Lagonda, 2023**). Originally founded in 1913 in London, the company has developed into an iconic global brand, which proudly retails its products in markets across the world. AML is a market leader when it comes to high performance super cars, which can be demonstrated through its most recent sales figures, producing a total revenue of £1.4bn across the sale of 6,412 luxury cars (**Aston Martin Lagonda, 2023**).

Despite facing challenging times recently through the global Covid-19 pandemic, AML is now in a period of financial recovery. With Lawrence Stroll (Executive Chairman) at its helm, the company now shares a vision to become the world's most desirable ultra-luxury British brand (**Aston Martin Lagonda, 2023**). It has made recent strides, to make this vision a reality, most notably with the resurgence of the AML brand within in Formula One Motor Racing (**Aston Martin Lagonda, 2023**).

This business report outlines the findings of financial analysis completed into AML, over a five year period from 2018 – 2022. Through the use of AMLs Annual reports, a wide range of financial ratios have been calculated and critically evaluated. The evaluation of these ratios has allowed for a detailed understanding of AMLs financial position, in terms of both its year-on-year (YOY) performance and its performance against the wider market (McLaren). This report concludes with the provision of an overall recommendation around the potential to enter in a £5M GBP joint venture opportunity with AML.

Financial Statements

Financial Statements

A Financial Statement is a document or record, which is used to convey the business activities of a company and outline its financial performance, over a given period (**Davies, 2023a**). The data contained within a company's financial statement can be extremely powerful, when interpreted in the correct way, therefore it is no surprise that Financial Statements are audited by a series of government agencies and firms, to ensure accuracy and validity (**Murphy, 2020**).

Use of Financial Statements

Table 1 outlines key uses of financial statements.

Financial Statement Use	Description/Comments
Financial Performance	Financial statements are used to outline the financial health of an organisation, in an open and transparent manner, which is particularly important for potential investors/stakeholders considering investing within a business (Atrill, 2020).
Management of Finances	Businesses may use financial statements and reports to analyse their own financial performance, in order to identify ways in which they can improve (review of cash inflow/outflows) (Atrill, 2020).
Decision Making	Financial Statements can be used to support the decision making process of an organisation, in terms of identifying opportunities for future growth, and highlighting business threats (Atrill, 2020).
Legal Obligations	Financial Statements can also be used to fulfil legal obligations, such as supporting the process of paying taxes (Atrill, 2020).

Table 1 - Uses of Financial Statements

Types of Financial Statements

There are various types of Financial Statements/Reports. The four main types of Financial Statement are outlined in Table 2.

Type of Financial Statement/Report	Description
Balance Sheet	The Balance Sheet outlines the overall financial health of an organisation. The Balance Sheet provides an overview of a company's assets, liabilities and shareholders' equity/capital owned by the business, at a given point in time (Atrill and McLaney, 2018) .
Income Statement	The Income Statement provides information around the earnings of a company, over a given period and contains information around Revenue, Expenses, Net Income and Earnings Per Share. The Income Statement indicates whether a company has experienced a profit or loss over a certain period (Davies, 2023a) .
Cash Flow Statement	Cash Flow statements summarise the cash position of a company, in terms of cash inflows and cash outflows. The Cash Flow statement measures how well a company generates cash to pay its debtors and fund its operating expenses/investments (Davies, 2023a) .
Statement of Changes in Capital/Equity	The statement of changes in capital or equity is a form of financial report, which tracks the total equity within a business, over a given time period (Arnold, 2013)

Table 2 - Types of Financial Statements/Reports

Limitations of Financial Statements

Although financial statements contain highly useful information, they do have some limitations, as outlined in

Table 3 below:-

Financial Statement Limitation	Description/Comments
Past Performance Only	Financial Statements are historical documents, which contain information around the past performance of an organisation only. They do not look forward and therefore introduce risk when used by potential investors (Arnold, 2013)
Interpretation Variation	Financial Statements are open to interpretation by the user, which means financial analysts can often draw vastly different conclusions from them (Arnold, 2013)
Data Accuracy & Reliability	Financial statements are based on information provided by the company itself, which can sometimes impact the statements reliability or accuracy. Despite being audited by regulatory bodies, poor financial management, oversight or fraudulent activity may mislead users into drawing false conclusions (Atrill and McLaney, 2018) .

Table 3 - Financial Statement Limitations

Financial Ratios

Financial Ratios

Financial Ratio analysis allows for the quantitative evaluation of an organisations financial performance, over a given period. Although a wide range of Financial Ratios exists, each ratio in essence measures the relationship between two or more components of an organisations financial statement (**BDC, 2020**). Financial Ratios are most effective when compared over a period of time, as they provide a detailed insight into the operations of a company, thus determining its financial health and market position (**Bloomenthal, 2023**).

Types of Financial Ratios

Financial Ratios can be categorised into five key areas as outlined by Figure 1 and Table 4:-

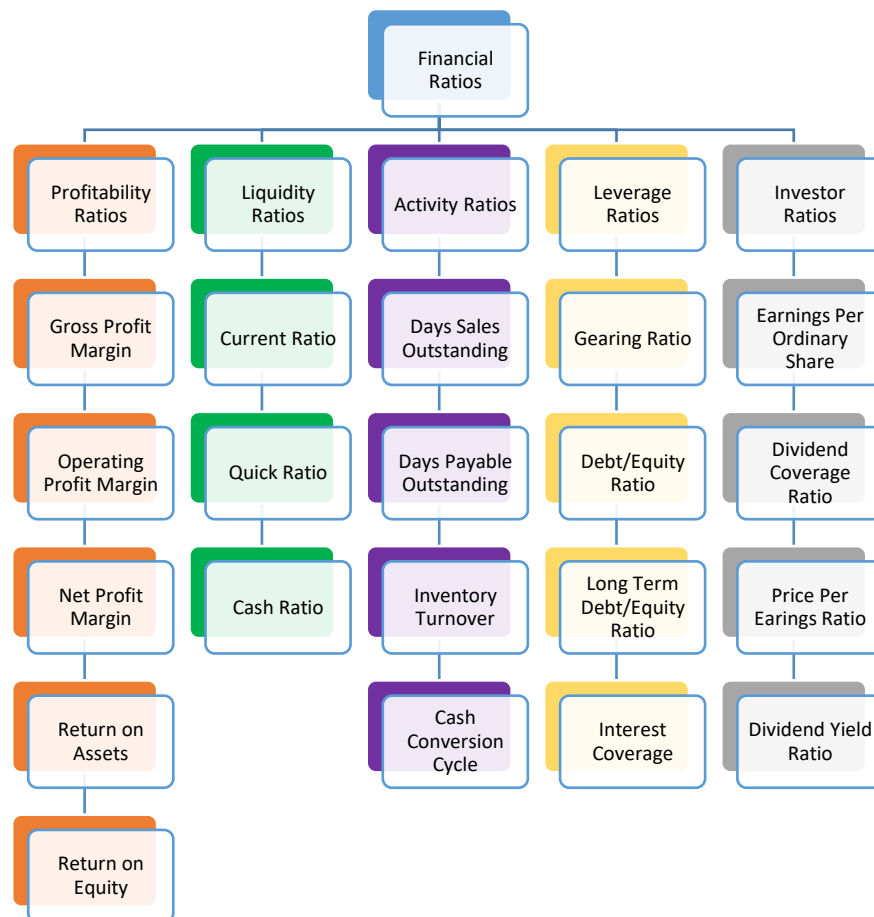


Figure 1 - Financial Ratios (Davies, 2023b)

Financial Ratio Type	Description
Profitability Ratios	Ratios, which measure the overall performance and effectiveness of a firm (i.e. its ability to generate income in terms of revenue, its operating costs, and assets) <i>(Hayes, 2021)</i> .
Liquidity Ratios	Ratios, which measure a firm's ability to pay its current obligations, both in the short and long term <i>(CFI Team, 2020)</i>
Activity or Efficiency Ratios	Ratios that indicate how effective and efficient a firm is at using its resources and assets <i>(Kenton, 2020)</i>
Leverage Ratios	Ratios, which outline the relationship between debt and equity in an organisation, in terms of financing its assets and its ability to pay its short-term obligations <i>(CFI Team, 2023)</i>
Investor Ratios	Ratios used to assess the earnings potential of a firm and predict its future performance <i>(Davies, 2023b)</i>

Table 4 - Types of Financial Ratios

Uses of Financial Ratios

Key uses of Financial Ratios are outlined in Table 5:-

Financial Ratio Use	Description
Investment	Investors may make use of financial ratios, particularly Investor ratios, to make an assessment of the earnings potential of a firm and predict its future growth, before proceeding with an investment <i>(Jaiswal, 2022)</i> .
Strategic Planning	A company may perform financial ratio analysis into its own organisation, to support strategic future planning to aid growth. Ratio analysis may be used to identify consumer patterns/behaviours, identify signs of trouble or highlight future risks/issues <i>(Jaiswal, 2022)</i> .
Market Analysis	A company may make use of financial ratio analysis to understand its position within the global market and ensure it is performing in line with its competitors <i>(Jaiswal, 2022)</i> .
Benchmarking	Firms may make use of financial ratio analysis across their industry/market, to support the setting of internal targets/goals. This often involves performing financial ratio analysis of competitor firms <i>(Jaiswal, 2022)</i> .

Table 5 - Uses of Financial Ratios

Limitations of Financial Ratios

Financial ratios solely focus on quantitative factors, therefore have several limitations, as outline in Table 6:-

Financial Ratio Limitation	Description/Comments
Historical Information	Financial ratio analysis makes use of financial statements, which contain historical data. This introduces a level of risk into the financial analysis completed, as it does not provide a look forward (<i>Vaidya, 2019</i>).
Size of Business	Financial Ratios do not consider the size of a business, which can make direct comparisons between businesses difficult. Larger businesses generally have more bargaining power in the market place and therefore have more potential of utilizing economies of scale – this is not highlighted in ratio analysis (<i>Vaidya, 2019</i>).
Inflation Effects	Ratio analysis does not account for the impact of inflation in its calculations, which can often provide misleading results. E.g. A firms increase in revenue YOY may purely be linked to rising inflation, as opposed to increased revenue through additional sales (<i>Davies, 2023d</i>).
Accounting Policy Changes	Financial Ratio analysis does not account for the impact of accounting policy changes between firms (E.g. One company may report depreciation based on the straight light method, where as another may make use of the declining balance method) (<i>Davies, 2023d</i>).
Operational Changes	Ratio analysis does not account for operational changes within an organisation. Historical data used to calculate ratios for a company may be irrelevant for a firm who has recently changed its business strategy or model (<i>Davies, 2023d</i>).
Seasonal Changes	Financial ratio analysis does not account for seasonality changes, which may impact a business. E.g. A firm stockpiling inventory during busier periods of the year (e.g. summer or winter) (<i>Davies, 2023d</i>).
Manipulation/Creative Accounting	Financial statements can be subject to poor financial management, oversight; creative accounting or fraudulent activity may mislead users into drawing false conclusions – e.g. a firm may deliberately withhold paying its suppliers until the start of a new year, to maximise its cash & cash equivalent levels (<i>Davies, 2023d</i>).
Market Conditions	Ratio analysis does not account for changing market conditions on business performance. E.g. significant losses in revenue due to a global pandemic (<i>Vaidya, 2019</i>).
Comparison of Different Industries	Financial ratios should not be used to directly compare businesses across different industries, as they do not take into account the dynamics of a company, or the industry it operates in (<i>Vaidya, 2019</i>).

Table 6 - Financial Ratio Limitations

Financial Statements and Ratios Summary

Financial Statements and Ratios are highly valuable items in terms of financial analysis, but should not be considered as the sole source of information, when assessing the financial health and performance of an organisation (*Murphy, 2020*).

Aston Martin Lagonda Ratio Analysis & Critical Evaluation

A critical analysis of AML's financial ratios between 2018 – 2022 has been conducted, to assess this feasibility of this joint venture opportunity. Key findings derived from the analysis completed are presented within this section of the Business Report, whilst details around financial ratio definitions and calculations performed are outlined within the **Appendices** of this report.

Profitability Ratios

Table 7 and Figure 2 - Figure 3 outline the profitability ratios calculated for AML during 2018 – 2022. Ratio definitions and formulae/raw data used to calculate the profitability ratios are captured in Appendix A.

	2018	2019	2020	2021	2022
Gross Profit Margin %	39.74	35.56	18.16	31.38	32.62
Operating Profit Margin %	6.64	-3.68	-52.78	-6.98	-10.26
Net Profit Margin %	-5.21	-10.47	-67.10	-17.28	-38.20
Return on Assets %	-2.77	-4.68	-14.69	-6.66	-17.00
Return on Equity	-12.71	-29.09	-51.05	-28.66	-68.31

Table 7 - Aston Martin Lagonda - Profitability Ratios

Gross Profit Margin (%)

The Gross Profit Margin (GPM) for AML has dropped from a period high of 39.74% in 2018, to a period low of 18.16% in 2020, before recovering to a healthy 32.62% in 2022. The significant reduction in GPM during 2018 – 2020 can be explained by a sudden reduction in sales revenue, due to covid-19.

The increase in GPM during 2020 – 2022, can be explained through a significant increase in AML revenue, which more than doubled from £611.8M GBP to £1381.6M GBP. This coincides with the appointment of Lawrence Stroll as Executive Chairman of AML, the return of AML into Formula One Racing and the introduction of new products such as the V12 Vantage (**Aston Martin Lagonda, 2023**). Through the operational changes instilled under Stroll's leadership and the resurgence of the Aston Martin brand in Formula 1, AML has now shown recovery from the challenges of the pandemic, with its 2022 Gross Profit Margin value of 32.62%, being very close to that of 2018s (pre-covid levels). Further recovery may have been possible for AML, however recovery may have been stifled with parts of the world facing a cost of living crisis, caused by the high levels of inflation, low wage growth and the Russian Invasion of Ukraine (**Aston Martin Lagonda, 2023**).

Operating Profit Margin & Net Profit Margin

Both the Operating Profit Margin (OPM) and Net Profit Margin (NPM) of AML, follow a similar trend over the period 2018 – 2022, as outlined in Figure 2. Both OPM and NPM fall from a period high in 2018 (OPM 6.64% & NPM -5.21%), to a period low in 2020 (OPM -52.78% & NPM -67.10%), before significantly increasing in 2021.

From the OPM and NPM ratios calculated (negative values), it is clear to see that AML has encountered continued Operating Profit Losses during 2019 – 2022 and continued Net Profit Losses during 2018 – 2022. As was the case with GPM, the large Operating and Net Profit Losses experienced by Aston Martin Lagonda in 2020 (OPM -52.78% & NPM -67.10%), can be explained by the downturn in revenue arising from the Covid-19 pandemic.

Despite significantly increasing its revenue and GPM during 2021 – 2022, AML has experienced a YOY increase in Operating Profit Loss and Net Profit Loss over this time period.

The increase in Operating Profit Loss during 2021 – 2022 can be explained through significant increases in the firms ***Distribution expenses*** and ***Administrative and other Operating expenses***, caused by an increased investment in brand and product launches to support new products, higher costs linked to inflationary pressure and a £96M increase in depreciation and amortisation charges (***Aston Martin Lagonda, 2023***).

The increase in Net Profit Loss between 2021 – 2022 can be explained through a significant increase in ***Finance expenses*** for 2022 (more than doubling from £173.3M GBP in 2021 to £368.7M GBP in 2022) (***Aston Martin Lagonda, 2023***).

Return on Assets & Return on Equity

The Return on Assets (ROA) and Return on Equity (ROE) ratios for AML between 2018-2023 (Figure 3) follow a similar trend to the OPM and NPM, however it is worth noting that all values during this period are negative values. This further reinforces the loss making position of AML and illustrates poor utilisation of its assets to generate profits and returns for investors. Despite increasing, it's assets YOY to £3104.3M GBP in 2022 and increasing shareholder equity between 2021 and 2022 to £772.5M GBP, the firm has recently posted somewhat poor ROA and ROE figures (-17.00% & -68.31% respectively), as a direct result of its significant Net Profit Loss during 2022.

The magnitude of ROE ratios calculated for AML, signify that there are problems within the organisation in terms of its ability to provide returns on equity, which is concerning for this joint venture opportunity (***Fernando, 2022***).

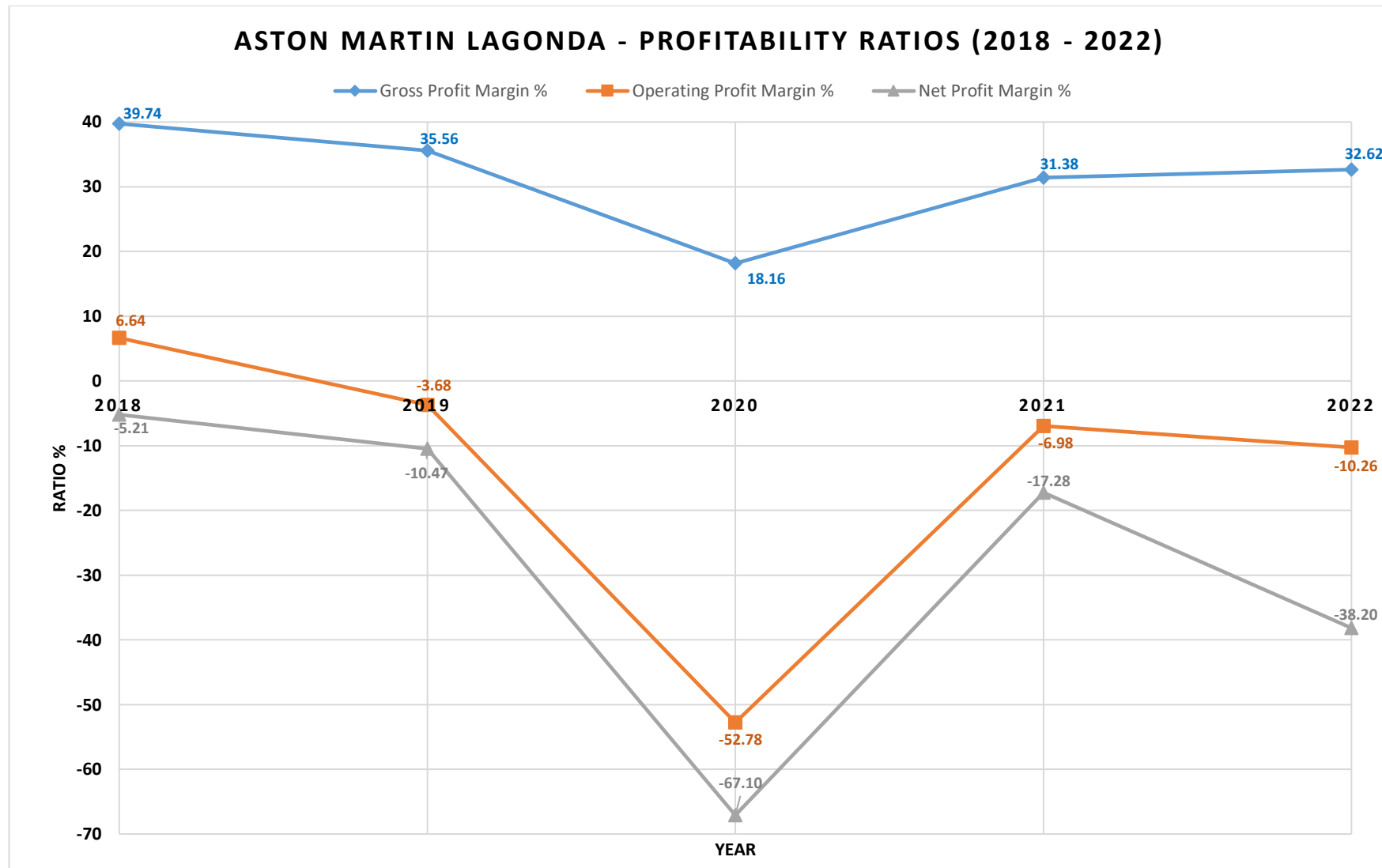


Figure 2 - Aston Martin Lagonda - Profitability Ratios 1

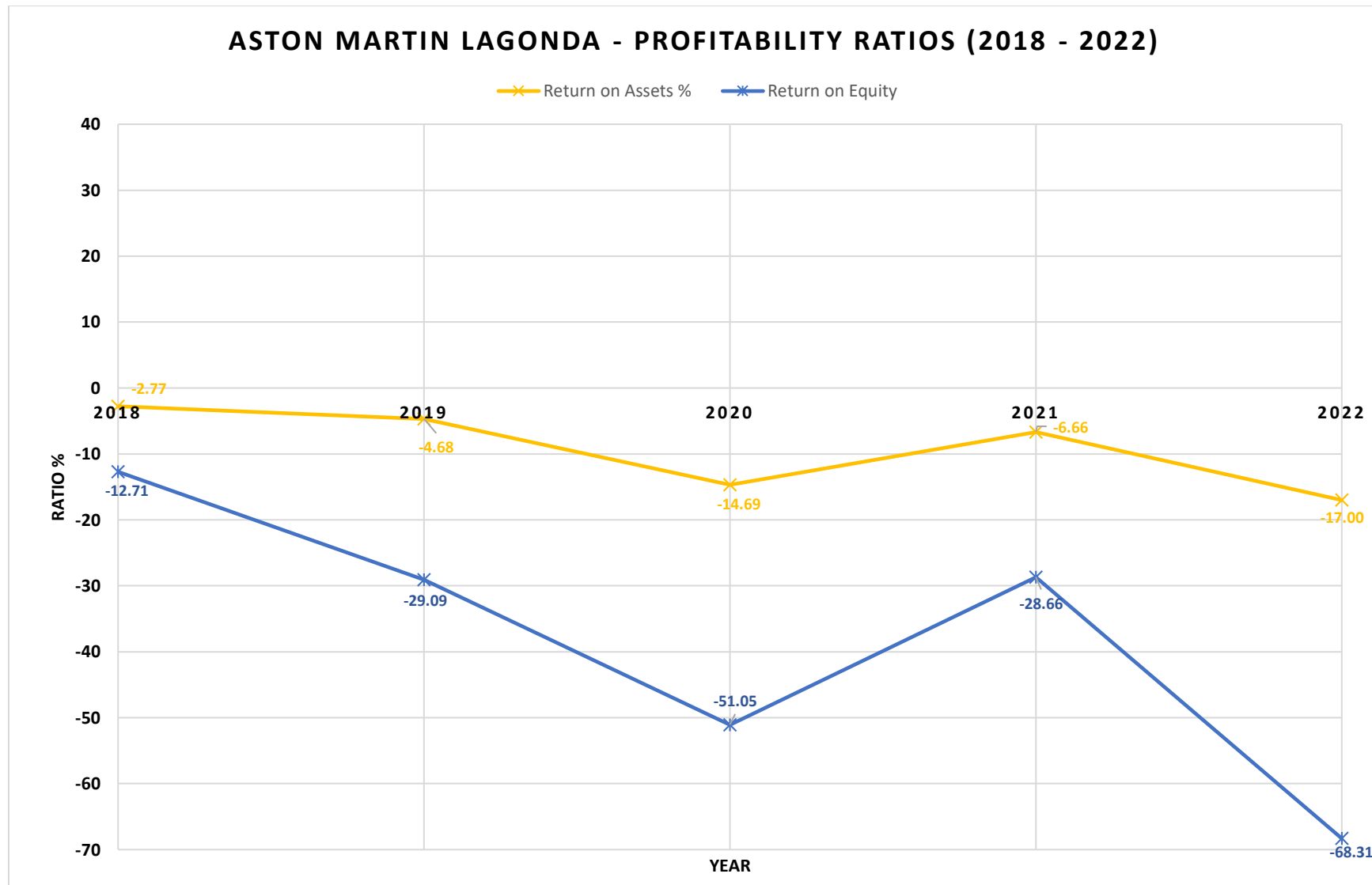


Figure 3 - Aston Martin Lagonda - Profitability Ratios 2

Liquidity Ratios

Table 8 and Figure 4 outlines the Liquidity ratios calculated for AML during 2018 – 2022. Ratio definitions and formulae used to calculate the ratios outlined in Table 8 are captured in Appendix B.

	2018	2019	2020	2021	2022
Current Ratio	0.68	0.66	1.10	0.96	1.08
Quick Ratio (Acid Test Ratio)	0.47	0.43	0.84	0.74	0.81
Cash Ratio	0.18	0.13	0.61	0.46	0.56

Table 8 - Aston Martin Lagonda - Liquidity Ratios

Current Ratio, Quick Ratio & Cash Ratio

The AML Current, Quick and Cash Ratios all follow a similar trend, increasing to a period high in 2020, before falling slightly in 2021 and then increasing again in 2022 (Figure 4). The significant increase in AML liquidity ratios to their peak value in 2020 (Current Ratio 1.10, Quick Ratio 0.84 and Cash Ratio of 0.61) can be illustrated through a large increase in the firms Current Assets between 2019, from £567.5M GBP to £889.5M GBP. This was largely down to the a shift in Operating strategy within AML during 2020, through the launch of “Project Horizon” – a company wide transformation programme, covering all areas of the business (**Aston Martin Lagonda, 2021**). Project Horizon involved “aggressive destocking of the Aston Martin dealership network” and through this activity, AML saw a significant increase in its Cash and Cash equivalents, up from £107.9M GBP in 2019, to £489.4M GBP in 2020 (**Aston Martin Lagonda, 2022**).

Although its Liquidity ratios slightly decreased between 2020 and 2021 (due to costs of implementing Project Horizon), AML did realise a 20% reduction in manufacturing costs per unit through Project Horizon, which can be reflected in the positive shift in its 2022 Liquidity Ratios (Current Ratio 1.08, Quick Ratio 0.81 and Cash Ratio of 0.56) (**Aston Martin Lagonda, 2022**). Efficiency work completed through Project Horizon and coupled with the implementation of its new product ranges has to date, increased revenues, increased gross margin and improved free cash flow. AML is heading in the right direction in terms of Liquidity and is on track to achieve its goal of becoming free cash flow positive in 2024 (**Aston Martin Lagonda, 2023**).

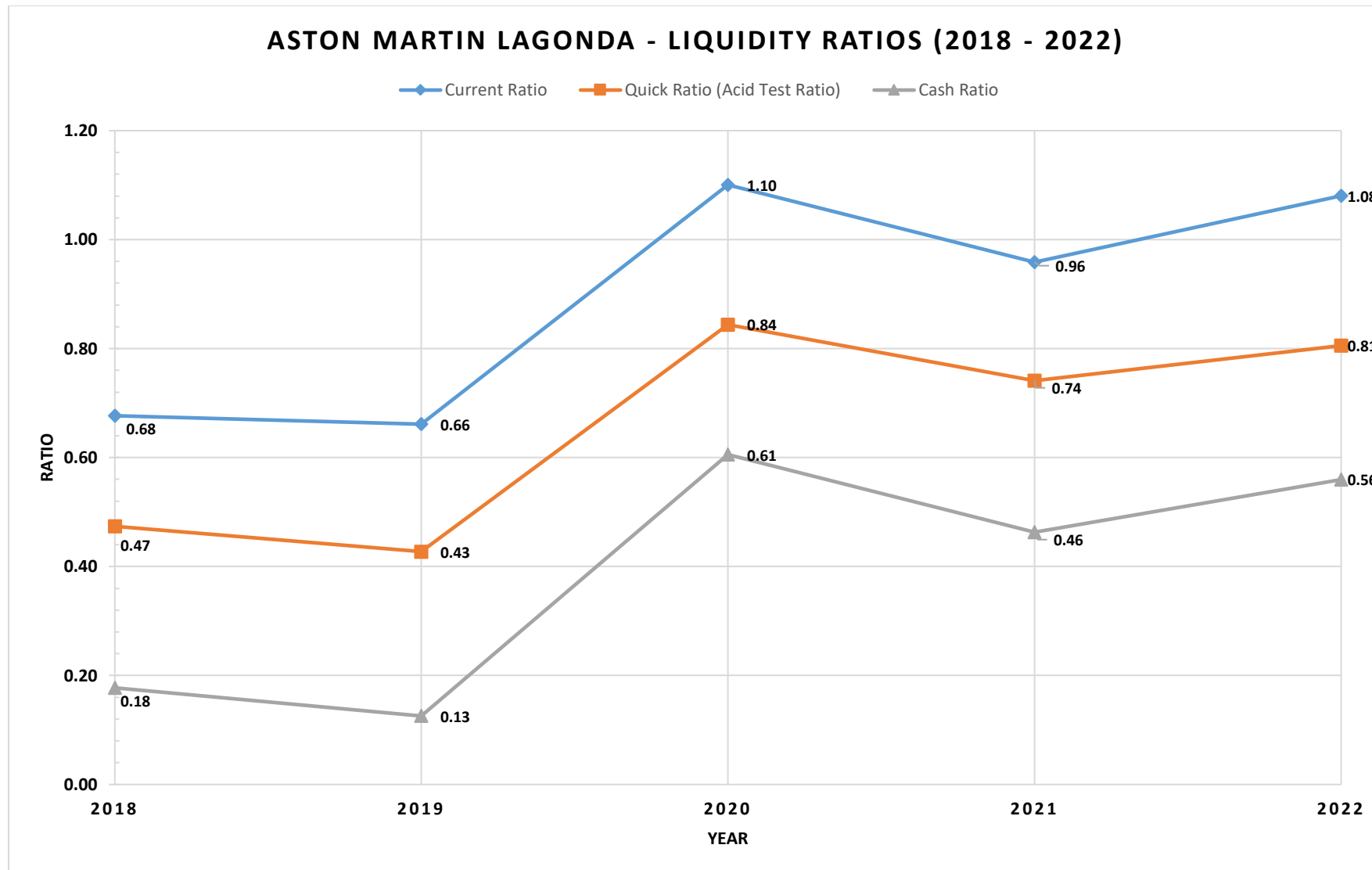


Figure 4 - Aston Martin Lagonda - Liquidity Ratios

Activity Ratios

Table 9 outlines the Activity Ratios calculated for AML during 2018 – 2022. Ratio definitions and formulae used to calculate the Activity ratios outlined in Table 9, are documented within Appendix C.

	2018	2019	2020	2021	2022
Days Sales Outstanding (DSO) - Days	81.02	92.05	106.67	81.81	66.58
Inventory Turnover (Stock Turns per year)	4.00	3.51	2.45	3.72	3.85
Days Payable Outstanding (DPO) - Days	391.30	404.07	427.47	354.90	347.20
Days Inventory Outstanding (DIO) - Days	91.32	103.93	148.75	98.15	94.70
Cash Conversion Cycle (CCC) - Days	-218.95	-208.10	-172.05	-174.94	-185.92

Table 9 - Aston Martin Lagonda - Activity Ratios

Days Sales Outstanding (DSO)

Aston Martins DSO ratios between 2018 – 2022 further illustrates the firm is heading in the right direction from a financial standpoint, with its DSO falling from a high 106.67 days in 2020, to a period low of 66.58 days in 2022. Over this period the firm has almost reduced its DSO by half, which indicates AML is now receiving payments for its goods and services, considerably quicker. Although AML's DSO Ratio of 66.58 Days in 2022, is somewhat higher than the automotive industry-benchmarking figure of 45 days (*Kenton, 2017*), the positive YOY trend of a decreasing DSO ratio, reinforces good process under Stroll's leadership. AML is now promptly receiving payments from its customers, which reduces a level of risk within its cash flow and allows the firm to use these funds more efficiently, in order to generate new business.

Inventory Turnover

AML's Inventory Turnover ratios falls from a period high of 4.00 stock turns per year in 2018 to a period low of 2.45 in 2020 before increasing again through to 3.85 in 2022. The firm's low inventory turnover ratio of 2.45 in 2020 can be attributed to a downturn in sales during the Covid-19 pandemic, where the firm's inventory was moving slowly (i.e. tied up capital) (*Hayes, 2023c*).

AML has made good progress during 2020 – 2022 in terms of boosting its Inventory Turnover ratio. More stock turns are beneficial in enabling valuable capital to be released and reduce the risks associated with stock obsolescence. AML's Inventory Turnover ratio of 3.85 days in 2022, is now close to pre-covid levels (4.00 in 2018) and can be attributed a shift in the firm's operating strategy, to:-

- Destock its dealership network (*Aston Martin Lagonda, 2021*).
- Introduce routine monitoring of dealer stock level (*Aston Martin Lagonda, 2021*).
- Shift to a build to order strategy (*Aston Martin Lagonda, 2023*).

Days Payable Outstanding (DPO)

Aston Martins DPO is somewhat high during 2018 – 2022. The DPO increases from 391.30 days in 2018, to a period high of 427.47 days in 2020, before falling to a period low of 347.20 days in 2022. A higher DPO is desirable for AML, as it means the company can take longer to pay its obligations, meaning it can retain funds for longer and thus increasing working capital and free cash flow. This is

desirable, as it enables the firm to use these retained funds to explore new opportunities, to maximise their benefits.

Although the AML DPO has decreased to its lowest value of 347.20 days in 2022, the figure does seem relatively high which may not be solely good news. AML is a larger firm, which means it will have greater negotiation powder in terms of its payments, however the high DPO may also signify a cash shortfall within the company and an inability to pay its creditors right away (**Borkar, 2019**). Similarly, AMLs high DPO may signify that the firm is not taking advantage of early payment discounts/credits, which may be on offer from its suppliers.

Cash Conversion Cycle

The Cash Conversion Cycle (CCC) outlined in Figure 5 is a financial ratio and theory that outlines the time taken by a firm (in days), to covert its investment in raw materials and other resources, into cash flow from sales of inventory (**Hayes, 2015**). The CCC helps to evaluate the efficiency of a company's operations and management. AMLs DSO and DPO ratios can be used in accordance with Days Inventory Outstanding (DIO) ratio, to calculate its CCC for the 2018 – 2022 period.



Figure 5 - Cash Conversion Cycle

AML has a negative CCC ratio throughout 2018 – 2022. Its CCC peaked in 2018 at (-218.95 days), before reducing to -185.92 days in 2022, in line with its reducing DPO ratio. This negative CCC ratios exhibited by Aston Martin indicate the firm is in a desirable position, with inventory being sold by the firm, in advance of paying for it. In simple terms, this indicates that AMLs vendors are financing its business operations, which means the firm will have a greater liquidity in terms of its working capital (**Hayes, 2015**).

Leverage Ratios

Table 10 outlines the Leverage ratios calculated for AML during 2018 – 2022. Ratio definitions and formulae used to calculate the Leverage ratios outlined in Table 10 are captured in Appendix D

	2018	2019	2020	2021	2022
Gearing Ratio %	63.93	73.86	59.52	65.91	62.54
Debt/Equity Ratio %	358.66	521.65	247.57	330.42	301.85
Long Term Debt/Equity Ratio %	177.21	282.53	147.05	193.35	166.98
Interest Coverage %	87.39	-47.48	-307.23	-47.43	-78.82

Table 10 - Aston Martin Lagonda - Leverage Ratios

Gearing Ratio

AML gearing ratios between 2018 – 2022 have fluctuated from a high of 73.86% in 2019 to a low of 59.52% in 2020, with a five-year average-gearing ratio of 65.15%. Data outlined in Table 10, demonstrates that Aston Martin's is a highly geared business, with all of its gearing ratios, exceeding the 25-50% optimum gearing ratio range expected from a well-established organisation. Although AMLs gearing ratios have shown signs of decreasing between 2021 – 2022, it is clear to see that there is a high level of financial risk associated with AML, as its gearing ratios indicate the firm has been using more debt, than equity, to fund its operations

Debt/Equity Ratio & Long Term Debt/Equity Ratio

The Debt/Equity ratios and Long Term Debt/Equity ratios for AML during 2018 – 2022, follow a similar trend, increasing to their peak in 2019 (Debt/Equity Ratio – 521.65% & Long Term Debt/Equity Ratio – 282.53%), before falling considerably to a period low in 2020 (Debt/Equity Ratio – 247.57% & Long Term Debt/Equity Ratio – 147.05%). This change in ratio signifies that the AML business is working hard to reduce its reliance on debt, both in the long and short terms, which is desirable from an investment perspective. This has been realised through AMLs Project Horizon scheme, which has allowed the company to raise its equity through destocking of its dealer networks, forming a long-term strategic partnership with Mercedes-Benz and other bond refinancing (**Aston Martin Lagonda, 2021**).

Despite the good work completed in terms of raising equity in 2020, AMLs Debt/Equity Ratio and Long Term Debt/Equity ratios are still considered high, with 2022 values of 301.85% and 166.98% respectively. In simple terms, these ratios indicate that AMLs current debt in 2022 is just over three times greater than its equity, whereas its long-term debt is over 1.5 times its equity. The magnitude of these ratios show that there is still a high level of financial risk associated with AML. The firm is still heavily reliant on debt and therefore has a higher probability of loan default/bankruptcy. This is not attractive from a joint venture project perspective.

Although AMLs debt/equity ratios are high, it is worth noting that the firm is a large global brand, with well-established roots and products. This coupled with its high DPO ratios (Table 9), outline that the organisations high reliance on debt/gearing may be irrelevant in this case. The firm may simply be using debt to fund organisation growth, which will bring future benefit (**Boyle, 2022**).

Interest Coverage

AMLs Interest Coverage ratios during 2018 – 2022 are very concerning, with all values falling below 100%. The Low Interest coverage ratios calculated indicate that AML is currently spending parts of its cash reserves to meet its interest obligations, as its profits alone are not sufficient to do this - highly undesirable position. This approach means there is a greater chance the company will not be able to service its debt in the near future, unless it borrows more funds (takes on additional debt), which may put the firm at further risk of bankruptcy (**Maverick, 2021**).

AMLs Interest Coverage Ratio is negative between the 2019 – 2022 period, which can be explained by the Operating Losses made by the firm during this period (Table 7). Peaking at -307.23% in 2020, the Interest Coverage Ratio of AML has recovered slightly to -78.82%, in 2022, however this figure is still a long way off the minimum acceptable Interest Coverage Ratio of 2 or 200%, for a large firm with consistent revenues (**Maverick, 2021**). From an investment perspective AMLs poor Interest Coverage Ratios are worrying, as there is a high level of risk surrounding the firms ability to service its debt and receive future credit from its lenders to support growth.

Further analysis will need to be completed into the nature of Aston Martin's debt and interest obligations. If the firm's borrowings are based on variable interest rates, then there is great risk that the current economic climate may add further pressure onto the firm's finances, with interest rates soaring within the UK (**Maverick, 2021**).

Investor Ratios

Table 11 and Figure 7 outline the Investor ratios calculated for AML during 2018 – 2022. Ratio definitions and formulae used to calculate the Investor ratios outlined in Table 11, are captured in Appendix E of this report.

	2018	2019	2020	2021	2022
Earnings Per Ordinary Share (p)	-31.02	-49.65	-543.13	-165.89	-124.46
Dividend Cover %	0.00	0.00	0.00	0.00	0.00
Price Per Earnings Ratio	-253.23	-67.22	-3.70	-8.16	-1.24
Dividend Yield Ratio %	0.00	0.00	0.00	0.00	0.00

Table 11 - Aston Martin Lagonda - Investor Ratios

Earnings per Ordinary Share (EPS)

AMLs EPS ratios are negative during the 2018 – 2022, which is expected due to the Net Loss posted by the firm through this period. The firms EPS follows a similar trend to its NPM, falling to period low of -543.13p in 2020, before recovering slightly to -124.46p in 2022. Despite making significant losses in 2022 (Net Loss of -£527.7M GBP & NPM of -38.20%), the recovery in EPS ratio during this year can be explained through an increase in the number of AML shares to 424.7 Million. This increase can be attributed to capital raising completed by AML, through a four for one rights issues scheme completed in September 2022, alongside the placing of new ordinary shares to the Saudi Arabia Public Investment Fund (PIF) in return for £78M GBP of investment (**Mathews, 2022**).

Although AMLs EPS ratios are not desirable from a financial perspective, the fact that the firm has recently managed to seek significant investment from one of the world's largest sovereign investment funds is positive. This financial backing shows the true value of the AML brand and highlights the potential for long-term benefits/significant returns on equity. This can be reflected through Figure 6, which provides an overview of the AML share price, between 2020 – 2022 (**Lansdown, 2023**). Although Figure 6 indicates a fall in the AML share price from 2020 onwards (partly due to poor financial performance and share dilution), it is clear to see that AMLs share price is starting to recover.

ASTON MARTIN LAGONDA (AML) ORDINARY 10P



Figure 6 - Aston Martin Lagonda - Share Price (2020 - 2023) - (Lansdown, 2023)

Dividend Coverage Ratio

AML has not paid any dividends to its shareholders during 2018 – 2022, meaning we are unable to calculate its dividend coverage ratios for analysis. Despite this, the formula used to calculate Dividend Coverage is outlined in Appendix E.

The fact that AML has not paid dividends to its shareholders over this period is alarming and unattractive from an investment perspective. Zero Dividend Coverage further reinforces that AML is still passing through a period of financial difficulty following on from the covid-19 pandemic, which is echoed through its poor profitability ratios. Despite this AML's Chief Financial Officer (CFO) has assured stockholders that the company is on track to be free cash positive by 2024, where it will provide its first dividends, in recent times (**Fernando, 2021**).

The fact that AML has not paid dividends for a prolonged period of time, highlights a level of financial risk in the company, as it may lead to the potential sale of shares by its investors. This is a major factor of consideration for the joint venture opportunity, as there may be a knock on effect of share sale onto AMLs stock price.

Price per Earnings (P/E) Ratio

AMLs P/E ratio for the period between 2018 – 2022 is negative throughout (Figure 7), based on its negative EPS for the same period. The AML P/E ratio has shown YOY improvements through 2018 – 2022, increasing from a peak of -253.23 in 2018 to -1.24 in 2022. The shift in P/E ratio for AML from 2018 – 2022 implies its stock was previously over valued in 2018, with investors expecting high future growth which was ultimately not realised (**Girardin, 2022**). AMLs stocks value is now more representative of the company's performance, as illustrated by the P/E ratio of -1.24 in 2022. Further work is required by AML in the coming years to make both its EPS and P/E ratios, positive values.

Dividend Yield Ratio

As previously outlined, AML has not paid dividends to its shareholders during 2018 – 2022, meaning it has a dividend yield ratio of zero through this period. Despite this, the formula used to calculate Dividend Yield ratio is outlined in Appendix E. AMLs 0% Dividend Yield ratio throughout the period from 2018 – 2022, is unattractive from an investment perspective and indicates there is a high level of risk with this joint venture project. Zero dividend yields over a prolonged period may force investors and shareholders to lose patience with the firm and move their funds elsewhere (**Davies, 2023d**).

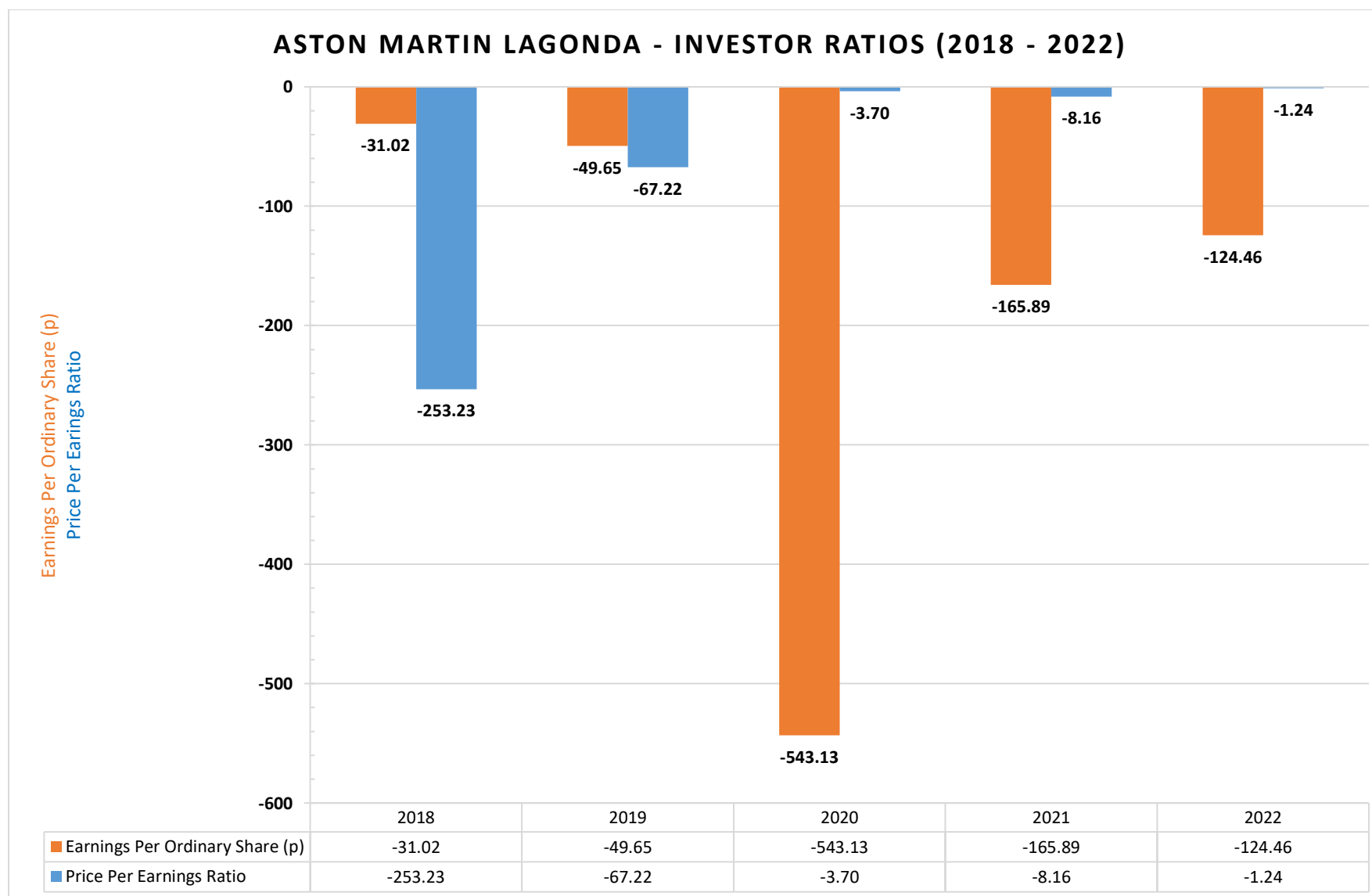


Figure 7 - Aston Martin Lagonda - Investor Ratios

Ratio Analysis - Summary of Findings

To further the critical analysis completed into the financial performance of AML, a direct comparison has been completed against one of its key competitors, McLaren Automotive. Detailed calculation of Financial Ratios for McLaren Automotive are outlined in Appendix G of this report.

Profitability Ratio Summary

Profitability Ratio analysis into AML illustrates that the firm has faced a challenging few years, where it has been operating at a loss. Attributed largely to a downturn in revenue as a result of covid-19, the firm has made significant losses YOY, in terms of its Gross, Operating and Net Profit margins. Although signs of recovery are now present under the leadership of Lawrence Stroll, it is evident to see that the firm is still under utilising its assets and equity with negative ROA and ROE ratios.

Although AMLs profitability ratios indicate the firm has faced a prolonged period of financial difficulty, comparison against McLaren Automotive' Profitability Ratio's for the same period (Table 12), demonstrates the following:-

- AMLs poor financial performance in terms of profitability over the past five years has been wholly consistent with the wider luxury automotive market. Both AML and McLaren have posted a Net loss through this period as outlined in Figure 10, indicating that that the Covid-19 pandemic has had a significant impact on the automotive sector, as a whole.
- AML looks to be outperforming the market and it's competitors, in terms of recovery post the pandemic, as demonstrated by it's Revenue and Gross, Operating and Net Profit Ratios (Figure 8 – Figure 10). Prior to the Covid-19 pandemic (2018 – 2020), McLaren Automotive posted higher revenue and NPM ratios than AML, however the opposite is now true for the period between 2021 – 2022. Both AMLs revenue (£1381.5M GBP) and NPM ratio (-38.20%) are higher than that of McLaren (revenue of £627.8M GBP and Net Profit Ratio -53.31% respectively).

	2018	2019	2020	2021	2022
Gross Profit Margin %	28.64	30.16	18.76	27.31	19.39
Operating Profit Margin %	-0.31	1.67	-37.67	-23.59	-20.91
Net Profit Margin %	-4.79	-2.23	-35.55	-22.28	-53.31
Return on Assets %	-3.79	-1.85	-16.42	-9.30	-23.99
Return on Equity	-25.50	-11.91	-61.56	-22.01	-80.50

Table 12 - McLaren Automotive - Profitability Ratios

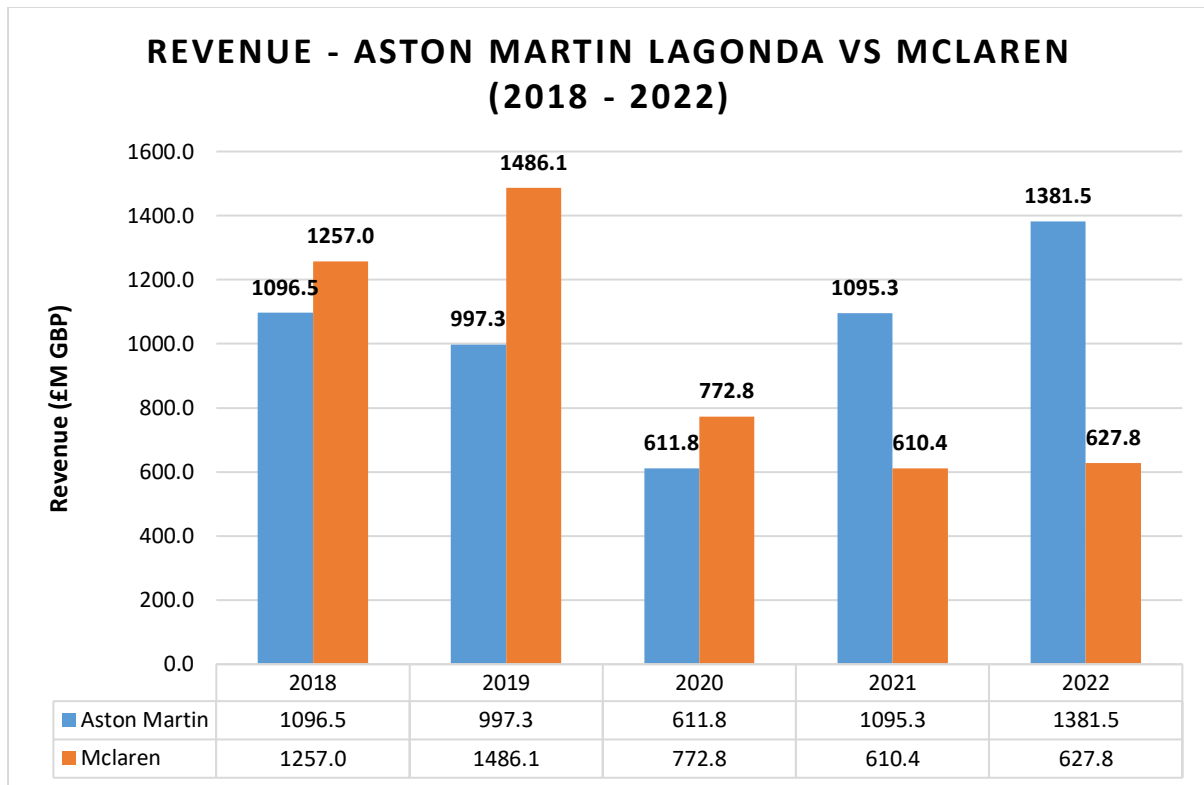


Figure 8 - Aston Martin Lagonda vs McLaren Automotive – Revenue

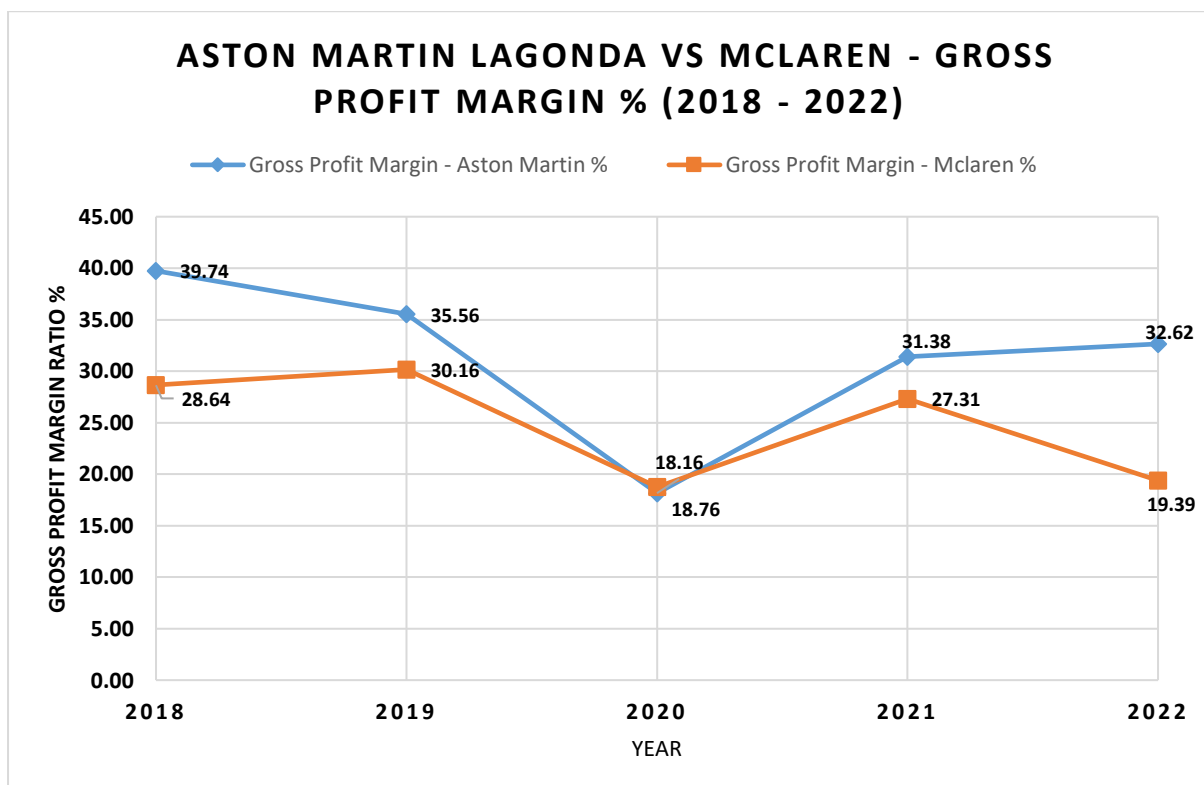


Figure 9 - Aston Martin Lagonda vs McLaren Automotive - Gross Profit Margin

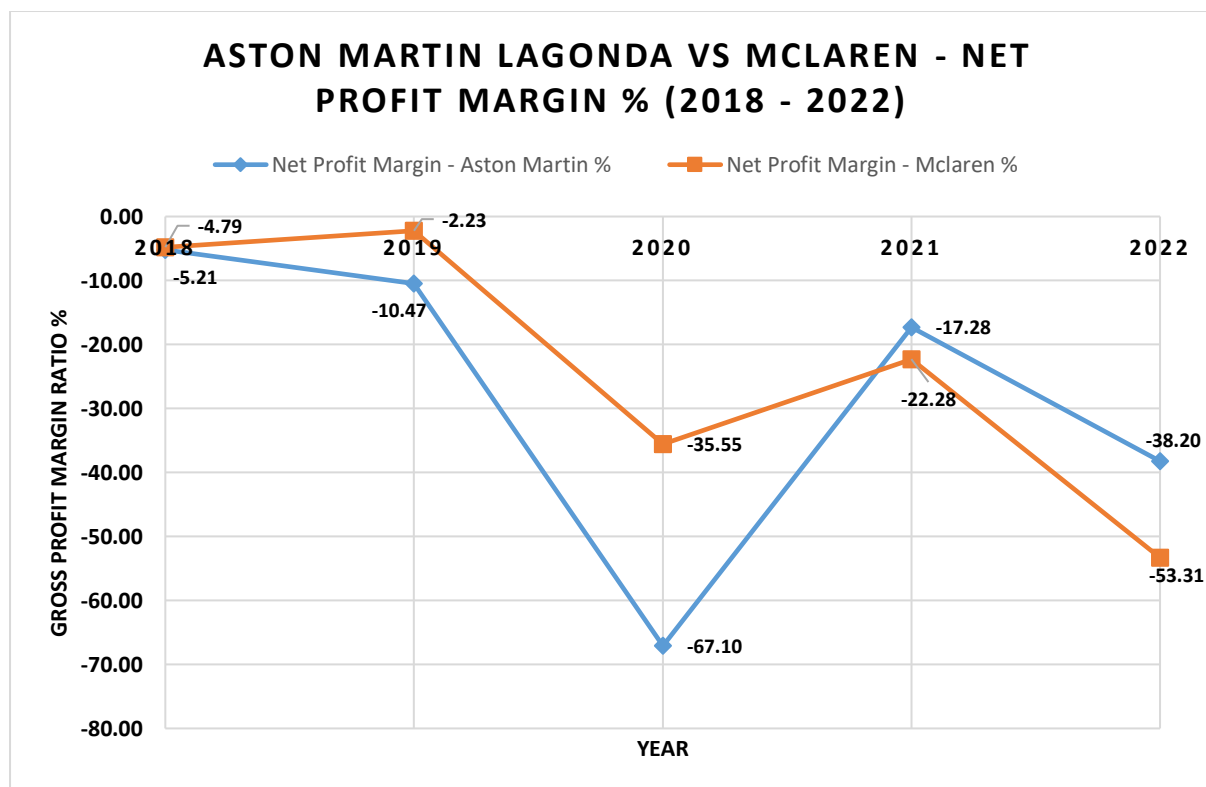


Figure 10 - Aston Martin Lagonda vs McLaren Automotive - Net Profit Margin

Liquidity Ratio Summary

Liquidity Ratio analysis into AML indicates that the firm has a strong focus on increasing its Liquidity, as part of its operating strategy. With the introduction of Lawrence Stroll as its Executive Chairman, the firm has instilled a series of measures, which have successfully boosted its Current, Quick, and Cash Ratio's to an acceptable level. The firm is on track to become free cash flow positive by 2024 (*Aston Martin Lagonda, 2022*), which indicates that it will soon have sufficient funds to either invest back into its business for further growth, or distribute to shareholders. Although AML has made good progress in increasing its Liquidity ratios, further work is required to continue this upward trajectory, towards a cash ratio of above 1.0, which will reduce a significant level of risk within the business (*Davies, 2023b*).

Comparison of AMLs Liquidity Ratios to the Liquidity Ratios of McLaren (Figure 11 and Table 13), show similar performance and trends between AML and McLaren in terms of liquidity. Both AMLs and McLaren's Current and Quick ratios are similar in magnitude, which indicates that AMLs financial performance in terms of liquidity is in line with the wider automotive market. Comparison of AMLs Cash ratio to McLaren's Cash ratio further strengthens the view that the firm may be outperforming its rivals in the market, in terms of its recovery post covid-19. The AML Cash Ratio between 2020 – 2022, is significantly higher than that of McLaren, which indicates the firm is in a stronger position, in terms of cash flow.

	2018	2019	2020	2021	2022
Current Ratio	0.82	0.81	1.12	1.65	1.21
Quick Ratio (Acid Test Ratio)	0.59	0.60	0.87	1.07	0.80
Cash Ratio	0.14	0.08	0.14	0.23	0.24

Table 13 - McLaren Automotive - Liquidity Ratios

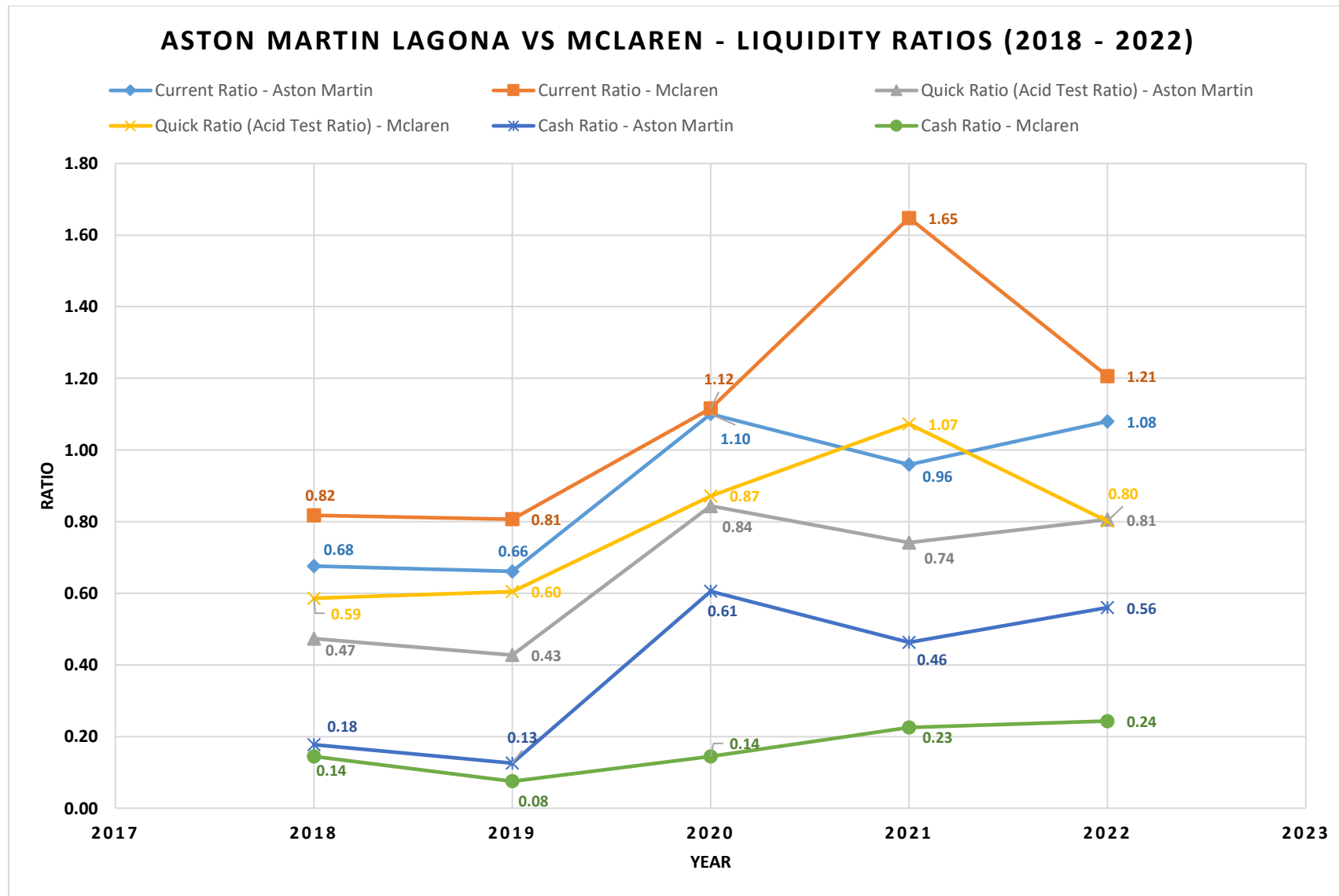


Figure 11 - Aston Martin Lagonda vs McLaren Automotive - Liquidity Ratios

Activity Ratio Summary

AML Activity ratios indicate that the firm is making good progress in becoming more efficient in utilising its resource and assets. DSO and DPO ratios for AML are favourable for the organisation in terms of maximising its cash flow, with inventory being sold by the firm, in advance of paying for it. This position is highly desirable and shows the negotiation power of AML within the automotive sector, as it indicates AMLs vendors are effectively financing its business operation (demonstrated by its negative CCC ratios).

Comparison of the AML Inventory Turnover Ratio to that of McLaren (Table 14), further reinforces the positive work that has been completed by AML in terms of inventory management. Following on from the Covid-19 pandemic, AML has exhibited higher inventory turnover ratios than those of McLaren (2021 and 2022), indicating it is performing better than the market average in this area.

	2018	2019	2020	2021	2022
Inventory Turnover	5.77	6.76	4.75	2.88	2.79

Table 14 - McLaren Automotive - Activity Ratio

Leverage Ratio Summary

Leverage Ratio analysis completed into AML indicate that there is high level of risk associated with investing in the firm, as it is a highly geared organisation (gearing ratios consistently over the 50% threshold) (**Hayes, 2020**). AML also has high a high reliance on both short and long-term debt (High Debt/Equity ratios), which is unfavourable from an investment perspective. From the comparison of AMLs Gearing Ratios to McLaren's (Figure 12 & Table 15), it is clear to see that both firms have a similar reliance on debt, to equity. Similarly, both firms are geared around the 60% mark (2022). Although AML is a highly geared organisation, it appears that leverage of this magnitude is consistent with the wider automotive industry average.

	2018	2019	2020	2021	2022
Gearing Ratio %	71.11	70.49	60.07	44.98	57.66

Table 15 - McLaren Automotive - Gearing Ratios

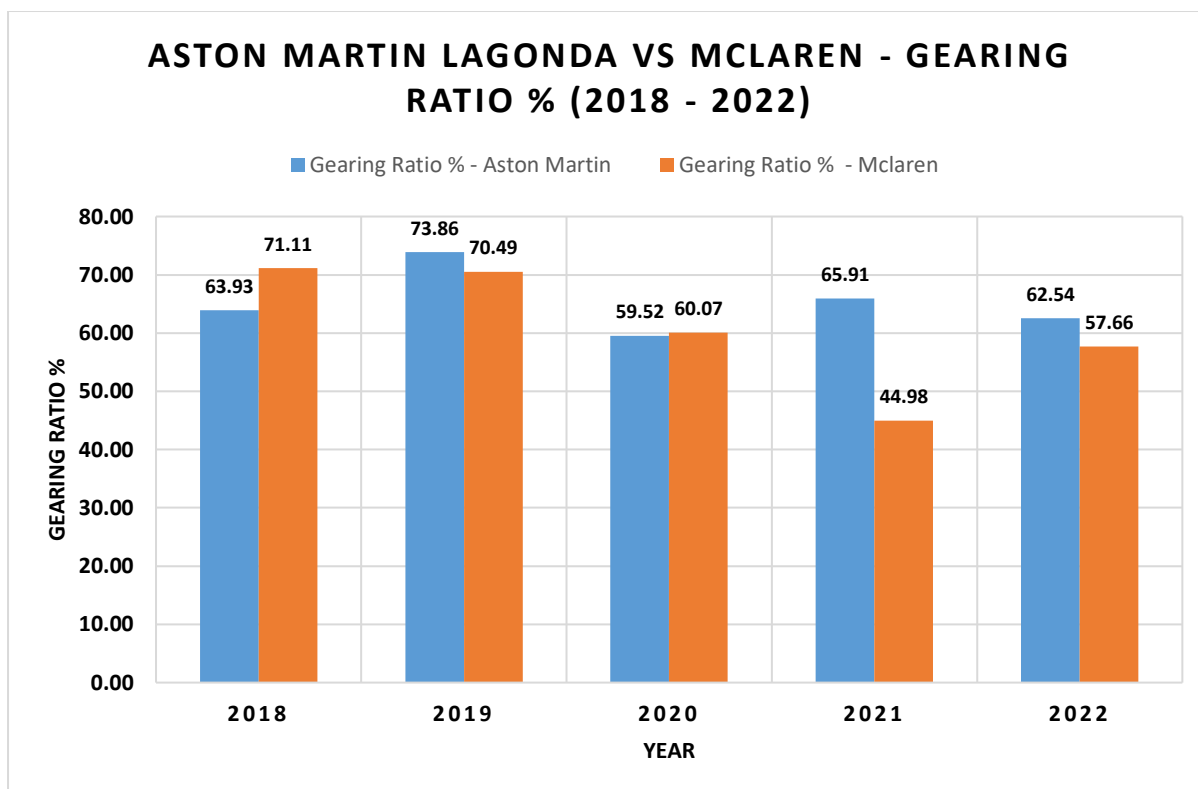


Figure 12 - Aston Martin Lagonda vs McLaren Automotive - Gearing Ratio

Investor Ratio Summary

Investor Ratio analysis completed indicates that investment into AML is highly undesirable at this moment in time, due to the loss making nature of the business. Negative EPS, P/E and ROE ratios over the five-year analysis period, coupled with a zero dividend yield, strongly indicate that there may not be any short to medium term returns on investment on the £5M GBP injected, as part of this joint venture opportunity. Whilst minimal, there is also risk that any funds invested may be lost without return, if the firm is unable to keep up with payments on its liabilities.

Comparison of AMLs Dividend Yield to that of McLaren provides further weight to the fact that investment in AML is low risk. Review of the McLaren Annual Reports between 2018 – 2022 highlight that McLaren has also not paid any dividends over this time period. From this we can deduce that the past five years have been a period of difficulty for the automotive sector as a whole, not just AML.

Conclusion and Recommendations

Analysis of AML's financial statements between 2018 – 2022, completed alongside the calculation and interpretation of its financial ratios has been most useful in determining the overall financial health of the company. Based on the financial analysis completed, an overall recommendation of “**Not to Proceed**” with the £5M GBP joint venture project has been provided, **at this moment in time**.

Through the calculation and interpretation of AML's financial ratios, it is evident that a £5M GBP investment in ALM has a high level of risk associated with it, rendering this joint venture opportunity undesirable. AML has been operating with significant losses for a prolonged period (Net Profit Margin -38.20% in 2022), and its inability to provide any returns to its investors during this time (0% Dividend Yield/ Negative EPS), is a major cause for concern. This coupled with the general structure of the AML business (highly geared business with an average-gearing ratio of 65.15%) and its high reliance on both long term and short-term debt, cast further doubt over the merits of a joint venture project (Average Long Term Debt Ratio of 193.42% & Average Debt/Equity Ratio of 352.03%).

Table 16, summaries the rationale behind the recommendation provided to the Executive Committee, against several key Financial/Other Indicators. A RAG (Red, Amber, and Green) status has been included within the table, to highlight the AML position against each financial indicator, in terms of its bearing on the overall recommendation provided around this joint venture opportunity.

(Red = Poor performance vs Indicator, Amber = Average performance vs indicator, Green = Good performance vs indicator)

Indicator	Comments	RAG status (Joint Venture Opp)
Revenue	AML revenue figures posted indicate the firm has recovered well from the covid-19 pandemic, to a level where it is currently outperforming its competitors. Revenue levels for AML have increase YOY from 2020, despite a cost of living crisis, which places a level of confidence in the firm's products and brand.	
Profitability	AMLs profitability ratios indicate that there is a high level of risk associated with the firm and its operations. YOY losses in terms of Gross, Operating and Net Profit imply that the firm has various inefficiencies, coupled with tough conditions across the automotive sector.	
Cash & Liquidity	AML has made good progress over the past few years, to boost its cash reserves, via Project Horizon. Further work is required to continue to increase Cash reserves, to a level where the AML Cash Ratios are above 1.	
Days Sales Outstanding & Days Payables Outstanding	AML has positive payment terms in place with both of its suppliers and customers, as outlined through its DSO and DPO ratios. This is attractive from an investment perspective, as the level of risk is low - Aston martin's vendors are effectively financing its business operation.	
Inventory	AML is managing its inventory well as demonstrated by its Inventory Turnover ratios. Over recent years, the firm has made good progress in de-stocking its dealerships and thus reducing its overall inventory levels, to ensure it utilises working capital effectively/minimises the risk of redundant stock.	

Gearing	AML is a highly geared business, with Gearing Ratios around the 60% mark. Despite this, it appears AML's gearing ratios are consistent with other firms in the automotive sector; implying risk of investment is low.	
Debt	AML has poor Debt/Equity & Long Term Debt/Equity ratios. The magnitude of these ratios indicate there is a high level of financial risk with AML, as it is heavily reliant on debt.	
Interest	AML has poor interest coverage ratios, which indicate there is a high level of Risk surrounding its ability to service its debt and receive future credit from its lenders to support growth.	
Share Price	The AML share price has fallen considerably over the past 3 years from 800.00p per share in 2020 to 334.00p per share in 2022 (<i>Lansdown, 2023</i>). However, the AML share price has now started to recover, which emphasises market confidence in the firm is starting to increase.	
Shareholder Returns & Dividends	AML's investor ratios do not provide confidence around a joint venture opportunity with the firm. The firm's inability to provide its shareholders with any returns/dividends over the past five years is a significant risk in terms of current and future shareholder equity.	
Leadership	Lawrence Stroll has years of experience within the automotive industry, coupled with a proven track record of delivering results in this sector. The stature of AML with Stroll at the helm, makes a joint venture opportunity highly appealing, however there is a risk that market confidence in AML will fall, under any change in leadership.	
Brand/Image	AML is a global brand that operates at the forefront of the automotive industry and the world of Formula One motor racing. A partnership with AML will help raise the profile of our company, on a global scale, especially through the growth of Formula One racing.	
Corporate Social Responsibility (CSR)	AML has recently received funding from the Saudi PIF – a group operated by Saudi Arabia's Crown Prince (<i>Saker-Clark, 2022</i>). Any association with AML may negatively impact the brand image of our company, as the firm has received backing from a country, which has a poor human rights record.	
Sustainability	AML has ambitions to become a world leading sustainable organisation, with sustainability being a key pillar of its CSR policy. This is positive from a joint venture project perspective, in terms of company image.	
Global Economic Climate	The UK and other countries are facing a cost of living crisis. There is a risk that AML may be impacted as result of this, through a reduction in sales and downturn in revenue.	
Comparison to Market	AML appears to be outperforming its competitors in the luxury automotive market. Despite making losses, the firm is recovering quickly, which make investment now sensible (invest ahead of the curve for maximum returns).	

Table 16 - Conclusion and Recommendations

Although a recommendation of "Not to Proceed" has been provided, a recommendation to revisit this opportunity again in early 2024 has also been made. It is clear to see that AML has recently turned a corner after working through a period of financial stabilisation and recovery, and is now operating at a level where it is outperforming its competitors (McLaren). In a short space of time, the company has

successfully boosted its cash reserves (£583.3M GBP - 2022), significantly increased its stock turnover levels (3.85 turns in 2022) and attracted significant financial backing from global a powerhouse, the Saudi PIF (£78M GBP). In parallel to this, significant effort has also been made to boost the AML name and brand globally both through the stature of Lawrence Stroll and the rejuvenation of the AML Formula One team. Based on this, it is recommended that further financial analysis into AML is completed, in 2024, upon release of the AML 2023 annual report.

To further the financial analysis completed into AML, investigation into additional financial ratios could be completed, such as the calculation of solvency ratios, ROCE (**Hayes, 2023a**) or ROI (**Vaidya, 2012**). Similarly, further investigation into AML's market position could be completed, through comparison to additional firms such as Ferrari.

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Appendices

Appendix A – Profitability Ratios

Aston Martin Lagonda Raw Data Table (2018 – 2022)

	Aston Martin Lagonda Annual Report Data (Income Statement & Balance Sheet)				
	2018	2019	2020	2021	2022
	(£m)	(£m)	(£m)	(£m)	(£m)
Revenue (£m)	1096.5	997.3	611.8	1095.3	1381.5
Cost of Goods Sold (£m)	660.7	642.7	500.7	751.6	930.8
Gross Profit (£m)	435.8	354.6	111.1	343.7	450.7
Operating Profit/Loss (£m)	72.8	-36.7	-322.9	-76.5	-141.8
Net Profit/Loss (£m)	-57.1	-104.4	-410.5	-189.3	-527.7
Assets (£m)	2061.2	2231.1	2794.8	2842.5	3104.3
Share Holder Equity (£m)	449.4	358.9	804.1	660.4	772.5
Current Assets (£m)	551.6	567.5	889.5	867.9	1125.4
Current Liabilities (£m)	815.4	858.2	808.3	905.2	1041.9
Non Current Liabilities (£m)	796.4	1014.0	1182.4	1276.9	1289.9
Total Liabilities (£m)	1611.8	1872.2	1990.7	2182.1	2331.8
Shareholder Equity (£m)	449.4	358.9	804.1	660.4	772.5
Long Term Debt (£m)	796.4	1014.0	1182.4	1276.9	1289.9
Stock (£m)	165.3	200.7	207.4	196.8	286.2
Interest Charge (£m)	83.3	77.3	105.1	161.3	179.9
Cash & Cash Equivalents (£m)	144.6	107.9	489.4	418.9	583.3
Average Revenue Per Day (£m)	3.0	2.7	1.7	3.0	3.8
Average COGS per Day (£m)	1.8	1.8	1.4	2.1	2.6
Trade and Other Receivables (£m)	243.4	251.5	178.8	245.5	252.0
Trade and Other Payables (£m)	708.3	711.5	586.4	730.8	885.4
No. of Shares (million)	202.1	228.0	77.2	115.5	424.7

Profitability Ratios

Profitability Ratios, measure the overall performance and effectiveness of a firm in terms of its ability to generate income in terms of revenue, its operating costs, and assets (*Vipond, 2020*).

Gross Profit Margin (GPM) compares gross profit to revenue generated through sales and outlines the profitability of a firm, taking into account the costs associated with producing its goods or services (*Vipond, 2020*),

$$\text{Gross Profit Margin} = \frac{\text{Gross Profit}}{\text{Sales}} \times 100$$

Equation 1 (Davies, 2023b)

Operating Profit Margin (OPM) compares operating profit to revenue generated through sales and outlines the earnings of a firm after operating expenses have been satisfied, but before income taxes and interest expenses are deducted (*Vipond, 2020*).

$$\text{Operating Profit Margin} = \frac{\text{Net Income}}{\text{Sales}} \times 100$$

Equation 2 (Davies, 2023b)

Net Profit Margin (NPM), is the ratio of net income over revenue generated to sales and is often referred to as the bottom line. NPM provides the final position of a company in terms of profitability, after all expenses, including taxes and interest payments have been taken into account (**Vipond, 2020**)

$$\text{Net Profit Margin} = \frac{\text{Net Income}}{\text{Sales}} \times 100$$

Equation 3 (Davies, 2023b)

Return on assets (ROA) outlines the ratio of net income/earnings relative to the company's total assets and outlines the effectiveness of a company, in deploying its assets to generate sales revenue and profits (**Davies, 2023b**)

$$\text{Return of Assets} = \frac{\text{Net Income}}{\text{Assets}} \times 100$$

Equation 4 (Davies, 2023b)

Return of equity (ROE) outlines the ratio of net income relative to shareholder equity and indicates the ability of a firm to earn returns on shareholders equity investments. ROE is a powerful financial ratio from as it provides an understanding around the profitability of an organisation and indicates how efficiently it is able to generate those profits (**Fernando, 2022**).

$$\text{Return on Equity} = \frac{\text{Net Income}}{\text{Shareholder Equity}}$$

Equation 5 (Davies, 2023b)

Aston Martin Lagonda Profitability Ratios Calculated (2018 – 2022)

Profitability Ratios	2018	2019	2020	2021	2022
1 Gross Profit Margin %	39.74	35.56	18.16	31.38	32.62
2 Operating Profit Margin %	6.64	-3.68	-52.78	-6.98	-10.26
3 Net Profit Margin %	-5.21	-10.47	-67.10	-17.28	-38.20
4 Return on Assets %	-2.77	-4.68	-14.69	-6.66	-17.00
5 Return on Equity	-12.71	-29.09	-51.05	-28.66	-68.31

Appendix B – Liquidity

Liquidity ratios measure a company's abilities to pay off its debt obligations, without raising external capital. In simple terms, the higher the ratio, the better the company's liquidity position is (**Hayes, 2023b**). There are three main types of Liquidity ratios, as outlined below:-

Current Ratio (Low Test Level) – The current ratio measures the ability for a company to pay off its current liabilities (payable within one year), in terms of its current assets, such as cash, accounts receivables and inventories (**Davies, 2023e**).

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

Equation 6 (Davies, 2023e)

Quick Ratio (Medium Test Level) – The Quick ratio or Acid Test Ratio measures the ability for a company to pay off its current liabilities/short term obligations, in terms of its current assets, however it only considers the company's most liquid assets only, therefore inventory/stock is discounted from the calculation (**Davies, 2023e**).

$$\text{Quick Ratio (Acid Test)} = \frac{\text{Current Assets Less Stock}}{\text{Current Liabilities}}$$

Equation 7 (Davies, 2023e)

Cash Ratio (High Test Level) – The cash ratio is the strongest test of liquidity of and measures the ability for the company to pay of its current liabilities in terms of its most readily available assets, cash and cash equivalents (**Davies, 2023e**).

$$\text{Cash Ratio} = \frac{\text{Cash \& Cash Equivalents}}{\text{Current Liabilities}}$$

Equation 8 (Davies, 2023e)

Aston Martin Lagonda Liquidity Ratios Calculated (2018 – 2022)

Liquidity Ratios	2018	2019	2020	2021	2022
6 Current Ratio	0.68	0.66	1.10	0.96	1.08
7 Quick Ratio (Acid Test Ratio)	0.47	0.43	0.84	0.74	0.81
8 Cash Ratio	0.18	0.13	0.61	0.46	0.56

Appendix C – Activity Ratios

Day Sales Outstanding, often referred to the average collection period, outlines the average number of days that it takes for a firm, to collect payment for the sales of its goods or services (**Kenton, 2017**),

$$\text{Days Sales Outstanding (DSO)} = \frac{\text{Trade and Other Receivables}}{\text{Average Revenue per Day}}$$

Equation 9 (Davies, 2023e)

Inventory Turnover measures the efficiency of a company in terms of managing its inventory and outlines the number of times inventory has been sold, within one accounting period. (**Kenton, 2017**),

$$\text{Inventory Turnover} = \frac{\text{Cost of Goods Sold}}{\text{Average Inventory/Stock}}$$

Equation 10 (Davies, 2023e)

Days Payable Outstanding (DPO) indicates the average time, a company takes to pay its creditors, which may include suppliers, vendors or financiers (**Kenton, 2017**),

$$\text{Days Payable Outstanding (DPO)} = \frac{\text{Trade and Other Payables}}{\text{Average Revenue per Day}}$$

Equation 11 (Davies, 2023e)

$$\text{Average Revenue Per Day} = \frac{\text{Annual Revenue}}{365}$$

Equation 12 (Davies, 2023e)

$$\text{Average COGS Per Day} = \frac{\text{Annual COGS}}{365}$$

Equation 13 (Davies, 2023e)

The Cash Conversion Cycle (CCC) is a financial ratio that outlines the time taken by a firm (in days), to convert its investment in raw materials and other resources, into cash flow from sales of inventory **(Rieva Lesonsky, 2016)**.

$$\text{Cash Conversion Cycle (CCC)} = \text{DIO} + \text{DSO} - \text{DPO}$$

Equation 14 (Hayes, 2015)

Where DIO = Days of Inventory Outstanding

DSO = Days Sales Outstanding

DPO = Days Payable Outstanding

Aston Martin Lagonda Activity Ratios Calculated (2018 – 2022)

Efficiency Activity Ratios	2018	2019	2020	2021	2022
9 Day Sales Outstanding (DSO)	81.02	92.05	106.67	81.81	66.58
10 Inventory Turnover	4.00	3.51	2.45	3.72	3.85
11 Days Payable Outstanding (DPO)	391.30	404.07	427.47	354.90	347.20
12 Days Inventory Outstanding (DIO)	91.32	103.93	148.75	98.15	94.70
13 Cash Conversion Cycle (CCC)	-218.95	-208.10	-172.05	-174.94	-185.92

Appendix D – Leverage Ratios

Gearing Ratio is a measure of the funding of a company's operations, in terms of shareholder equity and debt **(White, 2023)**.

$$\text{Gearing Ratio} = \frac{\text{Non Current Liabilities}}{\text{Equity plus Non Current Liabilities}} \times 100$$

Equation 15 (Davies, 2023c)

The Debt to Equity Ratio is a financial ratio which compares the funds borrowed by a firm (debt), to its shareholder equity. The Debt to Equity Ratio takes into account all debt owed by a business (short term, long term and other fixed payments) and is calculated by dividing firms' total liabilities to its shareholder equity **(Davies, 2023c)**.

$$\text{Debt/Equity Ratio} = \frac{\text{Total Liabilities}}{\text{Stockholders Equity}} \times 100$$

Equation 16 (Davies, 2023c)

The Long Term Debt to Equity ratio is solely focuses on the total amount of long-term debt owed by a business, against its shareholders equity **(Davies, 2023c)**.

$$\text{Long Term Debt/Equity Ratio} = \frac{\text{Long Term Debt}}{\text{Stockholders Equity}} \times 100$$

Equation 17 (Davies, 2023c)

Interest Coverage ratio is another leverage ratio, which outlines the ease at which a company can repay interest on its outstanding debt. Whereas Debt/Equity ratios outline the level of debt within an organisation, the Interest Coverage ratio outlines a company's ability to service its debt. It is calculated by dividing Earnings before Interest and Tax (EBIT) or Operating profit, by interest expenses over a given period and indicates a company's ability to pay off its debts **(Davies, 2023c)**.

$$\text{Interest Coverage} = \frac{\text{Operating Profit}}{\text{Interest Charge}} \times 100$$

Equation 18 (Davies, 2023c)

Aston Martin Lagonda Leverage Ratios Calculated (2018 – 2022)

Leverage Ratios		2018	2019	2020	2021	2022
14	Gearing Ratio %	63.93	73.86	59.52	65.91	62.54
15	Debt/Equity Ratio %	358.66	521.65	247.57	330.42	301.85
16	Long Term Debt Ratio %	177.21	282.53	147.05	193.35	166.98
17	Interest Coverage %	87.39	-47.48	-307.23	-47.43	-78.82

Appendix E – Investor Ratios

The Earnings per Ordinary Share (EPS) ratio provides a measure of the profitability of a firm, through comparison of its net income, over its total number of shares issued. In simple terms, a firm with a higher EPS ratio, is considered to be more profitable than one with a lower EPS ratio **(Mathews, 2022)**.

$$\text{Earnings Per Ordinary Share (EPS)} = \frac{\text{Net Income}}{\text{No. of Shares}}$$

Equation 19 (Davies, 2023d)

Dividend Coverage measures the number of times a company can pay dividends to its shareholders in terms of its profits and is calculated by dividing net income over the dividends proposed and paid by a company. Dividend Coverage ratios are useful analysis tools as they allow analysts and investors to estimate the future dividend potential of an organisation. A company with a dividend coverage ratio of greater than one is desirable as it has a low risk of dividend payment potential, whereas a company with a dividend coverage of less than one, is highly unlikely to pay dividends to its shareholders **(Mathews, 2022)**.

$$\text{Dividend Cover} = \frac{\text{Net Income}}{\text{Dividend Proposed and Paid}} \times 100$$

Equation 20 (Davies, 2023d)

Price per Earnings (P/E) Ratio is a financial ratio used to value a company that measures its current share price in terms of its Earnings per Share (EPS). A company's P/E ratio is powerful as it can be used to determine if a company is over or under valued. In simple terms, the P/E ratio tells an investor how much they would have to pay to receive £1 of earnings (**Girardin, 2022**).

$$\text{Price per Earnings Ratio} = \frac{\text{Market Value Per Share}}{\text{EPS}} \times 100$$

Equation 21 (Davies, 2023d)

Dividend Yield Ratio is a financial ratio which outlines the relationship between how much a company pays out in dividends each year, to its overall stock price. It is computed by dividing the dividend paid per share, by the market value of each share (**Finance, 2023**).

$$\text{Dividend Yield Ratio} = \frac{\text{Dividend per Share}}{\text{Market Value per Share}} \times 100$$

Equation 22 (Davies, 2023d)

Aston Martin Lagonda Investor Ratios Calculated (2018 – 2022)

Investor Ratios	2018	2019	2020	2021	2022
Earnings Per Ordinary Share (p)	-31.02	-49.65	-543.13	-165.89	-124.46
Dividend Cover %	0.00	0.00	0.00	0.00	0.00
Price Per Earnings Ratio	-253.23	-67.22	-3.70	-8.16	-1.24
Dividend Yield Ratio %	0.00	0.00	0.00	0.00	0.00
Return on Equity (ROE) %	-12.71	-25.83	-70.59	-25.85	-73.65

Aston Martin Share price Data (2018 – 2022)

Aston Martin Lagonda Global Holdings plc - Share Price (p)						
Date	Open (p)	High (p)	Low (p)	Close* (p)	Adj Close** (p)	Volume
Dec 30, 2022	162.5	167.95	152.65	154.05	154.05	1,099,840
Dec 31, 2021	1,293.00	1,356.03	1,293.00	1,353.00	1,353.00	426,539
Dec 31, 2020	2,004.00	2,023.00	1,960.00	2,009.00	2,009.00	381,215
Dec 31, 2019	3,338.70	3,397.77	3,302.74	3,337.41	3,337.41	14,344
Dec 31, 2018	7,806.13	7,996.18	7,806.13	7,856.21	7,856.21	16,110

(Finance, 2023)

Appendix F – Aston Martin 5 Year Ratio Calculations & Accompanying Financial Statements

Aston Martin Lagonda – 2022 Financial Statements - Values highlighted in yellow

Income Statement

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Consolidated Statement of Comprehensive Income for the year ended 31 December 2022

	Notes	2022			2021		
		Adjusted £m	Adjusting items* £m	Total £m	Adjusted £m	Adjusting items* £m	Total £m
Revenue	3	1,381.5	–	1,381.5	1,095.3	–	1,095.3
Cost of sales		(930.8)	–	(930.8)	(751.6)	–	(751.6)
Gross profit		450.7	–	450.7	343.7	–	343.7
Selling and distribution expenses		(113.0)	–	(113.0)	(84.8)	–	(84.8)
Administrative and other operating expenses		(455.6)	(23.9)	(479.5)	(333.2)	(2.2)	(335.4)
Operating loss	4	(117.9)	(23.9)	(141.8)	(74.3)	(2.2)	(76.5)
Finance income	7	3.0	12.5	15.5	2.3	34.1	36.4
Finance expense	8	(336.1)	(32.6)	(368.7)	(173.7)	–	(173.7)
Loss before tax		(451.0)	(44.0)	(495.0)	(245.7)	31.9	(213.8)
Income tax (charge)/credit	9	(32.7)	–	(32.7)	16.2	8.3	24.5
Loss for the year		(483.7)	(44.0)	(527.7)	(229.5)	40.2	(189.3)
(Loss)/profit attributable to:							
Owners of the Group				(528.6)			(191.6)
Non-controlling interests	32			0.9			2.3
				(527.7)			(189.3)
Other comprehensive income							
Items that will never be reclassified to the Income Statement							
Remeasurement of Defined Benefit liability	25			6.8			3.8
Taxation on items that will never be reclassified to the Income Statement	9			(1.7)			(1.0)
Effect of change in rate in taxation	9			–			6.0
Items that are or may be reclassified to the Income Statement							
Foreign currency translation differences				3.8			2.3
Fair value adjustment – cash flow hedges	22			(6.1)			(0.3)
Amounts reclassified to the Income Statement – cash flow hedges	22			2.9			(4.3)
Taxation on items that may be reclassified to the Income Statement	9			0.8			1.2
Other comprehensive income for the year, net of income tax				6.5			7.7
Total comprehensive loss for the year				(521.2)			(181.6)
Total comprehensive (loss)/income for the year attributable to:							
Owners of the Group				(522.1)			(183.9)
Non-controlling interests				0.9			2.3
				(521.2)			(181.6)
Earnings per ordinary share							
Basic loss per share	11			(124.5p)			Restated** (58.6p)
Diluted loss per share	11			(124.5p)			(58.6p)

All operations of the Group are continuing.

* Adjusting items are defined in note 2 with further detail shown in note 5

** Earnings per ordinary share has been adjusted to reflect the bonus element of the rights issue undertaken in September 2022. See notes 11 and 26

The notes on pages 169 to 224 form an integral part of the Financial Statements.

Balance Sheet

Consolidated Statement of Financial Position

	Notes	31 December 2022 £m	31 December 2021 £m
Non-current assets			
Intangible assets	12	1,394.6	1,384.1
Property, plant and equipment	14	369.9	355.5
Right-of-use lease assets	15	74.4	76.0
Trade and other receivables	17	6.3	2.1
Other financial assets	19	–	0.5
Deferred tax asset	9	133.7	156.4
		1,978.9	1,974.6
Current assets			
Inventories	16	286.2	196.8
Trade and other receivables	17	245.7	243.4
Income tax receivable		1.4	1.5
Other financial assets	19	8.8	7.3
Cash and cash equivalents	18	583.3	418.9
		1,125.4	867.9
Total assets		3,104.3	2,842.5
Current liabilities			
Borrowings	22	107.1	114.3
Trade and other payables	20	876.3	721.0
Income tax payable		6.3	5.5
Other financial liabilities	21	26.2	34.8
Lease liabilities	15	7.4	9.7
Provisions	24	18.6	19.9
		1,041.9	905.2
Non-current liabilities			
Borrowings	22	1,104.0	1,074.9
Trade and other payables	20	9.1	9.8
Lease liabilities	15	92.4	93.7
Provisions	24	22.5	19.0
Employee benefits	25	61.2	78.7
Deferred tax liabilities	9	0.7	0.8
		1,289.9	1,276.9
Total liabilities		2,331.8	2,182.1
Net assets		772.5	660.4
Capital and reserves			
Share capital	26	69.9	11.6
Share premium		1,697.4	1,123.4
Merger reserve		143.9	143.9
Capital redemption reserve		9.3	9.3
Capital reserve		6.6	6.6
Translation reserve		6.5	2.7
Hedge reserves	22	4.3	6.7
Retained earnings		(1,184.9)	(662.4)
Equity attributable to owners of the Group		753.0	641.8
Non-controlling interests		19.5	18.6
Total shareholders' equity		772.5	660.4

The Financial Statements were approved by the Board of Directors on 28 February 2023 and were signed on its behalf by

Amedeo Felisa
Chief Executive Officer
Company Number: 11488166

Doug Lafferty
Chief Financial Officer

(Aston Martin Lagonda, 2023)

8 Finance expense

	2022 £m	2021 £m
Bank loans, overdrafts and senior secured notes	166.0	151.3
Foreign exchange loss on borrowings not designated as part of a hedging relationship	156.2	12.4
Interest on lease liabilities (note 15)	4.5	3.9
Net interest expense on the net Defined Benefit liability (note 25)	1.4	1.3
Interest on contract liabilities held (note 20)	8.0	4.8
Finance expense before adjusting items	336.1	173.7
Adjusting finance expense items:		
Premium paid on the early redemption of Senior Secured Notes	14.3	–
Write-off of capitalised borrowing fees upon early settlement of Senior Secured Notes	16.4	–
Professional fees incurred on refinancing expensed directly to the Income Statement	1.9	–
Total adjusting finance expense	32.6	–
Total finance expense	368.7	173.7

10 Dividends

No dividends were declared or paid by the Company in the year ended 31 December 2022 (2021: £nil).

11 Earnings per ordinary share

Basic earnings per ordinary share is calculated by dividing the loss for the year available for equity holders by the weighted average number of ordinary shares in issue during the year.

On 28 September 2022 the Company issued 559.0m ordinary shares by way of a rights issue. Due to the shares being issued at substantially below market price, a bonus issue is deemed to have taken place. A total of 211.6m shares issued were considered bonus shares. The weighted average shares used to calculate earnings per share in both the current and the prior year have been adjusted accordingly.

	2022	2021 Restated*
Continuing and total operations		
Basic earnings per ordinary share		
Loss available for equity holders (£m)	(528.6)	(191.6)
Basic weighted average number of ordinary shares (million) ¹	424.7	327.1
Basic loss per ordinary share (pence)	(124.5p)	(58.6p)

1. To aid users understanding of the movement in the basic and diluted earnings per ordinary share presented for the comparative period, the following table reconciles the numbers presented in the 2021 Annual Report and Accounts to those presented above

Continuing and total operations – 12 months ended 31 December 2021	As presented 2021 Annual Report	Bonus element of rights issue (note 26)	As presented above
Basic earnings per ordinary share			
Loss available for equity holders (£m)	(191.6)	–	(191.6)
Basic weighted average number of ordinary shares (million)	115.5	211.6	327.1
Basic loss per ordinary share (pence)	(165.9p)	107.3p	(58.6p)
Diluted earnings per ordinary share			
Loss available for equity holders (£m)	(191.6)	–	(191.6)
Diluted weighted average number of ordinary shares (million)	115.5	211.6	327.1
Diluted loss per ordinary share (pence)	(165.9p)	107.3p	(58.6p)

Diluted earnings per ordinary share is calculated by adjusting basic earnings per ordinary share to reflect the notional exercise of the weighted average number of dilutive ordinary share awards outstanding during the year including the future technology shares and warrants detailed above. The weighted average number of dilutive ordinary share awards outstanding during the year are excluded when including them would be anti-dilutive to the earnings per share value.

	2022 Number	2021 Number Restated*
Diluted weighted average number of ordinary shares is calculated as:		
Basic weighted average number of ordinary shares (million)	424.7	327.1
Adjustments for calculation of diluted earnings per share: ¹		
Long term incentive plans	–	–
Issue of unexercised ordinary share warrants	–	–
Issue of tranche 2 shares	–	–
Weighted average number of diluted ordinary shares (million)	424.7	327.1

1. The number of ordinary shares issued as part of the long term incentive plans, the potential number of ordinary shares issued as part of the 2020 issue of share warrants and the future issuance of shares for access to MBAG technology have been excluded from the weighted average number of diluted ordinary shares as including them is anti-dilutive to diluted earnings per share

(Aston Martin Lagonda, 2023)

Aston Martin Lagonda – 2021 Financial Statements - Values highlighted in yellow**Income Statement**

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021			2020		
		Adjusted £m	Adjusting items* £m	Total £m	Adjusted £m	Adjusting items* £m	Total £m
Revenue	3	1,095.3	–	1,095.3	611.8	–	611.8
Cost of sales		(751.6)	–	(751.6)	(500.7)	–	(500.7)
Gross profit		343.7	–	343.7	111.1	–	111.1
Selling and distribution expenses		(84.8)	–	(84.8)	(79.6)	–	(79.6)
Administrative and other operating expenses		(333.2)	(2.2)	(335.4)	(256.4)	(98.0)	(354.4)
Operating loss	4	(74.3)	(2.2)	(76.5)	(224.9)	(98.0)	(322.9)
Finance income	7	2.3	34.1	36.4	33.1	6.9	40.0
Finance expense	8	(173.7)	–	(173.7)	(107.6)	(75.5)	(183.1)
Loss before tax		(245.7)	31.9	(213.8)	(299.4)	(166.6)	(466.0)
Income tax credit	9	16.2	8.3	24.5	22.6	32.9	55.5
Loss for the year		(229.5)	40.2	(189.3)	(276.8)	(133.7)	(410.5)
(Loss)/profit attributable to:							
Owners of the Group				(191.6)			(419.3)
Non-controlling interests				2.3			8.8
				(189.3)			(410.5)
Other comprehensive income							
Items that will never be reclassified to the Income Statement							
Remeasurement of Defined Benefit liability	25			3.8			(59.1)
Taxation on items that will never be reclassified to the Income Statement	9			(1.0)			12.3
Effect of change in rate in taxation	9			6.0			–
Items that are or may be reclassified to the Income Statement							
Foreign currency translation differences				2.3			0.8
Fair value adjustment – cash flow hedges	22			(0.3)			6.6
Amounts reclassified to the Income Statement – cash flow hedges	22			(4.3)			9.7
Taxation on items that may be reclassified to the Income Statement	9			1.2			(3.1)
Other comprehensive income/(loss) for the year, net of income tax				7.7			(32.8)
Total comprehensive loss for the year				(181.6)			(443.3)
Total comprehensive (loss)/income for the year attributable to:							
Owners of the Group				(183.9)			(452.1)
Non-controlling interests				2.3			8.8
				(181.6)			(443.3)
Earnings per ordinary share							
Basic loss per share	11			(165.9p)			(543.0p)
Diluted loss per share	11			(165.9p)			(543.0p)

All operations of the Group are continuing.

* Adjusting items are defined in note 2 with further detail shown in note 5.

The notes on pages 159 to 210 form an integral part of the Financial Statements.

Balance Sheet

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2021

	Notes	31 December 2021 £m	31 December 2020 £m
Non-current assets			
Intangible assets	12	1,384.1	1,336.8
Property, plant and equipment	14	355.5	389.6
Right-of-use lease assets	15	76.0	71.4
Trade and other receivables	17	2.1	0.9
Other financial assets	19	0.5	0.1
Deferred tax asset	9	156.4	106.5
		1,974.6	1,905.3
Current assets			
Inventories	16	196.8	207.4
Trade and other receivables	17	243.4	177.9
Income tax receivable		1.5	0.2
Other financial assets	19	7.3	14.6
Cash and cash equivalents	18	418.9	489.4
		867.9	889.5
Total assets		2,842.5	2,794.8
Current liabilities			
Borrowings	22	114.3	113.5
Trade and other payables	20	721.0	578.9
Income tax payable		5.5	1.2
Other financial liabilities	21	34.8	83.3
Lease liabilities	15	9.7	9.3
Provisions	24	19.9	22.1
		905.2	808.3
Non-current liabilities			
Borrowings	22	1,074.9	971.3
Trade and other payables	20	9.8	7.5
Lease liabilities	15	93.7	93.7
Provisions	24	19.0	16.8
Employee benefits	25	78.7	92.5
Deferred tax liabilities	9	0.8	0.6
		1,276.9	1,182.4
Total liabilities		2,182.1	1,990.7
Net assets		660.4	804.1
Capital and reserves			
Share capital	26	11.6	11.5
Share premium		1,123.4	1,108.2
Merger reserve		143.9	144.0
Capital redemption reserve		9.3	9.3
Capital reserve		6.6	6.6
Translation reserve		2.7	0.4
Hedge reserves	22	6.7	10.9
Retained earnings		(662.4)	(503.1)
Equity attributable to owners of the group		641.8	787.8
Non-controlling interests		18.6	16.3
Total shareholders' equity		660.4	804.1

The Financial Statements were approved by the Board of Directors on 22 February 2022 and were signed on its behalf by

TOBIAS MOERS
CHIEF EXECUTIVE OFFICER
COMPANY NUMBER: 11488166

KENNETH GREGOR
CHIEF FINANCIAL OFFICER

Key Notes to Financial Statement

8 FINANCE EXPENSE

	2021 £m	2020 £m
Bank loans, overdrafts and secured notes	151.3	98.4
Foreign exchange loss on borrowings not designated as part of a hedging relationship	12.4	–
Interest on lease liabilities (note 15)	3.9	4.1
Net interest expense on the net Defined Benefit liability (note 25)	1.3	0.7
Hedge ineffectiveness	–	2.5
Interest on contract liabilities held (note 20)	4.8	1.9
Finance expense before adjusting items	173.7	107.6
Adjusting finance expense items:		
Premium paid on the early redemption of Senior Secured Notes	–	21.4
Write-off of capitalised borrowing fees upon early settlement of Senior Secured Notes	–	7.6
Loss on financial instruments recognised at fair value through Income Statement (note 22)	–	45.3
Professional fees incurred on refinancing expensed directly to the Income Statement	–	1.2
Total Adjusting finance expense	–	75.5
Total finance expense	173.7	183.1

11 EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share is calculated by dividing the loss for the year available for equity holders by the weighted average number of ordinary shares in issue during the year. As part of the Strategic Cooperation Agreement entered into in December 2020 with Mercedes-Benz AG, shares were issued for access to tranche 1 technology (see note 12). The Agreement includes an obligation to issue further shares for access to further technology in a future period (note 29). Warrants to acquire shares in the Company were issued in December 2020 as part of the refinancing of the Group (see note 22). A total of 6,332,393 ordinary shares could be issued to warrant holders who can exercise their rights from 1 July 2021 through to 7 December 2027. During the period a total of 1,525,926 ordinary shares were issued (note 26) resulting in 4,806,467 unexercised options. Both the future MBAG tranches and the future issuance of warrants may have a dilutive effect in future periods if the group generates a profit.

Diluted earnings per ordinary share is calculated by adjusting basic earnings per ordinary share to reflect the notional exercise of the weighted average number of dilutive ordinary share awards outstanding during the year including the future technology shares and warrants detailed above. The weighted average number of dilutive ordinary share awards outstanding during the year are excluded when including them would be anti-dilutive to the earnings per share value.

Continuing and total operations	2021	2020
Basic earnings per ordinary share		
Loss available for equity holders (£m)	(191.6)	(419.3)
Basic weighted average number of ordinary shares (million) ¹	115.5	77.2
Basic loss per ordinary share (pence)	(165.9p)	(543.0p)
Diluted earnings per ordinary share		
Loss available for equity holders (£m)	(191.6)	(419.3)
Diluted weighted average number of ordinary shares (million) ¹	115.5	77.2
Diluted loss per ordinary share (pence)	(165.9p)	(543.0p)

11 EARNINGS PER ORDINARY SHARE CONTINUED

	2021 Number	2020 Number
Diluted weighted average number of ordinary shares is calculated as:		
Basic weighted average number of ordinary shares (million)	115.5	77.2
Adjustments for calculation of diluted earnings per share: ¹		
Long term incentive plans	–	–
Issue of unexercised ordinary share warrants	–	–
Issue of tranche 2 shares	–	–
Weighted average number of diluted ordinary shares (million)	115.5	77.2

1. The number of ordinary shares issued as part of the long term incentive plans, and the potential number of ordinary shares issued as part of the 2020 issue of share warrants, and the future issuance of shares for access to Mercedes-Benz AG technology have been excluded from the weighted average number of diluted ordinary shares as including them is anti-dilutive to diluted earnings per share.

Adjusted earnings per share is disclosed in note 33 to show performance undistorted by adjusting items and to give a more meaningful comparison of the Group's performance.

(Aston Martin Lagonda, 2022)

Aston Martin Lagonda – 2020 Financial Statements - Values highlighted in yellow**Income Statement****FINANCIAL STATEMENTS****CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020**

	Notes	2020			2019 restated *		
		Adjusted £m	Adjusting items** £m	Total £m	Adjusted £m	Adjusting items** £m	Total £m
Revenue	3	611.8	–	611.8	980.5	–	980.5
Cost of sales		(500.7)	–	(500.7)	(642.7)	–	(642.7)
Gross profit		111.1	–	111.1	337.8	–	337.8
Selling and distribution expenses		(79.6)	–	(79.6)	(95.0)	–	(95.0)
Administrative and other operating expenses		(256.4)	(98.0)	(354.4)	(233.7)	(42.1)	(275.8)
Other expense	5	–	–	–	(19.0)	–	(19.0)
Operating loss	4	(224.9)	(98.0)	(322.9)	(9.9)	(42.1)	(52.0)
Finance income	8	33.1	6.9	40.0	16.3	–	16.3
Finance expense	9	(107.6)	(75.5)	(183.1)	(77.3)	(6.6)	(83.9)
Loss before tax		(299.4)	(166.6)	(466.0)	(70.9)	(48.7)	(119.6)
Income tax credit/(charge)	10	22.6	32.9	55.5	(6.8)	8.8	2.0
Loss for the year		(276.8)	(133.7)	(410.5)	(77.7)	(39.9)	(117.6)
(Loss)/profit attributable to:							
Owners of the Group				(419.3)			(126.4)
Non-controlling interests				8.8			8.8
				(410.5)			(117.6)
Other comprehensive income							
Items that will never be reclassified to the Income Statement							
Remeasurement of defined benefit liability	26			(59.1)			(1.4)
Taxation on items that will never be reclassified to the Income Statement	10			12.3			0.2
Items that are or may be reclassified to the Income Statement							
Foreign exchange translation differences				0.8			(2.7)
Fair value adjustment – cash flow hedges	23			6.6			9.0
Amounts reclassified to the Income Statement – cash flow hedges	23			9.7			15.6
Taxation on items that may be reclassified to the Income Statement	10			(3.1)			(3.4)
Other comprehensive (loss)/income for the year, net of income tax				(32.8)			17.3
Total comprehensive loss for the year				(443.3)			(100.3)
Total comprehensive (loss)/income for the year attributable to:							
Owners of the Group				(452.1)			(109.1)
Non-controlling interests				8.8			8.8
				(443.3)			(100.3)
Earnings per ordinary share							
Basic loss per share	12			(543.0p)			(290.6p)
Diluted loss per share	12			(543.0p)			(290.6p)

All operations of the Group are continuing.

* Detail on the restatement of the comparative period is disclosed in note 2 and the impact on Earnings Per Share in note 12.

** Adjusting items are defined in note 2 with further detail shown in note 6.

The notes on pages 101 to 145 form an integral part of the Financial Statements.

(Aston Martin Lagonda, 2021)

Balance Sheet

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2020

	Notes	31 December 2020 £m	31 December 2019 restated* £m	1 January 2019 restated* £m
Non-current assets				
Intangible assets	13	1,336.8	1,183.6	1,071.7
Property, plant and equipment	15	389.6	350.5	313.0
Right-of-use lease assets	16	71.4	81.8	82.5
Trade and other receivables	18	0.9	1.8	1.8
Other financial assets	20	0.1	0.2	–
Deferred tax asset	10	106.5	45.7	32.7
		1,905.3	1,663.6	1,501.7
Current assets				
Inventories	17	207.4	200.7	165.3
Trade and other receivables	18	177.9	249.7	240.1
Income tax receivable		0.2	0.3	0.8
Other financial assets	20	14.6	8.9	0.1
Cash and cash equivalents	19	489.4	107.9	144.6
		889.5	567.5	550.9
Total assets		2,794.8	2,231.1	2,052.6
Current liabilities				
Borrowings	23	113.5	114.8	99.4
Trade and other payables	21	578.9	734.1	655.2
Income tax payable		1.2	8.9	4.9
Other financial liabilities	22	83.3	6.3	4.2
Lease liabilities	16	9.3	14.1	15.0
Provisions	25	22.1	12.0	10.8
		808.3	890.2	789.5
Non-current liabilities				
Borrowings	23	971.3	839.1	604.7
Trade and other payables	21	7.5	9.4	49.8
Other financial liabilities	22	–	2.6	4.4
Lease liabilities	16	93.7	97.3	101.5
Provisions	25	16.8	16.2	12.9
Employee benefits	26	92.5	36.8	38.7
Deferred tax liabilities	10	0.6	9.9	20.0
		1,182.4	1,011.3	832.0
Total liabilities		1,990.7	1,901.5	1,621.5
Net assets		804.1	329.6	431.1
Capital and reserves				
Share capital	27	11.5	2.1	2.1
Share premium		1,108.2	352.3	352.3
Merger reserve		144.0	–	–
Capital redemption reserve		9.3	–	–
Capital reserve		6.6	6.6	6.6
Translation reserve		0.4	(0.4)	2.3
Hedge reserves	23	10.9	(2.3)	(23.5)
Retained earnings		(503.1)	(42.8)	81.1
Equity attributable to owners of the group		787.8	315.5	420.9
Non-controlling interests		16.3	14.1	10.2
Total shareholders' equity		804.1	329.6	431.1

* Detail on the restatement of the comparative period is disclosed in note 2.

The Financial Statements were approved by the board of directors on 24 February 2021 and were signed on its behalf by

TOBIAS MOERS
CHIEF EXECUTIVE OFFICER
COMPANY NUMBER: 11488166

KENNETH GREGOR
CHIEF FINANCIAL OFFICER

Key Notes to Financial Statement

9 FINANCE EXPENSE

	2020 £m	2019 £m
Bank loans, overdrafts and secured notes	98.4	55.3
Other interest	–	7.5
Interest on lease liabilities (note 16)	4.1	4.6
Net interest expense on the net defined benefit liability (note 26)	0.7	1.1
Hedge ineffectiveness	2.5	–
Interest on contract liabilities held (note 21)	1.9	8.8
Finance expense before adjusting items	107.6	77.3
<i>Adjusting finance expense items:</i>		
Premium paid on the early redemption of Senior Secured Notes	21.4	–
Write-off of capitalised borrowing fees upon early settlement of Senior Secured Notes	7.6	–
Loss on financial instruments recognised at fair value through Income Statement (note 23)	45.3	–
Professional fees incurred on refinancing expensed directly to the Income Statement	1.2	–
Movements on derivatives not qualifying for hedge accounting	–	6.6
Total Adjusting finance expense	75.5	6.6
Total finance expense	183.1	83.9

(Aston Martin Lagonda, 2021)

12 EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share is calculated by dividing the loss for the year available for equity holders by the weighted average number of ordinary shares in issue during the year. As part of the Strategic Cooperation Agreement entered into in December 2020 with Mercedes-Benz AG, shares were issued for access to tranche 1 technology (see note 13). The Agreement includes an obligation to issue further shares for access to further technology in a future period. Warrants to acquire shares in the Company were issued in December 2020 as part of the refinancing of the Group (see note 23). Up to 6,332,393 ordinary shares could be issued to warrant holders who can exercise their rights from 1 July 2021. Both of these transactions may have a dilutive effect in future periods if the group generates a profit.

Diluted earnings per ordinary share is calculated by adjusting basic earnings per ordinary share to reflect the notional exercise of the weighted average number of dilutive ordinary share awards outstanding during the year including the future technology shares and warrants detailed above. The weighted average number of dilutive ordinary share awards outstanding during the year are excluded when including them would be anti-dilutive to the earnings per share value.

Continuing and total operations	2020	2019 restated*
Basic earnings per ordinary share		
Loss available for equity holders (£m)	(419.3)	(126.4)
Basic weighted average number of ordinary shares (million) ²	77.2	43.5
Basic loss per ordinary share (pence)	(543.0p)	(290.6p)
Diluted earnings per ordinary share		
Loss available for equity holders (£m)	(419.3)	(126.4)
Diluted weighted average number of ordinary shares (million) ²	77.2	43.5
Diluted loss per ordinary share (pence)	(543.0p)	(290.6p)

	2020 Number	2019 Number
Diluted weighted average number of ordinary shares is calculated as:		
Basic weighted average number of ordinary shares ^{1 2} (million)	77.2	43.5
Adjustments for calculation of diluted earnings per share ³ :		
Long-term incentive plans	—	—
Issue of unexercised ordinary share warrants	—	—
Issue of tranche 2 shares	—	—
Weighted average number of diluted ordinary shares (million)	77.2	43.5

1. Additional ordinary shares issued as a result of the rights issue conducted in 2020 have been incorporated in the 2019 earnings per share calculation in full without any time apportionment.

2. Average number of ordinary shares has been reduced by a ratio of 20:1 reflecting the share consolidation undertaken in December 2020.

3. The number of ordinary shares issued as part of the long-term incentive plans, and the potential number of ordinary shares issued as part of the 2020 issue of share warrants have been excluded from the weighted average number of diluted ordinary shares as including them is anti-dilutive to diluted earnings per share.

Adjusted earnings per share is disclosed in note 34 to show performance undistorted by adjusting items and give a more meaningful comparison of the Group's performance.

* To aid users understanding of the movement in the Basic and Diluted earnings per ordinary share presented for the comparative period, the following table reconciles the numbers presented in the 2019 Annual Report and Accounts to those presented above.

Continuing and total operations – 12 months ended 31 December 2019	As presented 2019 Annual Report	VME error correction (note 2)	As Restated (note 1)	Bonus element of right issue (note 27)	Share consolidation (note 27)	As presented above
Basic earnings per ordinary share						
Loss available for equity holders (£m)	(113.2)	(13.2)	(126.4)	—	—	(126.4)
Basic weighted average number of ordinary shares (million)	228.0	—	228.0	642.4	(826.9)	43.5
Basic loss per ordinary share (pence)	(49.6p)	(5.8p)	(55.4p)	40.9p	(276.1p)	(290.6p)
Diluted earnings per ordinary share						
Loss available for equity holders (£m)	(113.2)	(13.2)	(126.4)	—	—	(126.4)
Diluted weighted average number of ordinary shares (million)	228.0	—	228.0	642.4	(826.9)	43.5
Diluted loss per ordinary share (pence)	(49.6p)	(5.8p)	(55.4p)	40.9p	(276.1p)	(290.6p)

(Aston Martin Lagonda, 2021)

Aston Martin Lagonda – 2019 Financial Statements - Values highlighted in yellow**Income Statement****FINANCIAL STATEMENTS****CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019**

	Notes	2019			2018		
		Adjusted £m	Adjusting items* £m	Total £m	Adjusted £m	Adjusting items* £m	Total £m
Revenue	3	997.3	–	997.3	1,096.5	–	1,096.5
Cost of sales		(642.7)	–	(642.7)	(660.7)	–	(660.7)
Gross profit		354.6	–	354.6	435.8	–	435.8
Selling and distribution expenses		(95.0)	–	(95.0)	(89.8)	–	(89.8)
Administrative and other operating expenses		(235.2)	(42.1)	(277.3)	(219.1)	(74.1)	(293.2)
Other (expense)/income	5	(19.0)	–	(19.0)	20.0	–	20.0
Operating profit/(loss)	4	5.4	(42.1)	(36.7)	146.9	(74.1)	72.8
Finance income	8	16.3	–	16.3	4.2	–	4.2
Finance expense	9	(77.3)	(6.6)	(83.9)	(83.3)	(61.9)	(145.2)
(Loss)/profit before tax		(55.6)	(48.7)	(104.3)	67.8	(136.0)	(68.2)
Income tax (charge)/credit	10	(8.9)	8.8	(0.1)	0.6	10.5	11.1
(Loss)/profit for the year		(64.5)	(39.9)	(104.4)	68.4	(125.5)	(57.1)
(Loss)/profit attributable to:							
Owners of the Group				(113.2)			(62.7)
Non-controlling interests				8.8			5.6
				(104.4)			(57.1)
Other comprehensive income							
Items that will never be reclassified to the Income Statement							
Remeasurement of defined benefit liability	26			(1.4)			5.4
Taxation on items that will never be reclassified to the Income Statement	10			0.2			(0.9)
Items that are or may be reclassified to the Income Statement							
Foreign exchange translation differences				(2.7)			0.7
Fair value adjustment – cash flow hedges	23			9.0			(30.5)
Amounts reclassified to the Income Statement – cash flow hedges	23			15.6			3.5
Taxation on items that may be reclassified to the Income Statement	10			(3.4)			3.5
Other comprehensive income/(loss) for the year, net of income tax				17.3			(18.3)
Total comprehensive loss for the year				(87.1)			(75.4)
Total comprehensive (loss)/income for the year attributable to:							
Owners of the Group				(95.9)			(81.0)
Non-controlling interests				8.8			5.6
				(87.1)			(75.4)
Earnings per ordinary share							
Basic loss per share	12			(49.6p)			(31.0p)
Diluted loss per share	12			(49.6p)			(31.0p)

All operations of the Group are continuing.

* Adjusting items are defined in note 2 with further detail shown in note 6.

The notes on pages 131 to 174 form an integral part of the financial statements.

(Aston Martin Lagonda, 2020)

Balance Sheet

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2019

	Notes	2019 £m	2018 restated* £m
Non-current assets			
Intangible assets	13	1,183.6	1,071.7
Property, plant and equipment	15	350.5	313.0
Right-of-use lease assets	16	81.8	–
Trade and other receivables	18	1.8	1.8
Other financial assets	20	0.2	–
Deferred tax asset	10	45.7	32.1
		1,663.6	1,418.6
Current assets			
Inventories	17	200.7	165.3
Trade and other receivables	18	249.7	240.8
Income tax receivable		0.3	0.8
Other financial assets	20	8.9	0.1
Cash and cash equivalents	19	107.9	144.6
		567.5	551.6
Total assets		2,231.1	1,970.2
Current liabilities			
Borrowings	23	114.8	99.4
Trade and other payables	21	702.1	671.0
Income tax payable		8.9	4.9
Other financial liabilities	22	6.3	4.2
Lease liabilities	16	14.1	–
Provisions	25	12.0	10.8
		858.2	790.3
Non-current liabilities			
Borrowings	23	839.1	604.7
Trade and other payables	21	9.4	49.8
Other financial liabilities	22	2.6	4.4
Lease liabilities	16	97.3	–
Provisions	25	16.2	12.9
Employee benefits	26	36.8	38.7
Deferred tax liabilities	10	12.6	20.0
		1,014.0	730.5
Total liabilities		1,872.2	1,520.8
Net assets		358.9	449.4
Capital and reserves			
Share capital	27	2.1	2.1
Share premium		352.3	352.3
Capital reserve		6.6	6.6
Translation reserve		(0.4)	2.3
Hedge reserves	23	(2.3)	(23.5)
Retained earnings		(13.5)	99.4
Equity attributable to owners of the group		344.8	439.2
Non-controlling interests		14.1	10.2
Total shareholders' equity		358.9	449.4

* Further detail on the restatement of the comparative period is disclosed in note 2.

The financial statements were approved by the board of directors on February 26 2020 and were signed on its behalf by:

DR ANDREW PALMER
PRESIDENT AND CHIEF EXECUTIVE OFFICER

MARK WILSON
EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

Company Number: 11488166

Key Notes to Financial Statement

9 FINANCE EXPENSE

	2019 £m	2018 £m
Bank loans, overdrafts and secured notes	55.3	44.3
Other interest	7.5	0.3
Interest on lease liabilities (note 16)	4.6	–
Net interest expense on the net defined benefit liability (note 26)	1.1	1.1
Interest on preference shares classified as financial liabilities	–	32.0
Interest on contract liabilities held (note 21)	8.8	5.6
Finance expense before adjusting items	77.3	83.3
Adjusting finance expense items:		
Premium paid on the redemption of preference shares	–	46.8
Preference share fee write-off	–	15.1
Movements on derivatives not qualifying for hedge accounting	6.6	–
Total Adjusting finance expense	6.6	61.9
Total finance expense	83.9	145.2

During the year ended 31 December 2019 no directly attributable borrowing costs relating to the construction of an asset, that has taken a substantial length of time to get ready for its intended use, have been capitalised (2018: £nil).

12 EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share is calculated by dividing the loss for the year available for equity holders by the weighted average number of ordinary shares in issue during the year.

Diluted earnings per ordinary share is calculated by adjusting basic earnings per ordinary share to reflect the notional exercise of the weighted average number of dilutive ordinary share awards outstanding during the year. The weighted average number of dilutive ordinary share awards outstanding during the year are excluded when including them would be anti-dilutive to the earnings per share value.

Continuing and total operations	2019	2018
Basic earnings per ordinary share		
Loss available for equity holders (£m)	(113.2)	(62.7)
Basic weighted average number of ordinary shares (million)	228.0	202.1
Basic loss per ordinary share (pence)	(49.6p)	(31.0p)
Diluted earnings per ordinary share		
Loss available for equity holders (£m)	(113.2)	(62.7)
Diluted weighted average number of ordinary shares (million)	228.0	202.1
Diluted loss per ordinary share (pence)	(49.6p)	(31.0p)
	2019 Number	2018 Number
Diluted weighted average number of ordinary shares is calculated as:		
Basic weighted average number of ordinary shares ⁽¹⁾ (million)	228.0	202.1
Adjustments for calculation of diluted earnings per share ⁽²⁾ :		
Legacy long-term incentive plan	–	–
2019 long-term incentive plan	–	–
Weighted average number of diluted ordinary shares (million)	228.0	202.1

1. Additional ordinary shares issued as a result of the share split conducted in 2018, have been incorporated in the 2018 earnings per share calculation in full without any time apportionment.

2. The number of ordinary shares issued as part of the Legacy long-term incentive plan, and the potential number of ordinary shares issued as part of the 2019 Long-term incentive plan, have been excluded from the weighted average number of diluted ordinary shares as including them is anti-dilutive to diluted earnings per share.

Adjusted earnings per share is disclosed in note 34 to show performance undistorted by adjusting items and give a more meaningful comparison of the Group's performance.

(Aston Martin Lagonda, 2020)

Aston Martin Lagonda – 2018 Financial Statements - Values highlighted in yellow**Income Statement****CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018**

		2018			2017 (restated **)		
	Notes	Adjusted £m	Adjusting items* £m	Total £m	Adjusted £m	Adjusting items* £m	Total £m
Revenue	3	1,096.5	–	1,096.5	876.0	–	876.0
Cost of sales		(660.7)	–	(660.7)	(496.2)	–	(496.2)
Gross profit		435.8	–	435.8	379.8	–	379.8
Selling and distribution expenses		(89.8)	–	(89.8)	(60.0)	–	(60.0)
Administrative and other expenses	6	(219.1)	(74.1)	(293.2)	(195.3)	24.3	(171.0)
Other income	5	20.0	–	20.0	–	–	–
Operating profit	4,6	146.9	(74.1)	72.8	124.5	24.3	148.8
Finance income	8	4.2	–	4.2	35.6	–	35.6
Finance expense	9	(83.3)	(61.9)	(145.2)	(87.0)	(12.9)	(99.9)
(Loss)/profit before tax		67.8	(136.0)	(68.2)	73.1	11.4	84.5
Income tax credit/(charge)	10	0.6	10.5	11.1	(3.6)	(4.1)	(7.7)
(Loss)/profit for the year		68.4	(125.5)	(57.1)	69.5	7.3	76.8
Earnings per ordinary share							
Basic	12			(31.0p)			38.3p
Diluted	12			(31.0p)			36.5p
(Loss)/profit attributable to:							
Owners of the group				(62.7)			74.2
Non-controlling interests				5.6			2.6
				(57.1)			76.8
Other comprehensive income							
Items that will never be reclassified to the Income Statement							
Remeasurement of defined benefit liability	27			5.4			2.9
Related income tax	10			(0.9)			(0.5)
Items that are or may be reclassified to the Income Statement							
Foreign exchange translation differences				0.7			(0.7)
Fair value adjustment on cash flow hedges and secured loan, net of tax				(23.5)			–
Other comprehensive income for the period, net of income tax				(18.3)			1.7
Total comprehensive income for the period				(75.4)			78.5
Total comprehensive income for the period attributable to:							
Owners of the group				(81.0)			75.9
Non-controlling interests				5.6			2.6
				(75.4)			78.5

All operations of the Group are continuing.

* Adjusting items are defined in note 2 with further detail shown in notes 6 and 9.

** The 2017 comparative period has been restated to reflect the adoption of IFRS 15 – see note 2.

The notes on pages 163 to 205 form an integral part of the financial statements.

(Aston Martin Lagonda, 2019)

Balance Sheet

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2018

	Notes	2018 £m	2017 restated £m
Non-current assets			
Intangible assets	13	1,071.7	930.7
Property, plant and equipment	15	313.0	243.9
Other receivables	19	1.8	2.1
Deferred tax asset	10	123.1	37.1
		1,509.6	1,213.8
Current assets			
Inventories	17	165.3	127.8
Trade and other receivables	19	241.6	115.7
Other financial assets	18	0.1	7.0
Cash and cash equivalents	20	144.6	167.8
		551.6	418.3
Total assets		2,061.2	1,632.1
Current liabilities			
Borrowings	23	99.4	13.5
Trade and other payables	21	696.1	483.1
Income tax payable		4.9	2.7
Other financial liabilities	22	4.2	18.2
Provisions	26	10.8	12.0
		815.4	529.5
Non-current liabilities			
Borrowings	23	604.7	827.4
Trade and other payables	21	12.2	17.7
Other financial liabilities	22	4.4	–
Employee benefits	27	38.7	46.9
Provisions	26	25.4	13.9
Deferred tax liabilities	10	111.0	60.6
		796.4	966.5
Total liabilities		1,611.8	1,496.0
Net assets		449.4	136.1
Capital and reserves			
Share capital	28	2.1	–
Share premium		352.3	353.7
Share warrants		–	18.5
Capital reserve		6.6	94.1
Translation reserve		2.3	1.6
Hedge reserve		(23.5)	–
Retained earnings		99.4	(339.4)
Equity attributable to owners of the group		439.2	128.5
Non-controlling interests		10.2	7.6
Total shareholders' equity		449.4	136.1

The financial statements were approved by the board of directors on 27 February 2019 and were signed on its behalf by:

DR ANDREW PALMER
PRESIDENT AND CHIEF EXECUTIVE OFFICER

MARK WILSON
EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

Company Number: 11488166

(Aston Martin Lagonda, 2019)

Key Notes to Financial Statement

9 FINANCE EXPENSE

	2018 £m	2017 restated £m
Bank loans and overdrafts	44.6	45.1
Net interest expense on the net defined benefit liability	1.1	1.8
Interest on preference shares classified as financial liabilities	32.0	37.9
Interest on long-term deposits held (note 2)	5.6	2.2
Finance expense before adjusting items	83.3	87.0
Adjusted finance expense items:		
Premium paid on the redemption of preference shares	46.8	–
Preference share fee write-off	15.1	–
Loan interest on the redemption of Senior Secured Loan notes and Senior Subordinated PIK notes	–	10.5
Write-off of capitalised arrangement fees on Senior Secured Loan notes and Senior Subordinated PIK notes	–	2.4
Total finance expense	145.2	99.9

12 EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share is calculated by dividing the (loss)/profit for the year available for equity holders by the weighted average number of ordinary shares in issue in the year. See note 28 for detail on the ordinary share movements as part of the initial public offering process during the year ended 31 December 2018.

Diluted earnings per ordinary share is calculated by adjusting basic earnings per ordinary share to reflect the notional exercise of the weighted average number of dilutive ordinary share awards outstanding during the year.

Information concerning non-GAAP measures can be found in note 34.

	2018	2017 restated
Continuing and total operations		
Basic earnings per ordinary share		
(Loss)/profit available for equity holders (£m)	(62.7)	74.2
Basic weighted average number of ordinary shares (million)	202.1	193.8
Basic earnings per ordinary share (pence)	(31.0p)	38.3p
Diluted earnings per ordinary share		
(Loss)/profit available for equity holders (£m)	(62.7)	74.2
Diluted weighted average number of ordinary shares (million)	202.1	203.2
Diluted earnings per ordinary share (pence)	(31.0p)	36.5p
	2018 Number	2017 Number
Diluted weighted average number of ordinary shares is calculated as:		
Basic weighted average number of ordinary shares ¹ (million)	202.1	193.8
Adjustments for calculation of diluted earnings per share ² :		
Options ³	–	1.3
Warrants	–	8.1
Weighted average number of ordinary shares and potential ordinary shares (million)	202.1	203.2

1. Additional ordinary shares issued as a result of the share split conducted in 2018 (see note 28), have been incorporated in the earnings per share calculation in full without any time apportionment.

2. The adjustments made in calculating the weighted average number of ordinary and potential ordinary shares have been increased to reflect the share split in full without any time apportionment in the comparative period.

3. The number of options disclosed in the year ended 31 December 2017 does not include the ordinary shares awarded under the executive legacy Long Term Incentive Plan in 2018. The vesting condition at the year ended 31 December 2017 was not considered probable in accordance with IFRS 2.

Adjusted earnings per share is disclosed in note 34 to show performance undistorted by adjusting items and give a more meaningful comparison of the Group's performance.

(Aston Martin Lagonda, 2019)

Appendix G – McLaren 5 Year Ratio Calculations & Accompanying Financial Statements

McLaren Automotive Raw Data Table (2018 – 2022)

	McLaren Annual Report Data (Income Statement & Balance Sheet)				
	2018	2019	2020	2021	2022
	(£m)	(£m)	(£m)	(£m)	(£m)
Revenue (£m)	1257.0	1486.1	772.8	610.4	627.8
Cost of Goods Sold (£m)	897.0	1037.8	627.8	443.7	506.1
Gross Profit (£m)	360.0	448.3	144.9	166.7	121.7
Operating Profit/Loss (£m)	-3.9	24.9	-291.1	-144.0	-131.3
Net Profit/Loss (£m)	-60.2	-33.1	-274.8	-136.0	-334.7
Assets (£m)	1588.6	1786.3	1672.8	1462.3	1395.2
Share Holder Equity (£m)	236.1	277.7	446.3	617.8	415.1
Current Assets (£m)	548.9	604.1	515.9	559.5	499.3
Current Liabilities (£m)	671.4	749.0	462.3	339.5	413.8
Non Current Liabilities (£m)	581.0	663.1	671.3	505.0	566.3
Shareholder Equity (£m)	236.1	277.7	446.3	617.8	415.8
Stock (£m)	155.4	151.7	112.8	195.3	167.6
Cash & Cash Equivalents (£m)	96.7	56.2	66.7	76.7	100.7
Average Revenue Per Day (£m)	3.4	4.1	2.1	1.7	1.7
Average COGS per Day (£m)	2.5	2.8	1.7	1.2	1.4

McLaren Automotive Financial Ratios Calculated (2018 – 2022)

Profitability Ratios	2018	2019	2020	2021	2022
Gross Profit Margin %	28.64	30.16	18.76	27.31	19.39
Operating Profit Margin %	-0.31	1.67	-37.67	-23.59	-20.91
Net Profit Margin %	-4.79	-2.23	-35.55	-22.28	-53.31
Return on Assets %	-3.79	-1.85	-16.42	-9.30	-23.99
Return on Equity	-25.50	-11.91	-61.56	-22.01	-80.63

Liquidity Ratios	2018	2019	2020	2021	2022
Current Ratio	0.82	0.81	1.12	1.65	1.21
Quick Ratio (Acid Test Ratio)	0.59	0.60	0.87	1.07	0.80
Cash Ratio	0.14	0.08	0.14	0.23	0.24

Efficiency Activity Ratios	2018	2019	2020	2021	2022
Inventory Turnover	5.77	6.76	4.75	2.88	2.79

Leverage Ratios	2018	2019	2020	2021	2022
Gearing Ratio %	71.11	70.49	60.07	44.98	57.66

McLaren – 2022 & 2021 Financial Statements - Values highlighted in yellow**Income Statement**

McLaren Holdings Limited
Condensed financial statements
 31 December 2022

Condensed consolidated profit and loss account
for the year ended 31 December 2022

	Note	2022 £m	2021 £m
Turnover	4	627.8	610.4
Cost of Sales		(506.1)	(443.7)
Gross profit		121.7	166.7
Administrative expenses		(205.2)	(224.5)
Other operating income		39.8	36.2
Exceptional items		86.5	34.4
Operating profit before impairment, depreciation and amortisation		42.8	12.8
Impairment of assets		(21.1)	(1.3)
Depreciation		(9.8)	(14.4)
Amortisation		(143.2)	(141.1)
Operating loss		(131.3)	(144.0)
Finance costs (net)		(143.6)	(53.4)
Loss before taxation		(274.9)	(197.4)
Tax on loss	5	(59.8)	61.4
Loss for the financial period		(334.7)	(136.0)

(McLaren Holdings Limited, 2023)

(McLaren Holdings Limited, 2022)

Balance Sheet

Condensed consolidated balance sheet as at 31 December 2022

	Note	2022 £m	2021 ¹ £m
Fixed assets			
Intangible assets	6	830.3	819.6
Tangible assets	7	56.2	61.4
Heritage assets		9.4	21.8
		<u>895.9</u>	<u>902.8</u>
Current assets			
Inventories	8	167.6	195.3
Debtors	9	231.0	287.5
Cash at bank and in hand		100.7	76.7
		<u>499.3</u>	<u>559.5</u>
Creditors: Amounts falling due within one year	10	(413.8)	(339.5)
Net current assets		<u>85.5</u>	<u>220.0</u>
Total assets less current liabilities		<u>981.4</u>	<u>1,122.8</u>
Creditors: Amounts falling due after more than one year	11	(511.7)	(459.9)
Provisions for liabilities		(54.6)	(45.1)
Net assets		<u>415.1</u>	<u>617.8</u>
Capital and reserves			
Called-up share capital		0.1	0.1
Share premium account		964.5	839.5
Merger reserve		218.5	218.5
Capital contribution reserve		2.0	2.0
Other reserves		(56.6)	(60.0)
Revaluation reserve		5.4	12.9
Accumulated losses		(718.8)	(395.2)
Total equity		<u>415.1</u>	<u>617.8</u>

¹ See note 2 regarding restatement of 2021 financial information.

(McLaren Holdings Limited, 2023)

(McLaren Holdings Limited, 2022)

McLaren – 2020 & 2019 Financial Statements - Values highlighted in yellow**Income Statement****Consolidated profit and loss account***for the year ended 31 December 2020*

	Note	2020 £000	2019 £000
Turnover	4	772,785	1,486,090
Cost of Sales		(627,847)	(1,033,817)
Gross profit		144,938	452,273
Administrative expenses		(220,235)	(276,368)
Other operating income		51,821	28,606
Exceptional costs		(21,657)	-
Operating (loss)/profit before interest in joint venture, impairment, depreciation and amortisation		(45,133)	204,511
Share of loss from Joint Venture		(886)	-
Impairment of assets		(12,762)	-
Depreciation		(29,635)	(27,527)
Amortisation		(202,724)	(152,098)
Operating loss		(291,140)	24,886
Finance costs (net)		(48,250)	(52,868)
Gain on sale of share in subsidiary	5	21,070	-
Loss before taxation		(318,320)	(27,982)
Tax on loss	6	43,561	(5,091)
Loss for the financial year		(274,759)	(33,073)

*(McLaren Holdings Limited, 2021)**(McLaren Holdings Limited, 2020)*

Balance Sheet

Consolidated balance sheet

	Note	As at 31st December 2020 £000	As at 31st December 2019 £000
Fixed assets			
Intangible assets	7	829,851	834,162
Tangible assets	8	260,368	290,543
Heritage assets	9	34,155	55,665
Investment in Associate	10	-	1,738
Investment in Joint Venture	10	32,606	-
		<u>1,156,980</u>	<u>1,182,108</u>
Current assets			
Inventories	11	112,773	151,656
Debtors	12	336,375	396,275
Cash at bank and in hand		66,709	56,214
		<u>515,857</u>	<u>604,145</u>
Creditors: Amounts falling due within one year	13	(462,336)	(748,953)
Net current assets/(liabilities)		<u>53,521</u>	<u>(144,808)</u>
Total assets less current liabilities		1,210,501	1,037,300
Creditors: Amounts falling due after more than one year	14	(631,010)	(636,350)
Provisions for liabilities		(40,330)	(26,796)
Deferred capital funding	15	(92,836)	(96,493)
Net assets		<u>446,325</u>	<u>277,661</u>
Capital and reserves			
Called-up share capital		108	89
Share premium account		643,763	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		(469,292)	(195,236)
Total Equity		<u>446,325</u>	<u>277,661</u>

(McLaren Holdings Limited, 2021)

(McLaren Holdings Limited, 2020)

McLaren – 2020 & 2018 Financial Statements - Values highlighted in yellow**Income Statement**

McLaren Holdings Limited
Interim financial statements
31 December 2019

Consolidated profit and loss account
for the year ended 31 December 2019

	Note	2019 £000	2018 £000
Turnover	4	1,486,090	1,257,016
Cost of Sales		(1,037,825)	(897,049)
Gross profit		448,265	359,967
Administrative expenses		(277,164)	(237,600)
Other operating income		28,606	27,865
Operating profit before depreciation and amortisation		199,707	150,232
Depreciation		(27,138)	(21,175)
Amortisation		(147,683)	(132,972)
Operating profit/(loss)		24,886	(3,915)
Finance costs (net)		(52,868)	(63,722)
Loss before taxation		(27,982)	(67,637)
Tax on loss	5	(5,091)	7,441
Loss for the financial year		(33,073)	(60,196)

Consolidated statement of comprehensive income
for the year ended 31 December 2019

	2019 £000	2018 £000
Loss for the financial year	(33,073)	(60,196)
Other comprehensive income/(expense):		
Deferred tax movement on revaluation reserve	2,011	795
Cash flow hedges:		
- Change in value of hedging instrument	(1,365)	(30,661)
- Reclassifications to profit and loss	26,152	3,560
(Loss)/gain on foreign currency translation reserve	(5,277)	7,718
Total comprehensive expense for the year	(11,552)	(78,784)

(McLaren Holdings Limited, 2019)

Balance Sheet

McLaren Holdings Limited
Interim financial statements
31 December 2019

Consolidated balance sheet

	Note	As at 31st December 2019 £000	As at 31st December 2018 £000
Fixed assets			
Intangible assets	6	833,472	693,424
Tangible assets	7	291,233	288,034
Heritage assets	8	55,665	58,186
Investments	9	1,738	-
		<u>1,182,108</u>	<u>1,039,644</u>
Current assets			
Inventories	10	151,656	155,393
Debtors	11	396,275	296,329
Cash at bank and in hand		56,214	97,216
		<u>604,145</u>	<u>548,938</u>
Creditors: Amounts falling due within one year	12	(748,953)	(671,374)
Net current liabilities		<u>(144,808)</u>	<u>(122,436)</u>
Total assets less current liabilities		1,037,300	917,208
Creditors: Amounts falling due after more than one year	13	(636,350)	(572,564)
Provisions for liabilities		(26,796)	(8,413)
Deferred capital funding	14	(96,493)	(100,150)
Net assets		<u>277,661</u>	<u>236,081</u>
Capital and reserves			
Called-up share capital		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		(195,236)	(172,759)
Total Equity		<u>277,661</u>	<u>236,081</u>

(McLaren Holdings Limited, 2019)