



BUSINESS REVIEW OF ASTON MARTIN

Abstract

This Business Report is generated to review the Financial Statements, calculate various ratios and analyse Organisation's performance of Aston Martin. A minimum of 2 years viz 2020 and 2021 are considered for studying the impact on various aspects of the business. A highly professional approach has been taken to study the financial statements in calculating the Financial Ratios.

Executive Summary

The study and the assessment is based on Financial and Balance statement for only 2 years, 2020 and 2021.

The wholesale volume in 2021 has risen by 82% in comparison to 2020, which shows a great progression in 2021 (AstonMartin, 2021). Ref., Aston Martin's CFO, Kenneth Gregor's statement in the Annual Report for the year 2021 (AstonMartin, 2021), significantly improved the performance and reduced the cash outflow to help deliver the growth ambitions and medium term plans. This is become the basis for the company's focus on Project Horizon for a medium term plan in 2022.

However, the financial ratios analysed henceforth, in this report clearly indicate there is a high level of instability in the seen in the company's performance. Revenue in 2021 was sky rocketing with an increase of nearly 80%. The liquidity ratios are not so attractive and have declined as shown in section Liquidity Ratios. The company's cash reserves may not be able to take up the economic shocks or short term demands. Hence, it has to concentrate on creating cash reserves. On the other hand share price in 2021 has collapsed by nearly 33% in comparison to 2020 (London Stock Exchange, 2023). I personally think, in order to bring back Aston Martin into a booming business, more emphasis should be given to enrich its cash reserves, reduce inventories, increase profits and concentrate on the products which have high demand in the market for short term. It is just that right attitude of bringing a change needed and work towards improving the efficiency, profits and a long term vision for itself. Perhaps, with the limited data that I have presented in this report, I think we cannot just conclude based on the ratios calculated, although it gives a good flavour of the company's performance. Hence, more data needs to be considered to make a conclusive statement of the investment.

Introduction

Aston Martin Lagonda Global Holdings Inc, having more than 100 years of history, is very unique to its brand value mainly focussed in designing, engineering and manufacturing high performance and ultimate luxury cars. Over these years, many challenges have come in the way of their growth including competing with the giant manufacturers of cars in their segments of cars. It has seen many strategic and economic challenges for many years and is evident in their annual statements (AstonMartin-Corporate, n.d.). The core product portfolio include Vantage, DB11, DBX and DBS.

Two major challenges in the recent couple of years have been on the top of the topics. These are:

1. Continued impact of Covid 19 pandemic and
2. The challenges of the new Aston Martin Valkyrie hyper car

The luxury SUVs DBX took an estimated 20% market share in 2021. Electrification of the cars by 2030 is also a challenge whilst the company is still impacted due to the loss.

The wholesale volumes in 2020 and 2021 is as shown in the Figure 1 .

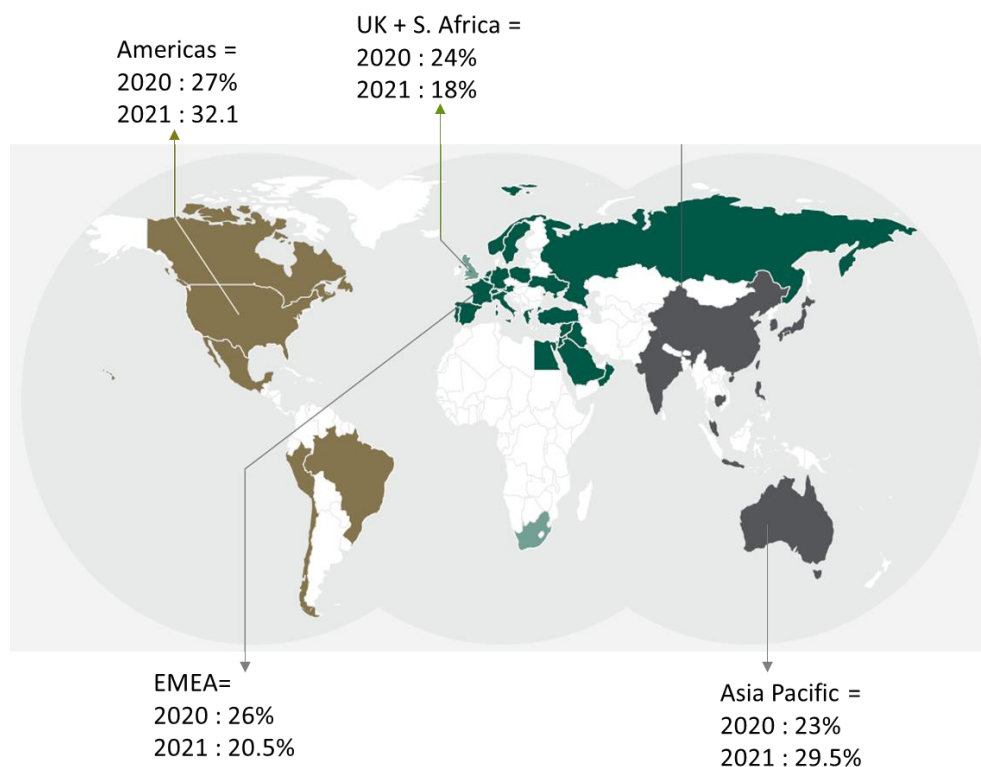


Figure 1 (AstonMartin-Corporate, n.d.)

Due to underinvestment and lack of technological advancement, the sales were slumped in the last decade. During this time, the new management made a great start by adopting three point strategic plan with a focus on stabilising the business, strengthening its core product portfolio and expanding the product line with the aim of creating “most beautiful and accomplished automotive in the world” (Equities, 2018).

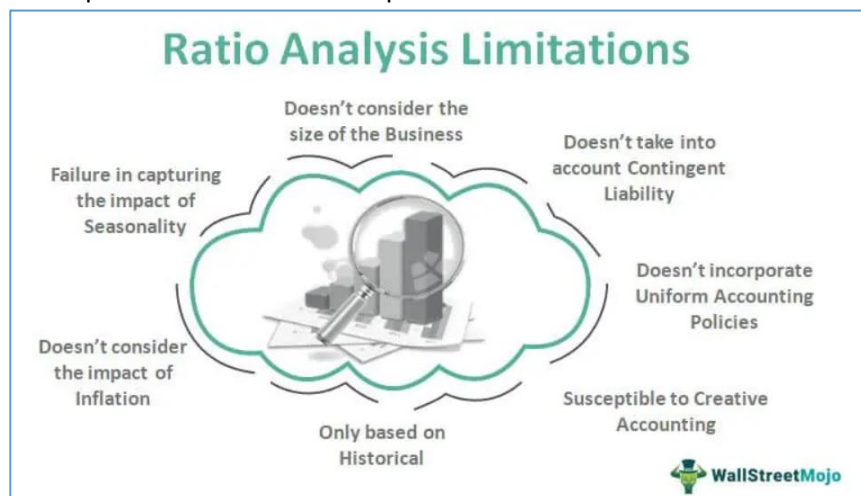
Aston Martin is a high risk and high rewarding company looking for a sustainable organisation structure (Haill, 2022). In the last 5 years, the share prices have gone down by nearly 95% (Automobiles&Parts, 2023). This is the most worrying situation.

Limitations of Ratios

The financial ratios help us to analyse the data presented in Financial Statements and Balance Sheets in the company books. The ratio analysis is a quantitative approach to gain an insight into company's profitability, health condition of the business, operational efficiency, cash liquidity (BLOOMENTHAL, 2022). On the other hand, (Ingram, 2019) describes that the ratios not only measure efficiency, liquidity and profitability, but also indicates the Stability of the business. (Ingram, 2019) also states that the market analysts, stock brokers and investors benefit from gaining advantages on their investments and consultancies. Comparing the raw financial data of two companies in the same industry offers only limited insight (Ingram, 2019).

(Vaidya, n.d.) lists down the limitations of the ratio analysis as below.

- Doesn't consider the size of the Business
- Doesn't take into account Contingent Liability
- Doesn't incorporate Uniform Accounting Policies
- Susceptible to Creative Accounting
- Cannot use to compare different industries
- Only based on Historical data
- Doesn't consider the impact of inflation
- Doesn't consider impact of Market Conditions
- Failure in Capturing the impact of Seasonality
- Considers the position of business on a particular date.



(Carlson, 2022) features interesting limitations as below.

- Benchmarks are usually tied to industry averages, not Leaders.
- Balance Sheets may be distorted by inflation
- Ratio analysis gives numbers, but no context.
- Different divisions may need comparison to different industry averages
- Companies choosing different accounting practices
- Companies try to make Financial Statements look better than they are.

According to me, the biggest limitation of ratio analysis is that the ratio analysts are compelled to consider only the limited data provided by the Financial and Balance statements of the companies and is also pointed by (Carlson, 2022).

Aston Martin Ratios calculations

Note: See Appendix A: Terminologies and Abbreviations used for calculating Ratios

A. Profitability Ratios		Formula (See Table 1 for Abbreviations)	2021	2020
1	Gross Profit Margin (GPM) =	$(GP/S)*100$	31.4%	18.2%
2	Net Profit Margin (NPM) =	$(NI/S)*100$	-17.28%	-67.10%
3	Operating Profit Margin (OPM) =	$(OP/S)*100$	-6.98%	-52.78%
4	Return on Assets (RoA) =	$(NI/A)*100$	-6.7%	-14.7%
5	Return on Equity (RoE) =	$(NI/SHE)*100$	-28.7%	-51.1%
B. Liquidity Ratios		Formula (See Table 1 for Abbreviations)	2021	2020
6	Current Ratio (CR1) =	CA/CL	0.96	1.10
7	Quick Ratios (QR) or Acid Test Ratio (ATR) =	CAS/CL	0.74	0.84
8	Cash Ratio (CR2) =	CCE/CL	0.46	0.61
C. Activity Ratios		Formula (See Table 1 for Abbreviations)	2021	2020
9	Days Sales Outstanding (DSO) =	ToR/ARD	81.81	106.67
10	Inventory Turnover (IT) =	$COGS/I$	3.82	2.41
11	Days Payable Outstanding (DPO) =	ToP/ACD	354.90	427.47
D. Leverage Ratios		Formula (See Table 1 for Abbreviations)	2021	2020
12	Gearing Ratio (GR) =	$(NCL/EPNCL)*100$	66%	60%
13	Debt / Equity Ratio (DER) =	$(TL/SHE)*100$	330%	248%
14	Long Term Debt to Equity Ratio (LTDER) =	$(LTD/SHE)*100$	193%	147%
15	Interest Coverage (InC) =	$(OP/IE)*100$	-44%	-176%
E. Investor Ratios		Formula (See Table 1 for Abbreviations)	2021	2020
16	Earnings per Ordinary Share (EPS) =	NI/NS	-1.62	-3.57
17	Divident Cover (DC) =	$(NI/DPP)*100$	#DIV/0!	#DIV/0!
18	Price per Earnings Ratio (PpER) =	$MVpS/EPs$	0	0
19	Dividend Yield Ratio (DYD) =	$(DPP/MVpS)*100$	#DIV/0!	#DIV/0!

Figure 2 Financial Ratios Calculations

Ratio Analysis and Summary of Findings

A. Profitability Ratios

These are the ratios that indicate a measure of the profitability while providing an insight to the health of the business. These are very important for the business owners, shareholders, investors, brokers etc to check whether the business is actually making profit margins (Girsch-Bock, n.d.).

A. Profitability Ratios		Formula (See Table 1 for Abbreviations)	2021	2020
1	Gross Profit Margin (GPM) =	$(GP/S)*100$	31.4%	18.2%
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Figure 3 Profitability Ratios

1. Gross Profit Margin (GPM):

The Gross Profit Margin has improved from 2020 to 2021 as seen in Figure 3 Profitability Ratios. It has increased by 1.7 times in 2021 in comparison to 2020. This increase is due to the fact that there was a record number of cars sold 6178 cars in 2021 compared to 3394 cars in 2020. This amounts to 45% jump from the previous year 2020. Covid played a major role in the decline of sales in 2020. Despite the cost of materials, inflation, resources, logistics, supply chain, lockdown, Brexit etc., the gross profit has seen fairly a good jump. The foreign currency exchange rates were also fallen down due to uncertainty in the market. Heavy innovative collaborations with Mercedes Benz also contributed towards its growth in 2021. There is more to it than it visibly is, in the numbers presented. A thorough analysis must be made by considering more data on Profitability. Only then, a decisive and more promising study can be done.

2. Net Profit Margin (NPM):

The taxes incurred during the year 2021 is surprisingly low compared to year 2020. Nearly 56% reduction in taxation in the year 2021 due to the movement in un-provided deferred tax. Yet, the NPM still scores negative due to the loss for the year. However, the NPM has improved in the year 2021 due to the facts that sales were souring by 3.9 times than that of 2020 Sales. At the same time, the foreign currency exchange went to a minimum of £1 = \$1.162 in February 2020 to a maximum of £1 = \$1.37 in December 2020 (XE, 2023).

NPM apparently scores negative because of the losses the company has incurred during these years. However, the numbers have improved are mainly due to the relaxation of the rules on Covid lockdowns, improvement in global market, availability of resources, returning to work and multiple other things. This number must be positive for the better health of the company.

3. Operating Profit Margin (OPM)

Operating Profit Margin is improved by 7.6 times in 2021 compared to year 2020. Mainly due to the fact that Sales of the cars has soured after the lock down period due to Covid. However, it is still on a negative spectrum in both the years. The selling expenses, operating expenses and administrative expenses played a major role in both the cases to drive the OPM as negative.

Also, due to the fact that Covid and other geopolitical issues eg. Brexit, currency exchange variation played a major role during the year 2020. The expenses are higher than the Gross Profit. Again more data is needed to understand and contribute towards a decisive and promising analysis. The OPM must be positive in order to make sure the company is sustainable.

4. Return on Assets (ROA)

The Net income being negative in both the years, there is negative Return on Assets. ROA has increased by 2.2 times in 2021 compared to year 2020. Mainly due to the record number of sales and reduction in loss value. Again Covid lock down, geo politics, resources played a severe role during the year 2020.

5. Return on Equity (ROE)

The Share Holder Equity decreased in 2021 because of increased borrowings and liabilities. The Net income being negative in both the years, there is negative Return on Equity. However, there is an improvement in 2021 compared to 2020. It has increased by 1.8 times compared to year 2020. Mainly due to the record number of sales and reduction in loss value. Again the lock down, geo politics, resources played a severe role during the year 2020.

B. Liquidity Ratios

These ratios determine the Creditworthiness, ability to pay towards the borrowings, the health of the business, cash availability within the business (Asokan, What does liquidity ratio actually mean?, 2022). These are explained as below

B. Liquidity Ratios		Formula (See Table 1 for Abbreviations)	2021	2020
6	Current Ratio (CR1) =	CA/CL	0.96	1.10
7	Quick Ratios (QR) or Acid Test Ratio (ATR) =	CAS/CL	0.74	0.84
8	Cash Ratio (CR2) =	CCE/CL	0.46	0.61

6. Current Ratios

The Current Ratio is the ratio of current assets to current liabilities. The Current Ratio of 2021 is less than that of 2020. It has decreased in 2021 by nearly 12% because of increase in current liabilities which in turn is due to short term borrowings from the customer deposits and advance payments (Asokan, What does liquidity ratio actually mean?, 2022). In this case, the company's current assets may not be sufficient to repay its current liabilities. This shows the current health of the company and its creditworthiness.

7. Quick Ratios or Acid Test Ratio

In the Acid Test Ratio, the Inventories are not considered to check the ability of payment of short term borrowings (Asokan, What does liquidity ratio actually mean?, 2022). This clearly indicates the necessity to reduce the company's borrowings. Again, the current liabilities played a major role in the decline of Quick ratio (reduction by 0.10) in the year 2021 compared to its predecessor year 2020.

8. Cash Ratios

In the Cash Ratio, the account receivables, Inventories are not considered to check the liquidity amount that is available with the company for paying off short term borrowings (Asokan, 2022). The greater the cash ratio (always should be greater than all liabilities), greater the company's chances to sustain and attract investors. The ratio clearly indicates the necessity to reduce the

company's borrowings. Again, the current liabilities played a major role in the decline of Cash ratio (reduction by 0.14) in the year 2021 compared to its predecessor year 2020.

C. Activity Ratios

These are the efficiency ratios and are a set of financial metrics that show how well the company utilises its current assets to generate revenue over a specific period of time (Corporatefinanceinstitute, 2022).

D. Leverage Ratios		Formula (See Table 1 for Abbreviations)	2021	2020
12	Gearing Ratio (GR) =	$(NCL/EPNCL)*100$	66%	60%
13	Debt / Equity Ratio (DER) =	$(TL/SHE)*100$	330%	248%
14	Long Term Debt to Equity Ratio (LTDER) =	$(LTD/SHE)*100$	193%	147%
15	Interest Coverage (InC) =	$(OP/IE)*100$	-44%	-176%

9. Days Sales Outstanding (DSO)

Also called as Creditors Payables is the amount of time that the company takes to pay the suppliers/vendors. This has reduced to 81 days in 2021 compared to 107 days in 2020. It may be due to the restrictions imposed during Covid or other pressures on the company and it needs to be thorough investigation. Options for looking into discount initiatives needs to be discussed with the vendors or increase the payables window to have more cash in hand. The more the cash in hand, the better the company's health (CFITeam, Days Payable Outstanding, 2022). An arrangement with the Vendors should be made in order to benefit from Creditor period.

10. Inventory Turnover (IT)

Note: For purpose of calculations, average inventory is not considered. Instead inventory for that year is considered.

The Inventory Turnover ratio in 2021 is nearly 4 turns per year compared to its predecessor year of just over 2 turns per year. This equates to approximately 90 days per year in 2021 and 146 days per year. This means the inventory turnover has bettered in 2021 by 1.5 times. Increased values of Inventory Turnover will contribute towards Cash Liquidity partly and hence, stability of the company (CFITeam, Inventory Turnover Ratio, 2022).

11. Days Payable Outstanding (DPO)

The DPO of 354.9 in the year 2021 has declined in comparison to 427.47 in 2020. It means the cash is spent early during the year 2021. Hence, higher DPO is preferred that enables the company to invest on any short term investments or developments within the company. The higher the number of the DPO better credit terms than the competitors. On the contrary lower the DPO, worsen the credit terms than the competitors and less cash in hand. The company should negotiate with the banks, vendors and other parties involved.

D. Leverage Ratios

It is the ratio to compare the total liabilities of the company with the total assets. Higher debt leads to higher values in the ratios and vice versa (Masterclass, 2021)

D. Leverage Ratios		Formula (See Table 1 for Abbreviations)	2021	2020
12	Gearing Ratio (GR) =	$(NCL/EPNCL)*100$	66%	60%
13	Debt / Equity Ratio (DER) =	$(TL/SHE)*100$	330%	248%
14	Long Term Debt to Equity Ratio (LTDER) =	$(LTD/SHE)*100$	193%	147%
15	Interest Coverage (InC) =	$(OP/IE)*100$	-44%	-176%

12. Gearing Ratio (GR)

This is most important and detailed financial ratio. The gearing ratio is over 50% in both the years and it is increased in 2021. This means the company is at higher risk of crashing and high risk of debt pay off during low profits or loss and higher interest rates. The business is in loss as seen in Net Profits in Appendix A: Terminologies and Abbreviations used for calculating Ratios. Further investigations and data is needed to analyse this.

13. Debt / Equity Ratio (DER)

The debt to equity ratio determines the debt taken by the company against the value of its assets (FERNANDO, 2022). Currently, the company's DER is high in both years 2020 and 2021, with 2021 dominating 2020 by 82 units. Therefore, more information is required to analyse the Debt to Equity ratio. Again, greater the DER, higher the risk of the company being in Debt. This will decrease short term investments, payoffs, higher interest rates or even financial collapse, in certain cases. Hence, a thorough data collection is necessary to analyse DR.

14. Long term Debt to Equity Ratio (LTDER)

This is the indicator of the company's long term debt. The LTDER analysis is more emphasised compared to short term debt, as investors could make decision based on the condition of LTDER rather than Short term debts (Carboncollective, 2021). Since the Debt has increased and the Equity has decreased in 2021, the value of LTDER is higher compared to LTDER in 2020. More investigation is needed to emphasise the analysis and make a conclusion.

15. Interest Coverage

Higher the interest coverage, better is the health of the company to pay the interest on its borrowings. Generally the earnings should be way above the interest payables for a company to cover itself for any uncertainties arising in short term. Also helps the company to pay its principal borrowings. In 2021 and 2020, Aston Martin has undergone loss which is why the interest coverage is negative. Covid lockdown has had a detrimental effect on the company's earnings during 2020 and 2021. An improvement in the ratio of around 132 units has been seen in 2021 due to the relaxation of lockdown rules and earnings shot up. More data need to be considered to thoroughly analyse the Interest Coverage of the company.

E. Investors Ratios

These are the ratios which investors use to check the company's ability to generate the returns for their investments.

E. Investor Ratios		Formula (See Table 1 for Abbreviations)	2021	2020
16	Earnings per Ordinary Share (EPS) =	NI/NS	-1.62	-3.57
17	Divident Cover (DC) =	(NI/DPP)*100	#DIV/0!	#DIV/0!
18	Price per Earnings Ratio (PpER) =	MVps/EPS	0	0
19	Dividend Yield Ratio (DYD) =	(DPP/MVps)*100	#DIV/0!	#DIV/0!

Some of the Investor Ratios are either zero or the available data is insufficient to justify them.

Earnings per Ordinary Share (EOS) of -16.32 in 2021 has slightly improved in comparison to -35.7 in 2020. The value is negative as there was a Loss incurred. It means the

Conclusion and Recommendation

The stock market share price is lower and has lost the investor confidence and likely to continue by looking at the numbers. The company has suffered a huge blow during the fiscal years 2020 and 2021 as evidenced through the Loss incurred, although a slight improvement was there during the year 2021. All those ratios analysed in the previous sections indicate, there are high chances of bankruptcy. The share value has fallen down significantly. The liquid cash held, as indicated in the Consolidated Statement of Financial positions, is not available for short term investments like research and developments, marketing etc. The stocks are rated "Highly Speculative" and the trend shown is not a very good sign for long term investors (Stockopedia, n.d.). The net loss incurred has decreased by 54% compared to 2020, which is still a positive sign of improvement in the business. There was a great improvement in terms sales in the year 2021, post Covid lockdown relaxation and better foreign currency exchange value against dollar.

With the ratios analysis, I can estimate that the company is not going in the right direction and its liquidity ratios in particular are not so attractive to overcome any short term investments. The Cash liquidity is 50% less than its Current Liabilities, which is a more worrying situation, as there is a high risk and doubt in absorbing any immediate market shocks. I see a risk of more shareholders dilution in coming days and months, especially due to the fact that net debt reduction reflects a right issue that heavily diluted the share holders (Ruane, 2022). Asset management, borrowing, liability management, maintaining stability, debt reduction, credit payment window widening by negotiating with banks or other stake holders, etc need to be the primary focus for bringing back the confidence in the customers, shareholders, banks etc. The company needs to stabilise with a strong leadership vision to address all the shortcomings of the financial ratios.

With this consideration, where I have considered only 2 years for analysis purposes, I wouldn't recommend to hurry and invest into the company until a stable condition with a strong liquid cash generation in the company is achieved. The company needs a long term vision but at the same time more emphasis on the short term benefits by increasing production of the cars that are on high demand in the market. The company has to go for a strong collaboration and partnership to enhance their revenues and bounce back in the game. It has been a great start in 2020 to issue portion of its shares to Mercedes Benz as a Strategic Cooperation Agreement.

Appendix A: Terminologies and Abbreviations used for calculating Ratios

<i>Description</i>	<i>Symbol</i>	2021 (in Millions)	2020 (In Millions)
Gross Profit (GP)	GP	343.70	111.10
Selling and Distribution expenses (SDE)	SDE	-84.80	-79.60
Administration & Operating expenses(AOE)	AOE	-335.40	-354.40
Loss before tax	LBT	-213.80	-466.00
Taxation (T)	T	24.50	55.50
Net Income (NI)	NI = LBT+T	-189.30	-410.50
Operating Profit (OP)	OP	-76.50	-322.90
Sales(S)	S	1095.30	611.80
Assets (A)	A	2842.50	2794.80
Share Holders Equity (SHE)	SHE	660.40	804.10
Current Assets (CA)	CA	867.90	889.50
Current Liabilities (CL)	CL	905.20	808.30
Current Assets Less Stock (CAS=CA-I)	CAS	671.10	682.10
Cash and Cash Equivalents (CCE)	CCE	418.90	489.40
Trade and other receivables (ToR)	ToR	245.50	178.80
Average Revenue per Day (ARD)	ARD	3.00	1.68
Cost of Goods Sold (COGS)	COGS	751.60	500.70
Trade and other payables (ToP)	ToP	730.80	586.40
Average COGS per Day (ACD)	ACD	2.06	1.37
Non Current Liabilities (NCL or LTD)	NCL or LTD	1276.90	1182.40
Equity Plus Non Current Liabilities (EPNCL)	EPNCL	1937.30	1986.50
Total Liabilities (TL)	TL	2182.10	1990.70
Interest Expense (IE)	IE	173.70	183.10
No. of Shares (NS)	NS	116.50	115.00
Dividend Proposed and Paid (DPP)	DPP	0	0
Market Value per Share (MVpS)	MVpS	0	0
Dividend per Share (DpS)	DpS	0	0
Invenories (I)	I	196.8	207.4

Appendix B : Financial Statements from (AstonMartin, 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.

Group	Share Capital £m	Share Premium £m	Merger Reserve £m	Capital Redemption Reserve £m	Capital Reserve £m	Translation Reserve £m	Hedge Reserves £m	Retained Earnings £m	Non- controlling Interest £m	Total Equity £m
At 1 January 2021	11.5	1,108.2	144.0	9.3	6.6	0.4	10.9	(503.1)	16.3	804.1
Total comprehensive loss for the year										
(Loss)/profit for the year	–	–	–	–	–	–	–	(191.6)	2.3	(189.3)
Other comprehensive income										
Foreign currency translation differences	–	–	–	–	–	2.3	–	–	–	2.3
Fair value movement – cash flow hedges (note 22)	–	–	–	–	–	–	(0.3)	–	–	(0.3)
Amounts reclassified to the Income Statement – cash flow hedges (note 22)	–	–	–	–	–	–	(4.3)	–	–	(4.3)
Remeasurement of Defined Benefit liability (note 25)	–	–	–	–	–	–	–	3.8	–	3.8
Effect of change in rate of taxation (note 9)	–	–	–	–	–	–	(0.8)	6.8	–	6.0
Tax on other comprehensive income (note 9)	–	–	–	–	–	–	1.2	(1.0)	–	0.2
Total other comprehensive income / (loss)	–	–	–	–	–	2.3	(4.2)	9.6	–	7.7
Total comprehensive income / (loss) for the year	–	–	–	–	–	2.3	(4.2)	(182.0)	2.3	(181.6)
Transactions with owners, recorded directly in equity										
Warrant options exercised (note 26)	0.1	15.1	–	–	–	–	–	14.8	–	30.0
Credit for the year under equity settled share-based payments (note 28)	–	–	–	–	–	–	–	3.1	–	3.1
Effect of change in rate of taxation (note 9)	–	–	–	–	–	–	–	4.7	–	4.7
Tax on items credited to equity (note 9)	–	–	–	–	–	–	–	0.1	–	0.1
Reclassification (note 26)	–	0.1	(0.1)	–	–	–	–	–	–	–
Total transactions with owners	0.1	15.2	(0.1)	–	–	–	–	22.7	–	37.9
At 31 December 2021	11.6	1,123.4	143.9	9.3	6.6	2.7	6.7	(662.4)	18.6	660.4

	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

	Notes	2021 £m	2020 £m
Operating activities			
Loss for the year		(189.3)	(410.5)
<i>Adjustments to reconcile loss for the year to net cash inflow from operating activities</i>			
Tax credit on operations	9	(24.5)	(55.5)
Net finance costs		137.3	143.1
Other non-cash movements		(0.1)	2.2
Depreciation and impairment of property, plant and equipment	4	65.3	50.8
Depreciation and impairment of right-of-use lease assets	4	9.3	14.8
Amortisation and impairment of intangible assets	4	137.6	168.5
Difference between pension contributions paid and amounts recognised in Income Statement		(11.4)	(4.1)
Decrease/(increase) in inventories		7.7	(4.8)
(Increase)/decrease in trade and other receivables		(75.4)	67.4
Increase/(decrease) in trade and other payables		52.8	(118.6)
Increase/(decrease) in advances and customer deposits	20	70.7	(52.8)
Movement in provisions		(0.2)	11.0
Cash generated from/(used in) operations		179.8	(188.5)
Decrease/(increase) in cash held not available for short term use	19	8.1	(0.9)
Income taxes paid	9	(9.0)	(9.2)
Net cash inflow/(outflow) from operating activities		178.9	(198.6)
Cash flows from investing activities			
Interest received	7	1.1	2.3
Increase in loan assets	17	(1.4)	–
Decrease in loan assets	17	0.9	–
Payments to acquire property, plant and equipment	14	(40.7)	(81.0)
Payments to acquire intangible assets	12	(144.0)	(179.7)
Net cash used in investing activities		(184.1)	(258.4)
Cash flows from financing activities			
Interest paid	27	(118.0)	(82.3)
Proceeds from equity share issue		–	812.8
Proceeds from issue of equity warrants		15.3	34.6
Proceeds from financial instrument utilised as part of refinancing transactions		–	6.9
Principal element of lease payments	27	(9.9)	(12.2)
Repayment of existing borrowings	27	(37.3)	(1,092.3)
Proceeds from inventory repurchase arrangement	20	19.0	76.8
Repayment of inventory repurchase arrangement		(40.0)	(80.0)
Proceeds from new borrowings	27	108.5	1,252.7
Transaction fees paid on issuance of shares		(1.3)	(34.9)
Transaction fees paid on financing activities	27	(2.8)	(41.9)
Net cash (outflow)/inflow from financing activities		(66.5)	840.2
Net (decrease)/increase in cash and cash equivalents	23	(71.7)	383.2
Cash and cash equivalents at the beginning of the year		489.4	107.9
Effect of exchange rates on cash and cash equivalents		1.2	(1.7)
Cash and cash equivalents at the end of the year		418.9	489.4

26 SHARE CAPITAL AND OTHER RESERVES

Allotted, called up and fully paid	Number of Shares	Nominal Value £	Share Capital £m	Share Premium £m	Merger Reserve £m	Capital Redemption Reserve £m
Opening balance at 1 January 2020	228,002,890	0.009039687	2.1	352.3	–	–
Private placing ¹	76,000,000	0.009039687	0.7	170.3	–	–
Rights issue ²	1,216,011,560	0.009039687	11.0	353.7	–	–
Non-pre-emptive placing and retail offer ³	304,000,000	0.009039687	2.7	–	149.4	–
Placing Shares ⁴	250,000,000	0.009039687	2.3	122.7	–	–
Tranche 1 Consideration Shares ⁵	224,657,287	0.009039687	2.0	140.3	–	–
Issue of new shares ⁶	3	0.009039687	–	–	–	–
Transaction costs arising on the issuance of ordinary shares	–	–	–	(31.1)	(5.4)	–
	2,298,671,740	0.009039687	20.8	1,108.2	144.0	–
Share split – original shares ⁷	2,298,671,740	0.005000000	11.5	–	–	–
Share split – deferred shares ⁷	2,298,671,740	0.004039687	9.3	–	–	–
Cancellation of deferred shares ⁷	(2,298,671,740)	(0.004039687)	(9.3)	–	–	9.3
	2,298,671,740	0.005000000	11.5	1,108.2	144.0	9.3
Consolidation of shares ⁷	(2,183,738,153)	–	–	–	–	–
Balance as at 31 December 2020 and 1 January 2021	114,933,587	0.100000000	11.5	1,108.2	144.0	9.3
Exercise of warrant options ⁸	1,525,926	0.100000000	0.1	15.1	–	–
Transfer between reserves	–	–	–	0.1	(0.1)	–
Closing balance at 31 December 2021	116,459,513	0.100000000	11.6	1,123.4	143.9	9.3

- On 31 March 2020 the Company issued 76.0m ordinary shares by way of a private placing. The shares were issued at 225p raising gross proceeds of £171.0m, with £0.7m recognised as share capital and the remaining £170.3m recognised as share premium.
- On 1 April 2020 the Company issued 1,216.0m ordinary shares by way of a rights issue. The shares were issued at 30p raising gross proceeds of £364.7m, with £11.0m recognised as share capital and the remaining £353.7m recognised as share premium. Due to the shares being issued at substantially below market price, a bonus issue is deemed to have taken place. A total of 642.4m shares issued were considered bonus shares. The weighted average shares used to calculate Earnings Per Share (see note 11) has been adjusted accordingly.
- On 26 June 2020 the Company issued 304.0m ordinary shares through a non-pre-emptive placing and retail offer. The shares were issued at 50p raising gross proceeds of £152.1m, with £2.7m recognised as share capital and the remaining £149.4m recognised as merger reserve. The merger reserve is used where more than 90% of the shares in a subsidiary are acquired and the consideration includes the issue of new shares by the Company, thereby attracting merger relief under the Companies Act 2006.
- On 7 December 2020 the Company issued 250.0m ordinary shares by way of a placing. The shares were issued at 50p raising gross proceeds of £125.0m, with £2.3m recognised as share capital and the remaining £122.7m recognised as share premium.
- On 7 December 2020 the Company issued 224.7m ordinary shares by way of Tranche 1 Consideration shares. The shares were issued at 63.34p in reflection of the fair value of access to technology assets acquired (see note 12), with £2.0m recognised as share capital and the remaining £140.3m recognised as share premium.
- On 14 December 2020 the Company issued 3 ordinary shares. The shares were issued at 81.65p raising gross proceeds of £2.45. The shares were issued to facilitate the share consolidation in sub-note 7 below.
- On 14 December 2020 the Company underwent a capital reorganisation. Each ordinary 0.9p share was split into one ordinary 0.5p share and one deferred 0.4p share. The deferred shares were repurchased by the Company for consideration of £1. The deferred shares were subsequently cancelled by the Company resulting in a movement from share capital into the Capital Redemption Reserve of £9.3m. Each holder of ordinary shares was entitled to 1 new ordinary share of 10p in respect of 20 ordinary 0.5p shares held.
- On 15 July 2021 945,131 ordinary shares in the Company were issued to satisfy the redemption of 18,902,665 warrant options. £9.5m of cash was received for the shares. On 22 July 2021 330,795 ordinary shares in the Company were issued to satisfy the redemption of 6,615,932 warrant options. £3.3m of cash was received for the shares. On 11 December 2021 250,000 ordinary shares in the Company were issued to satisfy the redemption of 5,000,003 warrant options. £2.5m of cash was received for the shares. Upon issuance of the shares the corresponding derivative option liability is extinguished resulting in a total credit to Retained Earnings during the year ended 31 December 2021 of £14.8m.

33 ALTERNATIVE PERFORMANCE MEASURES CONTINUED

INCOME STATEMENT

	2021 £m	2020 £m
Loss before tax	(213.8)	(466.0)
Adjusting operating expenses (note 4)	2.2	98.0
Adjusting finance expense (note 8)	–	75.5
Adjusting finance income (note 7)	(34.1)	(6.9)
Adjusted loss before tax (EBT)	(245.7)	(299.4)
Adjusted finance income	(2.3)	(33.1)
Adjusted finance expense	173.7	107.6
Adjusted Operating Loss (EBIT)	(74.3)	(224.9)
Adjusted Operating Margin	(6.8%)	(36.8%)
Reported depreciation	74.6	55.7
Reported amortisation	137.6	99.1
Adjusted EBITDA	137.9	(70.1)
Adjusted EBITDA Margin	12.6%	(11.5%)

EARNINGS PER SHARE

	2021 £m	2020 £m
Adjusted earnings per ordinary share		
Loss available for equity holders (£m)	(191.6)	(419.3)
Adjusting items (note 5)		
Adjusting items before tax (£m)	(31.9)	166.6
Tax on adjusting items (£m)	(8.3)	(32.9)
Adjusted loss (£m)	(231.8)	(285.6)
Basic weighted average number of ordinary shares (million) ¹	115.5	77.2
Adjusted loss per ordinary share (pence)	(200.8p)	(369.9p)
Adjusted diluted earnings per ordinary share		
Adjusted loss (£m)	(231.8)	(285.6)
Diluted weighted average number of ordinary shares (million)	115.5	77.2
Adjusted diluted loss per ordinary share (pence)	(200.8p)	(369.9p)

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

33 ALTERNATIVE PERFORMANCE MEASURES CONTINUED

NET DEBT

	2021 £m	2020 £m
Opening cash and cash equivalents	489.4	107.9
Cash inflow/(outflow) from operating activities	178.9	(198.6)
Cash outflow from investing activities	(184.1)	(258.4)
Cash (outflow)/inflow from financing activities	(66.5)	840.2
Effect of exchange rates on cash and cash equivalents	1.2	(1.7)
Cash and cash equivalents at 31 December	418.9	489.4
Cash held not available for short term use	1.8	9.9
Borrowings	(1,189.2)	(1,084.8)
Lease liabilities	(103.4)	(103.0)
Inventory repurchase arrangement	(19.7)	(38.2)
Net Debt	(891.6)	(726.7)
Adjusted EBITDA	137.9	(70.1)
Adjusted leverage	6.5x	n.m

FREE CASH FLOW

	2021 £m	2020 £m
Net cash inflow/(outflow) from operating activities	178.9	(198.6)
Cash used in investing activities (excluding interest received)	(185.2)	(260.7)
Interest paid less interest received	(116.9)	(80.0)
Free cash flow	(123.2)	(539.3)

PARENT COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

	Notes	31 December 2021 £m	31 December 2020 £m
Non-current assets			
Investments	3	957.4	957.4
Debtors	4	713.7	759.7
Creditors	5	(219.1)	(330.0)
Net assets		1,452.0	1,387.1
Capital and reserves			
Share capital	6	11.6	11.5
Share premium		1,123.4	1,108.2
Capital redemption reserve	6	9.3	9.3
Capital reserve	6	2.0	2.0
Merger reserve	6	143.9	144.0
Retained earnings		161.8	112.1
Shareholder equity		1,452.0	1,387.1

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

KENNETH GREGOR
CHIEF FINANCIAL OFFICER

Company Number: 11488166

The profit on ordinary activities after taxation amounts to £34.9m (2020: loss of £90.1m).

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

Company	Share Capital £m	Share Premium £m	Capital Redemption Reserve £m	Capital Reserve £m	Merger Reserve £m	Retained Earnings £m	Total Equity £m
At 1 January 2021	11.5	1,108.2	9.3	2.0	144.0	112.1	1,387.1
Total comprehensive income for the year							
Profit for the year	–	–	–	–	–	34.9	34.9
Total comprehensive income for the year	–	–	–	–	–	34.9	34.9
Transactions with owners recorded directly in equity							
Warrant options exercised (note 5)	0.1	15.1	–	–	–	14.8	30.0
Transfer between categories	–	0.1	–	–	(0.1)	–	–
Total transactions with owners	0.1	15.2	–	–	(0.1)	14.8	30.0
At 31 December 2021	11.6	1,123.4	9.3	2.0	143.9	161.8	1,452.0

Company	Share Capital £m	Share Premium £m	Capital Redemption Reserve £m	Capital Reserve £m	Merger Reserve £m	Retained Earnings £m	Total Equity £m
At 1 January 2020	2.1	352.3	–	2.0	–	202.2	558.6
Total comprehensive income for the year							
Loss for the year	–	–	–	–	–	(90.1)	(90.1)
Total comprehensive income for the year	–	–	–	–	–	(90.1)	(90.1)
Transactions with owners recorded directly in equity							
Issuance of ordinary shares (note 6)	18.7	755.9	–	–	144.0	–	918.6
Capital reduction	(9.3)	–	9.3	–	–	–	–
Total transactions with owners	9.4	755.9	9.3	–	144.0	–	918.6
At 31 December 2020	11.5	1,108.2	9.3	2.0	144.0	112.1	1,387.1

Adjusting operating items of £2m predominantly related to ERP implementation costs (2020: £98m – predominantly impairment of capitalised development costs).

Net adjusted financing costs of £171m were up from £75m in the prior year reflecting a full year of the £1.1bn equivalent US\$ notes issued in October 2020 and the £70m equivalent notes issued in February 2021. The charge also includes a £12m adverse FX charge given the US\$ denomination of the notes (2020 included a £31m FX benefit). Adjusted loss before tax was £246m (2020: £299m loss). The adjusting net finance credit of £34m related to fair value movements of outstanding warrants (2020: adjusting net finance charge of £69m), leading to a reduced loss before tax of £214m (2020: £466m).

The tax credit on the adjusted loss before tax is £16m. The effective tax rate at 6.6% is lower than the 19% standard UK tax rate mainly due to movements in unprovided deferred tax related to losses and a restriction on the amount of interest that can be deducted for tax purposes. Tax on adjusting items was recognised as appropriate and resulted in a net tax credit of £8m, giving an overall tax credit of £25m.

The total share count at 31 December 2021 was 116 million following the exercise of 1.5 million warrants linked to the second lien notes. The weighted average number of shares in 2021 was 116 million. 4.8 million warrants remain outstanding and are exercisable until December 2027. The Company is embedding the first tranche of technology from Mercedes-Benz AG into its product renewal and expansion pipeline. There are currently no plans to issue additional shares to Mercedes-Benz AG until early 2023.

SUMMARY INCOME STATEMENT AND ANALYSIS

£m	FY-21	FY-20
Revenue	1,095.3	611.8
Cost of sales	(751.6)	(500.7)
Gross profit	343.7	111.1
Gross margin %	31.4%	18.2%
Operating expenses ¹	(418.0)	(336.0)
of which depreciation & amortisation	212.2	154.8
Adjusted operating loss²	(74.3)	(224.9)
Adjusting operating items	(2.2)	(98.0)
Operating loss	(76.5)	(322.9)
Net financing expense	(137.3)	(143.1)
of which adjusting financing items	34.1	(68.6)
Loss before tax	(213.8)	(466.0)
Taxation	24.5	55.5
Loss for the period	(189.3)	(410.5)
Adjusted EBITDA^{1,2}	137.9	(70.1)
Adjusted EBITDA margin	12.6%	n.m.
Adjusted loss before tax¹	(245.7)	(299.4)
EPS (pence)	(165.9)	(543.0)
Adjusted EPS (pence)²	(200.8)	(369.9)

1. Excludes adjusting items;

2. For definition of alternative performance measures please see note 33 of the Financial Statements

Net cash inflow from operating activities was £179m (2020: £199m outflow) including a net working capital inflow of £56m. The largest movement was receivables, a £75m increase, given the phasing of Q4 deliveries due to supply chain constraints in the quarter; this has substantially unwound in the first eight weeks of 2022. There was an offsetting £71m deposit inflow highlighting strong demand for Aston Martin Valkyrie Spider and Valhalla and a £53m payables inflow principally associated with future product rollout plans. Inventories reflected the working capital benefits of the manufacturing consolidations completed during the year, £8m lower despite the step up for Aston Martin Valkyrie build and the expanded product portfolio.

Capital expenditure was £185m, lower than the c.£215m-£230m previously guided, as product development plans mature, aligned to medium-term business plan objectives. Investment was focused on DBX derivatives, the next generation of front-engine vehicles due to launch in 2023 and Aston Martin Valkyrie programme vehicles.

Free cashflow of £(123)m was significantly improved on the prior year (2020: £(539)m) reflecting the improved trading performance, demand for Specials, tight working capital control and planned capital expenditure phasing.

Cash inflow from financing (excluding interest) of £52m included gross proceeds from note issuance of £77m in February. The net cash outflow of £72m resulted in a closing cash balance of £419m at 31 December 2021 (31 December 2020: £489m).

CASH FLOW AND NET DEBT

£M	FY-21	FY-20
Cash generated/(used) from operating activities	178.9	(198.6)
Cash used in investing activities (excl. interest)	(185.2)	(260.7)
Net cash interest paid	(116.9)	(80.0)
Free Cash outflow	(123.2)	(539.3)
Cash inflow from financing activities (excl. interest)	51.5	922.5
(Decrease)/increase in net cash	(71.7)	383.2
Effect of exchange rates on cash and cash equivalents	1.2	(1.7)
Cash balance	418.9	489.4

£M	FY-21	FY-20
Loan Notes ¹	(1,074.9)	(965.0)
Inventory financing	(19.7)	(38.2)
Bank loans and overdrafts	(114.3)	(119.8)
Lease liabilities (IFRS 16)	(103.4)	(103.0)
Gross debt	(1,312.3)	(1,226.0)
Cash balance	418.9	489.4
Cash not available for short-term use	1.8	9.9
Net debt	(891.6)	(726.7)

1. US\$ notes of £1.1bn equivalent (First lien of £840m at 10.5% interest maturing in November 2025; Second lien of £259m at 15.0% split interest (8.9% cash; 6.1% PIK) with detachable warrants maturing in November 2026). These instruments carry no-call options of three years for the second lien and four years for the first lien.

Cash at 31 December 2021 of £419m included £77m gross proceeds from the note issuance completed in February. Net debt at 31 December 2021 was £892m (31 December 2020: £727m) reflecting the free cash outflow. With the exercise of some of the warrants attached to the second lien notes, the Company received cash of £15m in the year.

Gross debt includes £80m drawn down on the RCF, broadly unchanged year-on-year (2020: £79m), reduced inventory financing of £20m (2020: £38m) as the Company tightly managed working capital requirements, and a £12m FX revaluation of the US\$ denominated notes.

The Strategic Report was approved by the Board and signed on its behalf by:

TOBIAS MOERS
CHIEF EXECUTIVE OFFICE
22 FEBRUARY 2022

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