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BIIM Innovation Management Level 7 - Financial Management and Planning ACPA7002

Assessment - Business review of another business utilising their published Financial Statements

Title: Business Review - Aston Martin Lagonda

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Executive Summary

Aston Martin is an English manufacturer of luxury cars whose competitors include Ferrari. They have made significant investment over recent years in new products and marketing. This report uses financial ratio analysis to consider a potential joint venture opportunity for a £5m project.

Financial ratios analysis is important for understanding financial statements and the report discusses the financial statements which are used and details the use and limitations of financial ratios. The bases of comparison for financial ratios are presented and the report utilises past periods and similar businesses to evaluate business performance.

Annual reports and interim financial statements covering the periods 2019 - Q3-2022 were used to calculate twenty one financial ratios within the groups of profitability, liquidity, activity, leverage and investor. The results are analysed and critically evaluated.

Reports from Ferrari covering 2019 - 2021 were analysed to calculate selected ratios. Comparisons are presented which highlight the differential in business performance between the two businesses.

Information from outside of the financial statements has been used to identify issues which are not apparent from the financial ratios analysis. These include a large net debt, negative cash flow and rapidly decreasing stock market valuation.

Using the financial ratios, the past periods and similar businesses comparison and additional information referenced, the recommendation is that the project be held at least for one year for further analysis. Business improvements have been seen, but there has been disruption with senior executive changes and the improvements are not sufficient to recommend an investment at this time.

1. Introduction

Aston Martin, founded in 1913, is an English manufacturer of luxury cars and their vision is “to be the world’s most desirable, ultra-luxury British brand, creating the most exquisitely addictive performance cars” (Aston Martin, 2022). Listed on the London Stock Exchange as Aston Martin Lagonda Global Holdings plc (AML), they have manufacturing sites in Gaydon (for sports car production) and St Athan (DBX production) and design, manufacture and export cars to 55 countries around the world. Further business information is shown in Figure 1.



Company
Aston Martin
Automotive, Leisure, Manufacturing, Product Design, Recreational Vehicles

About

Established January 15, 1913 in Gaydon, United Kingdom

Aston Martin Lagonda Global Holdings manufacture luxury sports cars and grand tourers independently. Lionel Martin and Robert Bamford founded it in 1913. Steered from 1947 by David Brown, it became associated with expensive grand touring cars in the 1950s and 1960s, and with the fictional character James Bond following his use of a DB5 model in the 1964 film Goldfinger. People regard their sports cars as a British cultural icon. Aston Martin has held a Royal Warrant as purveyor of motorcars to the Prince of Wales since 1982. It has over 150 car dealerships in over 50 countries on six continents, making them a global automobile brand. Investors trade the company at the London Stock Exchange and is a constituent of the FTSE 250 Index. It received the Queen's Award for Enterprise for outstanding contribution to international trade in 2003.

<http://www.astonmartin.com>
<http://twitter.com/astonmartin>
<http://www.facebook.com/astonmartin/>
<http://www.linkedin.com/company/aston-martin-lagonda-ital/>

Key Facts

Revenue range Estimated \$500M to \$1B	Sanctions & alerts 6 issues found
Total funding Estimated 1,125,188,881 USD	Companies House ID 11488166
Employees Estimated 1001-5000	Patents 90 found for company
Status Operating stage is IPO	
Articles 894 articles reference this org	

Companies House

Number: 11488166

Company name
ASTON MARTIN LAGONDA GLOBAL HOLDINGS PLC

Registered office address
Aston Martin, Banbury Road, CV35 9DB, Gaydon, United Kingdom

Company directors

SIC Codes
74990

Last accounts
group, made up to 2021-12-31

Confirmation status
Last made up to 2022-07-30. Next due 2023-08-13

Figure 1 - SimplyDo Innovation Intelligence Overview for Aston Martin Lagonda Global Holdings PLC

AML has expanded its range of models and invested heavily in marketing over the past couple of years which included the opening of the St Athan manufacturing facility in 2019. A branding change announced last year (Aston Martin LinkedIn, 2022) had the aim of further accelerating “its growth amongst new audiences”. This was the “first major update to the marque since 2003 and only the eighth time in Aston Martin’s 109-year history”.



Figure 2 - Aston Martin rebranding

AML was saved from collapse in early 2020 in a £500m rescue deal by a consortium led by the Canadian billionaire Lawrence Stroll and stated that they had “cut their losses in 2021” (Partridge, 2022) whilst referencing disruption to its supply chain and a slow start to deliveries of its new model car Valkyrie. Truett (2022) described AML as: “Wood. Leather. Timeless styling. Brutal performance. And a brand image admired the world over thanks to the James Bond connection.”

A SWOT analysis by MBA Skool, 2020 is shown in Table 1. This report will examine AML’s published Financial Statements from 2019 to Q3-2022 to calculate and evaluate Financial Ratios and will analyse other sources of business information, including the SWOT analysis, to conclude with a recommendation on a potential joint venture opportunity for a £5m project.

STRENGTHS	WEAKNESSES
• Aston Martin has a high brand equity and strong legacy • Rich historical heritage and values leading to strong customer connect • Strong engineering & designing team of Aston Martin ensures a stylish & powerful range of cars • Ultimate luxury & comfort through its cars as well as services • Cutting Edge & innovative technological features • Strong presence of Aston Martin in racing and motor sports events • Strong marketing and branding through advertising	• Comparatively, lesser market penetration • Limited product portfolio of Aston Martin cars in emerging economies

OPPORTUNITIES	THREATS
• Expanding automobile market can be tapped by Aston Martin • The historical values and heritage can be leveraged to acquire new customers • Increase market penetration through extensive distribution and increased promotion • Attract more customers through competitive pricing	• Increasing fuel costs & strict government policies & taxes can affect Aston Martin sales • Competition from other big automobile giants • Product innovations and frugal engineering by competitors

Table 1 - Aston Martin SWOT Analysis (MBA Skool, 2020)

2. Use and Limitations of Financial Ratios

Financial modelling uses three Statements which “facilitate analysing and comparing an organisation’s financial position and performance” (WallStreetMojo, 2022):

1. Income Statement (or Profit and Loss Statement);
2. Balance Sheet, and;
3. Cash Flow Statement.

The Statements are interlinked meaning that “each of these statements will impact the values of the other statements” (CFI, 2022) - Figure 3. Interpreting financial statements begins with a consideration of the wider context: economic conditions; changes in the industry (e.g. regulation, technology); and the competitive advantage (e.g. marketing, operations, distribution etc.) held by the business (Collins, 2015) as financial statements cannot capture certain non-quantitative factors that may be essential to an evaluation (Fridson and Alvarez, 2011).

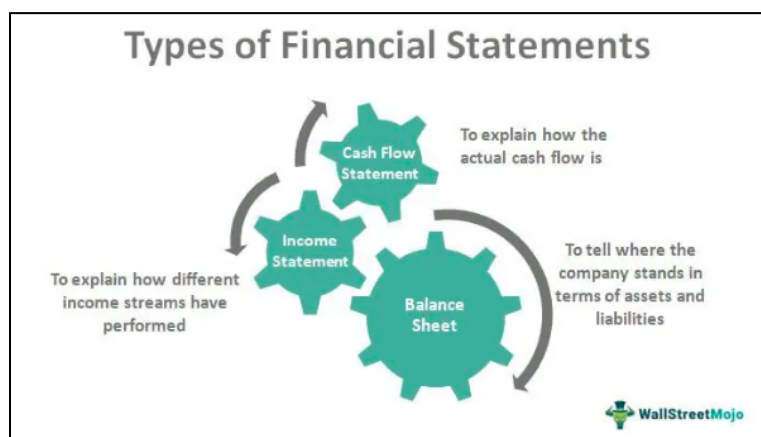


Figure 3 - Types of Financial Statements and how they are Interlinked (WallStreetMojo, 2022)

Statements are collated at a point in time, a consideration when using them for analysis. As a UK Public Limited Company listed on the London Stock Exchange, AML is governed by rules (Figure 4) and are required to issue interim (half-yearly) and annual financial statements. These common rules allow the comparison of companies within different countries.

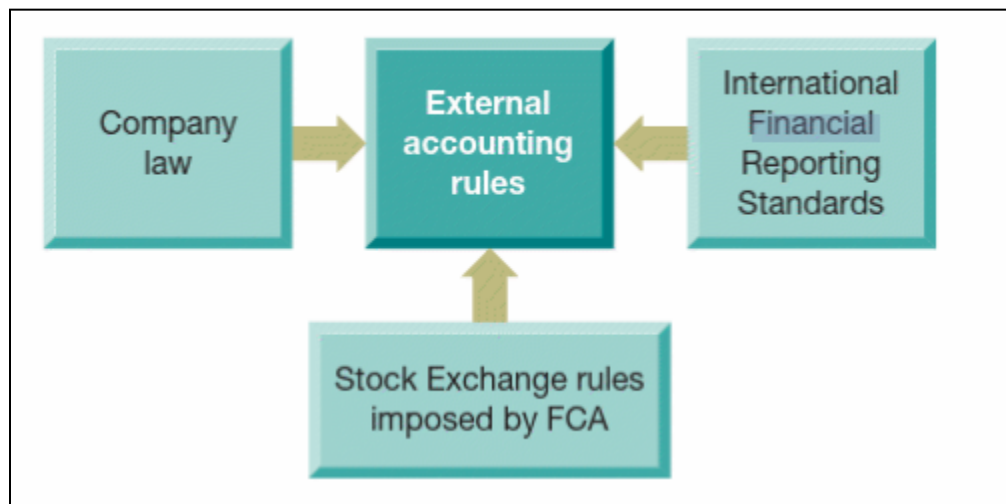


Figure 4 - Sources of External Accounting Rules for a UK Public Limited Company listed on the London Stock Exchange (Atrill and McLaney, 2019)

Financial ratios provide a quick and relatively simple means of assessing the financial health of a business (Atrill and McLaney, 2019) and can be very helpful to managers in a wide variety of decision areas, such as profit planning, working capital management, financial structure and dividend policy (Atrill, 2017). Financial ratios analysis is important for understanding financial statements, identifying movements and developments and measuring the overall business's financial state, particularly in identifying positive and negative financial trends (Rashid, 2018). Altman (1968) also stated that there is a definite potential of ratios as predictors of bankruptcy.

Beaver, 1966 and Zmijewski, 1983 adopted an approach referred to as univariate analysis looking at one ratio at a time to determine if it exhibited a trend that could be a warning sign of business failure. Beaver's research, for example, analysed the average current ratio of failed businesses for five years prior to failure, along with the average current ratio of non-failed businesses for the same period, Figure 5.

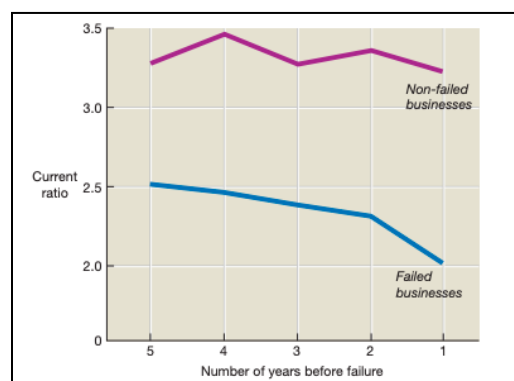


Figure 5 - Average (mean) current ratio of failed and non-failed businesses

Analysing the health of a business based on a single ratio has issues particularly where one ratio may predict business failure whilst a second does not. Barrow, 2008 states that: “No one would use a single ratio to decide whether one vehicle was a better or worse buy than another. MPG, MPH, annual depreciation percentage and residual value proportion are just a handful of the ratios that would need to be reviewed. So it is with a business.” Models such as the Z-score model (Altman, 2000) combine financial ratios to predict financial distress among businesses and this could be explored as further research.

The financial metrics used in assessing an organisation's financial performance include liquidity, efficiency, profitability, solvency, and market valuation ratios (Prajapati, 2019). Financial ratios can be grouped into the five categories (Figure 6), each relating to an area of financial performance and the ratios to be calculated within each category are shown in Table 2.

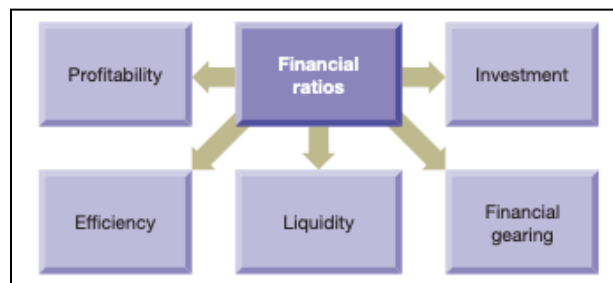


Figure 6 - The Key Aspects of Financial Health, Atrill and McLaney (2019)

Aspect of Financial Health	Financial Ratios	Description
Profitability - Profitability Ratios	Gross Margin % Operating profit % Net profit % Return on assets Return on equity	Reflect how well a company can convert its resources and assets into income
Efficiency - Activity Ratios	Days Sales Outstanding (DSO) Inventory turns Days payable outstanding (DPO) Asset Turnover Ratio	Measure how a company uses its resources to generate sales
Liquidity - Liquidity Ratios	Current ratio Quick ratio Cash ratio	Measure a company's ability to meet short-term debt obligations without raising additional capital
Investment - Investor Ratios	Earnings per ordinary share Dividend cover Price per earnings ratio Dividend Yield ratio	Often used by investors to evaluate stocks as potential investments, analyse stock trends, and more
Financial Gearing - Leverage Ratios	Gearing ratio Debt/equity ratio LT debt/equity ratio Interest coverage Debt Ratio	Provide important information about the company's capital structure, its ability to meet financial obligations, and how it uses debt to finance its operations

Table 2 - Categories of Financial Ratios

The financial ratio formulas are shown in Appendix 1 with a description of each ratio in Table 3 and a list of alternative terms is also presented.

Financial ratios do have their limitations (Atrill and McLaney (2019) :

1. **Quality of Financial Statements** - the ratios are based on financial statements and these have their own limitations. They do not include all resources and are produced at a point in time. Other sources of data should be taken into consideration for the process of analysis and making judgments about the company's future concern. For instance, business conditions, interpretation, and changes within the company itself in their strategy should be evaluated (Noreen, Brewer & Garrison, 2011).
2. **Creative Accounting** - despite there being rules, Financial Statements may not present a fair view of a business' financial position as businesses can use their own accounting policies.
3. **Inflation** can affect the reported value of assets meaning that comparisons of performance can be hindered.
4. **Over-reliance on Ratios** - Collier, 2015, discusses how business analysis must also consider competition, economic environment, business strategy and relativity to other measures.
5. **Bases for Comparison** - is required for ratios to be useful (Figure 7) as every business is different and this can limit ratio analysis.

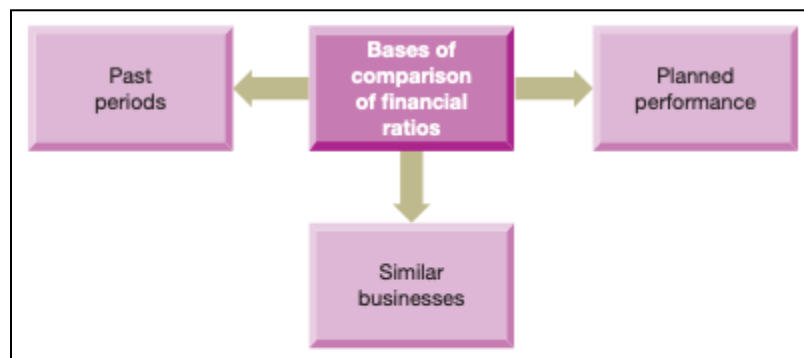


Figure 7 - The Commonly Used Bases of Comparison for Financial Ratios

In summary, ratio analysis is a way of gaining a better understanding of financial performance. Ratios enable comparisons between periods and with other companies (Marsh, 2012), but we need to take care not to jump to conclusions when using ratio analysis. It is a tool to guide our questioning and for further analysis.

3. Ratio Analysis

AML's annual and interim reports (AML, 2022) for 2020, 2021 and Q3-2022 were used to obtain Financial Statements - Appendix 2. The Financial Ratios are calculated (Appendix 4) and an analysis of the results follows.

PROFITABILITY RATIOS

Gross margin dropped in 2020, but has increased by 15 percentage points at Q3-2022. Sales decreased in 2020 and the CEO statement in the 2020 Annual Report refers to “a challenging year in terms of business performance with the impact of COVID-19 and our own actions to reset and provide a platform for future growth.” Investment in future products continued resulting in increased operating losses at that time. An improvement in the rate of gross profit may be the result of higher selling prices, lower cost of sales, or changes in the mix of product/services sold or different market segments in which they are sold, which may reflect differential profitability - Collier 2015.

Operating profit is normally the most appropriate measure of operational performance (Atrill, 2020) as it is not influenced by financing. Operating profit margin is negative for the periods analysed and worsened in Q3-2022 compared to 2021 (by 10 percentage points). In contrast, Gross margin improved in Q3-2022 by 2 percentage points showing that the operating expenses were greater compared with sales revenue in Q3-2022 than 2021 - with operating expenses increasing by £127m.

Net profit, return on assets (ROA) and return on equity (ROE) were negative and whilst all improved slightly in 2021, they have returned to the 2020 levels for Q3-2022. Whilst net profit can include one-off expense and gains, the negative ROA and ROE show that for every pound of assets it holds, it is making a loss and there is a negative net income relative to shareholders' equity (CFI Team, 2022). ROE is of interest to investors and the results show that AML is highly dependent on debt financing.

LIQUIDITY RATIOS

Current Ratio became >1 in Q3-2022 meaning there are more current assets than current liabilities. Companies with a high current ratio are financially strong and can remain solvent (Reinertsen and Håkedal (2021)), so this is moving in the right direction, but has shown fluctuation.

Quick ratio measures a company's immediate ability to cover its current liabilities with its most liquid assets (e.g. cash, cash equivalents, marketable securities, accounts receivable) and excludes inventory and prepaid expenses since they can take weeks or months to turn into cash. Quick ratio was previously <1 and equalled 1 in Q3-2022 showing that current liabilities can now be paid off with liquid assets.

Cash ratio was below 1 indicating that current liabilities could not be paid off in cash. This improved from 2019 to 2020, but decreased again for 2021.

When analysing a company, investors and creditors want to see a company with liquidity ratios above 1.0, CFI Team (2022) and only AML's current ratio meets this criteria.

ACTIVITY RATIOS

Days Sales Outstanding (DSO) can impact a company's cash flow and is an important tool for measuring the liquidity of a company's current assets (CFI, 2022). AML's improved DSO shows that there have been improvements to the credit control systems.

Inventory represents a significant investment for a business with AML's being £197m at the end of 2021. **Inventory turns** reduced in 2020, but has increased 2021 - Q3-2022 showing that inventory is being used more quickly - with inventory being 'turned over' 3.42 times per year.

Businesses can look to increase their **Days Payable Outstanding (DPO)**, but this can lead to a loss of goodwill for suppliers (Atrill and McLaney, 2019). A high DPO can also indicate that a company is struggling to pay their creditors. AML's DPO increased in 2020 and reduced in 2021, but was still higher than 2019.

For all periods, AML's DSO is lower than DPO showing that customers are paying more quickly than creditors are being paid giving a stronger cash flow position. Improving the Activity Ratios will result in an improvement in Liquidity Ratios, so we would expect to see an improvement in DSO and DPO for Q3-2022.

Asset turnover ratio measures how efficiently a company manages its assets to generate larger sales and is linked to GDP growth, consumption growth, and industrial output expansion (Patin, Rahman and Mustafa, 2020). This ratio is below 1 for all periods showing that the company is not efficient at using assets to generate sales.

LEVERAGE RATIOS

The extent to which a business is geared (financed from borrowing) is an important factor in assessing risk (Atrill and McLaney, 2019) with the effect of financial gearing shown in Figure 8.

Gearing ratio measures the contribution of long-term lenders to the long-term capital structure of a business (Atrill, 2020). Investopedia 2021 states that a company with a Gearing Ratio of greater than 50% is at greater financial risk, because during times of lower profits and higher interest rates, the company would be more susceptible to loan default and bankruptcy. AML are over 50% for all periods and, whilst improved in 2020, have shown a higher level in Q3-2022 indicating a high proportion of debt to equity.

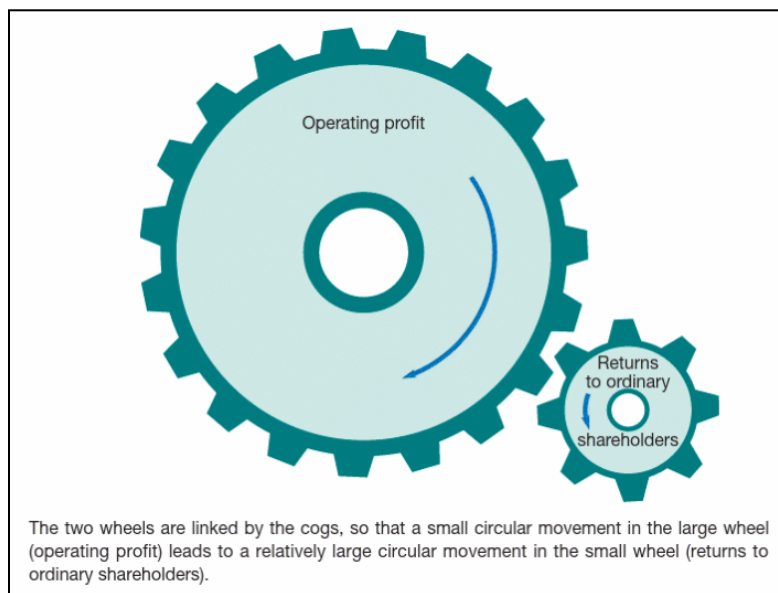


Figure 8 - The Effect of Financial Gearing

Debt to equity ratio shows a very high level of long-term debt compared to equity and, whilst it has reduced from 2019, shows that the shareholders' equity does not cover the debt. For Q3-2022, for every £1 of equity in the business, there was £3.32 of liability (300 times as much debt as equity). The total liabilities from the balance sheet has increased year-on-year since 2019. However, debt can actually help companies increase their growth potential, so this important financial ratio should be used in conjunction with other metrics to gauge a company's financial health - InvestingAnswers, 2021.

Long-term debt to equity ratio is a method used to determine the leverage (the use of debt to finance an organisation's activities and asset purchases) that a business has taken on (AccountingTools, 2022). This reduced in 2020, but increased in 2021 showing that for every £1 in equity, there was £1.63 of long-term liability. Q3-2022 was not calculable, but in all years analysed this was high, indicating that AML may be unable to pay the interest on its debt if cash flows decline.

Interest coverage looks at whether a business generates enough operating profit to cover the interest charges and "helps ratio lenders and creditors gauge the level of risk involved in lending"

(InvestingAnswers, 2021). Q3-2022 reported the finance expense YTD 2022 of £362.9m against YTD 2021 of £120.4m. Interest Coverage was negative for all periods and, whilst improved from 2020, would classify AML as high risk to lenders as companies with a high ratio are considered financially stable and investors often use this measure to calculate the riskiness of a company relative to its current debt (Reinertsen and Håkedal, 2021).

Debt Ratio measures the extent of a company's leverage and defines how much of a company's assets are funded by debt (Investopedia, 2022). A value of >1 indicates that the company has more debt than assets. AML has a fairly high debt ratio, but is less than 1 and has reduced from 2019.

INVESTOR RATIOS

These ratios are designed to help shareholders assess the returns on their investments and are often used by investors to evaluate stocks as potential investments and analyse stock trends (InvestingAnswers, 2021).

Dividend Cover determines the number of times a company can pay dividends and **Dividend Yield** relates a cash return from a share to its current market value (Atrill and McLaney, 2019). AML has paid no dividends in any of the periods analysed (Fidelity International, 2022) resulting in both of these ratios being zero, reflecting a high risk.

Earnings per ordinary share (EPS) is negative for all periods, but has improved since 2020. Atrill and McLaney, 2019, noted that whilst EPS is a fundamental measure of share performance, there is a danger in placing too much emphasis on this ratio. This was highlighted by Smith, 2014 showing how Tesco showed a rise in EPS but ignored that more capital was being employed to generate those earnings at ever lower returns with the company raising debt to help pay its dividend.

Price per earnings (P/E) ratio is a measure of market confidence in the future of a business (Atrill, 2020). P/E ratio for the periods analysed was negative indicating that the business has reported losses. Whilst it is not always a sign of impending bankruptcy, if a company consistently shows a negative P/E ratio for a long period (e.g. five years) then the company is not in good financial health (Investopedia, 2020).

As different industries simply have different ratio expectations (Bloomenthal, 2022), Financial Statements from AML's competitor Ferrari (Figure 9) will be used for analysis in addition to the past period analysis. Financial Statements (Appendix 3) from their 2021 Annual Report (Ferrari, 2022) were used to calculate selected financial ratios (Appendix 5).



Figure 9 - Aston Martin Competitors (Zoominfo, 2022)

Key points identified are:

- Gross margin was consistently >50% compared to AML now >30%
- Calculable profitability ratios were positive and all increased in 2021. ROA for 2021 was >5%, considered 'good' (InvestingAnswers, 2022)
- 2021 DSO was seven times lower and DPO over 50% lower than AML
- Inventory turns in 2021 were almost six times higher. AML's inventory turns are low compared to the average of 10.11 Q1-2022 for automotive and truck manufacturers, CSI Market (2022). This conflicts with Stroll stating in the 2021 Annual Report "we now hold optimum stock levels for an ultra luxury business".
- Interest coverage in 2021 shows their ability to repay debt

Graphs showing a comparison of the Profitability Ratios for AML and Ferrari are shown in Appendix 6.

4. Summary of Findings

Before analysis of the financial ratios, it is useful to look at some information from the financial statements and Annual reports as these can identify issues which the ratios will not:

- 2022 YTD unit sales are down 4.5% compared to 2021 YTD (4060 v 4250 units) with sales in the Americas, which had been their largest region, having dropped 20% - Figure 10

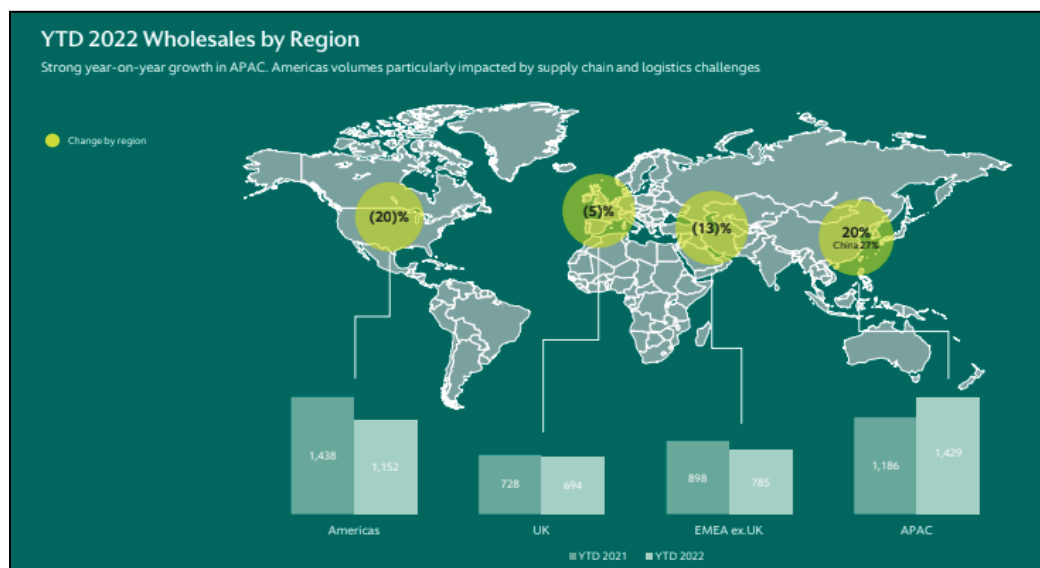


Figure 10 - YTD 2022 Wholesales by Region (Aston Martin, 2022 Q3 Results Presentation, page 8)

- DBX sales reduced by 16% YTD Q3-2022, Specials were down 11%, but Sport increased by 27%. With high investment in DBX, this questions if the investment has been managed effectively.

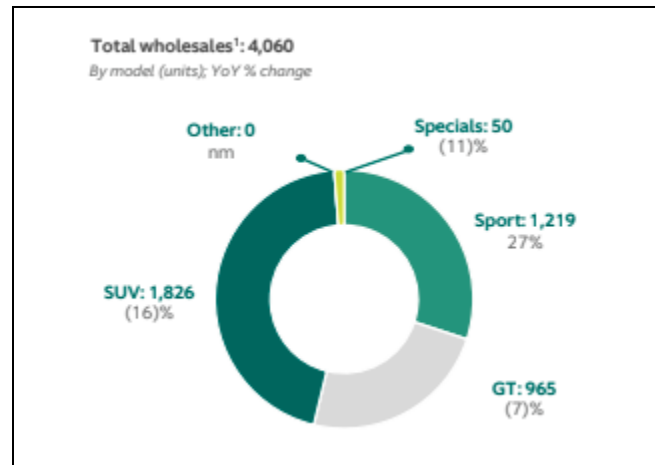


Figure 11 - 2022 YTD Wholesales mix (Aston Martin, 2022 Q3 Results Presentation, page 7)

- Net debt has increased by £25 million to £833m, Figure 12, which is, in part, due to FX effects.

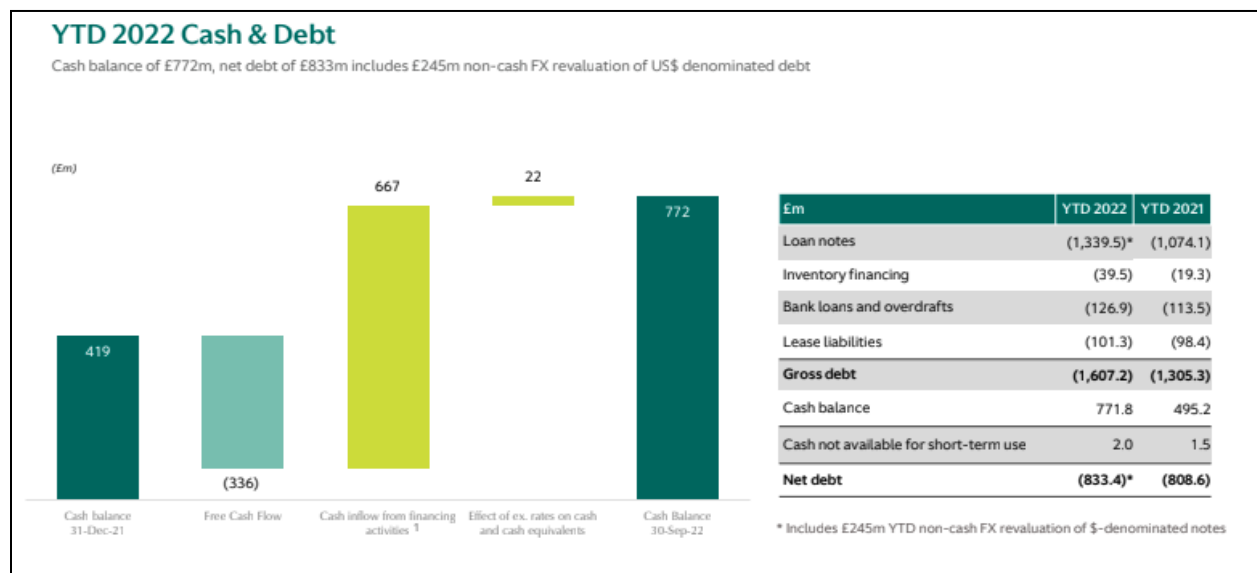


Figure 12 - Year to date 2022 Cash & Debt (Aston Martin 2022 Q3 Results Presentation, page 11)

- Net cash flow remains negative and has worsened since 2021, Figure 13.

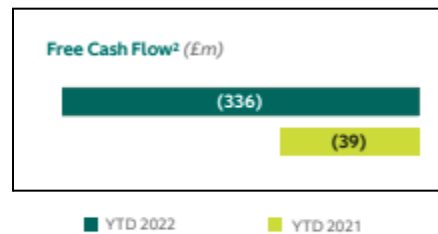


Figure 13 - Free Cash Flow (Aston Martin 2022 Q3 Results Presentation, page 6)

- Revenue YTD Q3-2022 of £857m is far from the medium term target of £2bn by 2024/25
- AML re-forecast wholesales for 2022 from >6,600 units to 6,200-6,600. This is only 62-66% of the 2024/25 target of 10,000 units with there being no clear strategy of how this increase will occur despite the quote below.

"We ended June with more than 350 DBX707s that we had planned to deliver in Q2, still awaiting final parts, consuming tens of millions in cash and temporarily limiting our ability to meet the strong demand we have." Further adding "We have now started to deliver these vehicles in July and expect further improvements in the supply chain as we move through H2, supporting the delivery of our full year targets."

- Stroll (Reuters, 2022)

- Non current assets increased by £300m in 2020, but has since then remained stable. The increase did not result in additional revenue, but the COGS did see a reduction.
- Inventory has reduced by 32% between 2019 and Q3-2022
- COGS reduced in Q3-2022 - AML 2021 annual report stated that a 20% manufacturing cost per unit reduction would be seen in 2022
- Cash balance has increased (£772m at end Q3-2022 compared to £419m at end 2021), but this includes the £641m net proceeds from the equity capital raise (AML, 2022) and net debt remains high at £833m end Q3-2022. This level of debt will continue to affect profitability.
- Whilst revenues look to be increasing, operating loss increased YTD Q3-2022 contradicting the CEO statement below

“2022 will see an even greater impact, with further cost savings, plus significant volume growth from new product launches, as core wholesales are expected to increase by c.8%, driving a c.50% improvement in Adjusted EBITDA from the core business in 2022.”

- Tobias Moers, CEO (AML, 2021 Annual Report)

AML's shares have lost 97% of their value of the last four years (Ruane 2022) - Figure 14. In contrast, Ferrari: “Since its float in 2016 Ferrari's market cap has jumped from £5 billion to £30 billion” (AJBell, 2022) - Figure 15. Reinertsen and Håkedal (2021) state that whilst investor preferences change over time, companies with healthy financial ratios should perform well in the future stock market as well. The stock market decline matches the poor financial ratios.



Figure 14 - Aston Martin's Stock Market Horror Story (AJBell Investcentre, 2022)

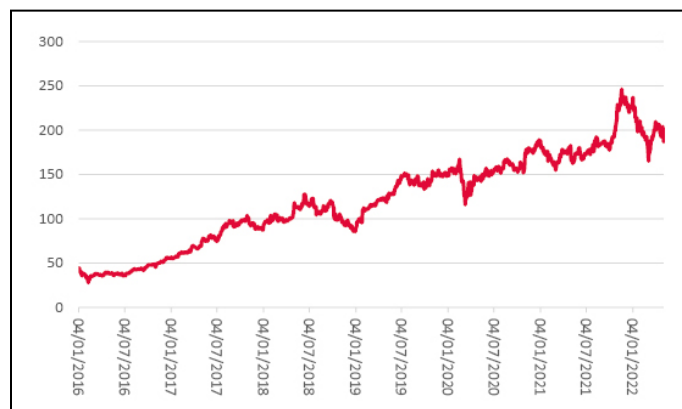


Figure 15 - Ferrari Accelerates after IPO (AJBell Investcentre, 2022)

In 2020, the CEO stated that it had been a transformational year and that several cost efficiencies had been identified which would bring positive results in 2021. Whilst there were improvements to some financial ratios, Q3-2022 saw a decline in the Profitability Ratios questioning this transformation and suggesting that business performance is diminishing. This conclusion is drawn both from analysing the profitability ratios for the periods reviewed and also by comparing these results with Ferrari. To summarise:

- Profitability ratios give varied performance. Gross margin is low compared to Ferrari and all other ratios remain negative with net profit of -60% whilst Ferrari achieved 19% in 2021.
- Liquidity ratios are slightly improving with current and quick ratios now both being 1 or above. However, Beaver, 1966 (Figure 5) would suggest that businesses with a current ratio <2 could be 1 year away from business failure. Cash ratio remains below 1 meaning that current liabilities cannot be paid off in cash.
- Activity ratios have seen some improvement with customers paying quicker, suppliers being paid quicker and stock turning over more demonstrating improvements to the credit control systems.
- Leverage ratios have not changed significantly and liabilities have increased, highlighting the high level of debt. AML's earnings cannot cover the interest, which is of high risk to lenders.
- Investor ratios show that no dividends have been paid and share returns are poor.

5. Conclusion and Recommendations

Business performance has seen some improvement, but still has far to go to reach the financial ratios expected of such an organisation and its rival Ferrari. AML continues to invest with £213m capital expenditure YTD Q3-2022, but struggled to deliver its order book with Felisa stating that "like many other automotive companies, [we] are managing the effect of global supply chain and logistic disruption as well as inflationary pressure". This does not appear to be the case for competitors such as Ferrari. AML also states that their target gross margin is 40%. They are quite some way off this and Ferrari have consistently held over 50% despite the same economic and supply chain conditions.

Stroll, the firm's executive chair, said that when he invested he expected the company's transformation to take four to five years, but from the financial analysis this appears optimistic. With the CEO and CTO being replaced in 2022, seeing the third CEO in three years, there has been further change to strategic direction which can only result in disruption.

A study reported in The Emerging Markets Journal 2022 demonstrated that profitability ratios affect stock prices of automotive companies and this is evident with AML. Profitability ratios are low and stock prices have dropped. With 2022 targets being re-forecast in Q3, this adds additional concern about their ability to meet the medium term targets and contradicts the below quote.

"Based on the hard work and achievements of 2021, I am more assured than ever of reaching our medium-term objectives of achieving revenues of circa £2bn and Adjusted EBITDA of circa £500m by 2024/25."

Stroll (AML, 2021 Annual Report)

The investment recommendation would be to hold, review the 2022 Annual Report and H2 2023 results for further analysis to determine if ratios improve and commitments are withheld or if further cash injection is being sought. The automotive market remains flat and a combination of rising inflation, geopolitical unrest and residual supply issues linked to Covid-19 has suppressed demand (Robinson, 2022). AML has a large debt, has seen their negative cash flow increase (essential for long-term business survival) and is not seeing the transformation planned by Stroll.

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Appendices

Appendix 1 - Financial Ratios

Financial ratio formulas:

Profitability Ratios (Five ratios)

Gross Profit Margin =	$(\text{Gross Profit} / \text{Sales}) \times 100$
Operating Profit Margin =	$(\text{Operating Profit} / \text{Sales}) \times 100$
Net Profit Margin =	$(\text{Net Income} / \text{Sales}) \times 100$
Return on Assets =	$(\text{Net Income} / \text{Assets}) \times 100$
Return on Equity =	$\text{Net Income} / \text{Shareholder's Equity}$

Activity Ratios (Three ratios)

Days Sales Outstanding (DSO) =	$\text{Accounts Receivable} / \text{Average Revenue per day}$
Inventory Turnover =	$\text{Cost of Goods Sold} / \text{Average Inventory}$
Days Payable Outstanding (DPO) =	$\text{Accounts Payable} / \text{Average Cost of Goods Sold per Day}$

Liquidity Ratios (Three ratios)

Current Ratio =	$\text{Current Assets} / \text{Current Liabilities}$
Quick Ratio =	$\text{Current Assets less Stock} / \text{Current Liabilities}$
Cash Ratio =	$\text{Cash and Cash Equivalents} / \text{Current Liabilities}$

Leverage Ratios (Four ratios)

Gearing Ratio =	$(\text{Non Current Liabilities} / \text{Equity plus Non Current Liabilities}) \times 100\%$
Debt / Equity Ratio =	$(\text{Total Liabilities} / \text{Stockholders Equity}) \times 100\%$
Long Term Debt / Equity Ratio =	$(\text{Long term debt} / \text{Stockholders Equity}) \times 100\%$
Interest Coverage =	$(\text{Operating Profit} / \text{Interest Charge}) \times 100\%$

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Investor Ratios (Four ratios)

Earnings per Ordinary Share =	Net Income (<i>Profit after tax</i>) / Number of Shares
Dividend Cover = 100%	(Net Income (<i>Profit after tax</i>) / Dividend Proposed and Paid) x 100%
Price per Earnings Ratio =	Market Value per Share / Earnings per Ordinary Share
Dividend Yield Ratio =	(Dividend per Share / Market Value per Share) x 100%

Formulas for additional ratios referenced: (InvestingAnswers, 2021)

Activity Ratio

Asset Turnover Ratio =	Net Sales / Average Total Assets
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Leverage Ratio

Debt Ratio =	Total Liabilities / Total Assets
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Financial Ratio	Brief Description
<i>PROFITABILITY RATIOS</i>	
Gross Margin %	Measures a company's earnings in relation to its revenue. [1]
Operating profit %	Relates the operating profit for the period to the sales revenue. [2]
Net profit %	Measures how much net income or profit is generated as a percentage of revenue. [3]
Return on assets	Measures a company's ability to generate income from its assets. Expressed as a percentage, this common financial ratio indicates how much profit can be derived from each dollar of assets owned by the company. [1]
Return on equity	Measures a company's ability to generate earnings in relation to its shareholders' equity. Expressed as a percentage, this financial ratio indicates how much profit is generated for each dollar of shareholders' equity [1]
<i>LIQUIDITY RATIOS</i>	
Current ratio	Measures a company's ability to cover its current liabilities (debts due within one year) by using its current assets. Expressed as a numerical value, this important financial ratio indicates how many times current liabilities can be covered by current assets. [1]
Quick ratio (or acid-test ratio)	Measures a company's immediate ability to cover its current liabilities with its most liquid assets (e.g. cash, cash equivalents, marketable securities, accounts receivable). While similar to the current ratio, it excludes inventory and prepaid expenses since they can take time to turn into cash. [1]
Cash ratio	Measures a company's ability to cover its current liabilities using only its cash and cash equivalents. Indicates how many times a company's short-term debt obligations (current liabilities) can be covered by its cash and cash equivalents, such as marketable securities. [1]
<i>ACTIVITY RATIOS</i>	
Days Sales Outstanding (DSO)	Highlights the company's efficiency in issuing credit and collecting money owed by its clients. [1]
Inventory turns	Measures the number of times a company sells (or otherwise replaces) its inventory within a given period. It is used to determine how effectively a company's inventory is managed and how quickly its products are sold. [1]

Days Payable Outstanding (DPO)	Gauges a company's efficiency in paying its creditors and is often a factor in determining creditworthiness. [1]
Asset Turnover Ratio	Measures how efficiently a company generates sales from its assets. In other words, it is the value of sales that it earns for each dollar of owned assets. [1]
<i>LEVERAGE RATIOS</i>	
Gearing ratio	Measures the contribution of long-term lenders to the long-term capital structure of a business. [2]
Debt/equity ratio	Measure of a company's debt in relation to its equity. It indicates the degree to which its operations are funded by debt and whether shareholders' equity can cover total liabilities. [1]
LT debt/equity ratio	Same as debt/equity, but looking at whether the shareholders' equity can cover long-term liabilities.
Interest coverage	Measures a company's ability to pay the interest on its debt. Since interest coverage helps ratio lenders and creditors gauge the level of risk involved in lending, it is a very important ratio for financial analysis. [1]
Debt Ratio	Measure of a company's debt in relation to its assets. It indicates the percentage of the company's assets that are funded by debt – and the degree to which its assets could be used to cover its debts. [1]
<i>INVESTOR RATIOS</i>	
Earnings per ordinary share (EPS)	Relates the earnings generated by the business, and available to shareholders, during a period to the number of shares in issue. The trend in earnings per share over time is used to help assess the investment potential of a business's shares. [2]
Dividend cover	Measures the proportion of earnings that a business pays out to shareholders in the form of dividends. [2]
Price per earnings ratio	Measures a company's share price in relation to its earnings per share. It indicates whether the market price of a stock reflects the company's earnings potential or true value, and helps investors determine if it is under or overvalued. [1]
Dividend Yield ratio	Relates the cash return from a share to its current market value. This can help investors to assess the cash return on their investment in the business. [2]

Table 3 - Financial Ratios Summary Descriptions (sources [1] InvestingAnswers, 2021, [2] Atrill, 2020 and [3] Investopedia, 2022)

Due to differences across organisations, potential alternative terms for use with financial ratios are shown below (Davies, 2022).

- Alternative Terms
 - Revenue / Turnover / Sales
 - COGS / Stock consumed
 - Gross Margin / Gross Profit
 - Operating costs / Admin Costs / Overheads
 - Operating Profit / Operating Margin
 - Net Income / Net Profit / Net Margin
 - Fixed Assets / Long Term Assets / Non Current Assets
 - Debtors / Accounts Receivable / Trade and other receivables
 - Stock / Inventory / Good Held
 - Creditors / Accounts Payables / Trade and other Payables

Appendix 2 - Aston Martin Financial Statements

Aston Martin Lagunda, 2022 - 2020 Annual Report - used for 2019 data

2020 Annual Report Income Statement

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020							
		2020			2019 restated *		
	Notes	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.

2020 Annual Report 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

2020 Annual Report Cash Flow Statement

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020			
	Notes	2020 £m	2019 restated* £m
Operating activities			
Loss for the year		(410.5)	(117.6)
<i>Adjustments to reconcile loss for the year to net cash inflow from operating activities</i>			
Tax credit on continuing operations	10	(55.5)	(2.0)
Net finance costs		143.1	67.6
Other non-cash movements		2.2	(4.4)
Loss on sale of property, plant and equipment	4	–	0.9
Depreciation and impairment of property, plant and equipment	4	50.8	38.8
Depreciation and impairment of right-of-use lease assets	4	14.8	13.3
Amortisation and impairment of intangible assets	4	168.5	112.4
Difference between pension contributions paid and amounts recognised in Income Statement		(4.1)	(4.4)
Increase in inventories		(4.8)	(33.3)
Decrease/(increase) in trade and other receivables		67.4	(31.8)
Decrease in trade and other payables		(118.6)	(51.8)
(Decrease)/increase in advances and customer deposits	21	(52.8)	48.4
Movement in provisions		11.0	4.5
Cash (used in)/generated from operations		(188.5)	40.6
Decrease in cash held not available for short-term use	20	(0.9)	(8.7)
Income taxes paid	10	(9.2)	(12.5)
Net cash (outflow)/inflow from operating activities		(198.6)	19.4
Cash flows from investing activities			
Interest received	8	2.3	5.0
Payments to acquire property, plant and equipment	15	(81.0)	(82.2)
Payments to acquire intangible assets	13	(179.7)	(228.0)
Net cash used in investing activities		(258.4)	(305.2)
Cash flows from financing activities			
Interest paid	28	(82.3)	(52.0)
Proceeds from equity share issue		812.8	–
Proceeds from issue of equity warrants		34.6	–
Proceeds from financial instrument utilised as part of refinancing transactions		6.9	–
Principal element of lease payments	28	(12.2)	(10.9)
Repayment of existing borrowings	28	(1,092.3)	(91.5)
Proceeds from existing borrowings	28	–	102.3
Proceeds from inventory repurchase arrangement	21	76.8	38.7
Repayment of inventory repurchase arrangement		(80.0)	–
Proceeds from new borrowings	28	1,252.7	260.8
Transaction fees paid on issuance of shares	28	(34.9)	–
Transaction fees paid on financing activities	28	(41.9)	(4.1)
Net cash inflow from financing activities		840.2	243.3
Net increase/(decrease) in cash and cash equivalents	24	383.2	(42.5)
Cash and cash equivalents at the beginning of the year		107.9	144.6
Effect of exchange rates on cash and cash equivalents		(1.7)	5.8
Cash and cash equivalents at the end of the year		489.4	107.9

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

Aston Martin Lagonda, 2022 - 2021 Annual Report - used for 2021 and 2020 data

2021 Annual Report 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	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)	(354.4)
Operating loss	4	(74.3)	(2.2)	(76.5)	(224.9)	(322.9)
Finance income	7	2.3	34.1	36.4	33.1	40.0
Finance expense	8	(173.7)	–	(173.7)	(107.6)	(183.1)
Loss before tax		(245.7)	31.9	(213.8)	(299.4)	(466.0)
Income tax credit	9	16.2	8.3	24.5	22.6	55.5
Loss for the year		(229.5)	40.2	(189.3)	(276.8)	(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.

ASTON MARTIN LAGONDA ANNUAL REPORT AND ACCOUNTS 2021

2021 Annual Report 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

2021 Annual Report Cash Flow Statement

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CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021

	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

Aston Martin Lagunda, 2022 - 2023 Third Quarter Results - used for 2022 data

Summary Income Statement

£m	YTD 2022	YTD 2021	Q3 2022	Q3 2021
Revenue	857.2	736.4	315.5	237.6
Cost of sales	(571.0)	(514.5)	(217.4)	(159.0)
Gross profit	286.2	221.9	98.1	78.6
Gross margin %	33.4%	30.1%	31.1%	33.1%
Operating expenses ²	(414.4)	(287.0)	(153.6)	(107.7)
of which depreciation & amortisation	208.0	137.4	76.7	52.6
Adjusted EBIT ²	(128.2)	(65.1)	(55.5)	(29.1)
Adjusting operating items	(20.2)	(3.1)	(3.0)	(1.1)
Operating loss	(148.4)	(68.2)	(58.5)	(30.2)
Net financing expense	(362.9)	(120.4)	(167.4)	(67.7)
of which adjusting financing income	19.0	12.9	(5.4)	(1.1)
Loss before tax	(511.3)	(188.6)	(225.9)	(97.9)
Taxation	(6.7)	28.0	(2.3)	8.4
Loss for the period	(518.0)	(160.6)	(228.2)	(89.5)
Adjusted EBITDA ^{1,2}	79.8	72.3	21.2	23.5
Adjusted EBITDA margin	9.3%	9.8%	6.7%	9.9%
Adjusted loss before tax ²	(510.1)	(198.4)	(217.5)	(95.7)
EPS (pence) ^{2,3}	(156.1)	(49.8)		
Adjusted EPS (pence) ^{2,3}	(155.7)	(57.0)		

1. For definition of alternative performance measures please see Appendices; 2. Excludes adjusting items; 3. EPS has been restated in the comparative period to reflect the 4 for 1 rights issue in September 2022

Summary Cash Flow

£m	YTD 2022	YTD 2021	Q3 2022	Q3 2021
Cash (used in)/generated from operating activities	(56.9)	151.4	(23.8)	47.8
Cash used in investing activities (excl. interest)	(213.4)	(136.2)	(75.2)	(45.2)
Net cash interest (paid) / received	(65.3)	(54.3)	(2.8)	2.8
Free cash (outflow)/inflow	(335.6)	(39.1)	(101.8)	5.2
Cash inflow / (outflow) from financing activities (excl. interest)	666.7	44.0	707.7	(18.4)
Increase / (decrease) in net cash	331.1	4.9	605.9	(13.2)
Effect of exchange rates on cash and cash equivalents	21.8	0.9	9.7	2.8
Cash balance	771.8	495.2	771.8	495.2

Net Debt Overview

£m	30-Sep-22	31-Dec-21	30-Sep-21
Loan notes	(1,339.5)	(1,074.9)	(1,074.1)
Inventory financing	(39.5)	(19.7)	(19.3)
Bank loans and overdrafts	(126.9)	(114.3)	(113.5)
Lease liabilities (IFRS 16)	(101.3)	(103.4)	(98.4)
Gross debt	(1,607.2)	(1,312.3)	(1,305.3)
Cash balance	771.8	418.9	495.2
Cash not available for short term use	2.0	1.8	1.5
Net debt	(833.4)	(891.6)	(808.6)

Summary Balance Sheet

£m	30-Sep-22	31-Dec-21	30-Sep-21
Non-current assets	1,978.2	1,974.6	1,978.1
Current assets	1,416.0	867.9	856.8
Total assets	3,394.2	2,842.5	2,834.9
Current liabilities	1,082.8	905.2	878.4
Non-current liabilities	1,526.4	1,276.9	1,267.4

Total liabilities	2,609.2	2,182.1	2,145.8
Total equity	785.0	660.4	689.1

Appendix 3 - Ferrari Financial Statements

Ferrari, 2022 - 2021 Annual Report

Consolidated Income Statement

CONSOLIDATED INCOME STATEMENT

FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019

(€ thousand)

	Note	For the years ended December 31,		
		2021	2020	2019
Net revenues	4	4,270,894	3,459,790	3,766,615
Cost of sales	5	2,080,613	1,686,324	1,805,310
Selling, general and administrative costs	6	348,024	336,126	343,179
Research and development costs	7	768,104	707,385	699,211
Other expenses/(income), net	8	5,561	18,475	4,991
Result from investments		6,896	4,647	3,522
EBIT		1,075,488	716,127	917,446
Net financial expenses	9	33,257	49,092	42,082
Profit before taxes		1,042,231	667,035	875,364
Income tax expense	10	209,095	58,155	176,656
Net profit		833,136	608,880	698,708
<i>Net profit attributable to:</i>				
Owners of the parent		830,767	607,817	695,818
Non-controlling interests	3	2,369	1,063	2,890
Basic earnings per common share (in €)	12	4.50	3.29	3.73
Diluted earnings per common share (in €)	12	4.50	3.28	3.71

Consolidated Statement of Financial Position

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, 2021 AND 2020

(€ thousand)

	Note	At December 31,	
		2021	2020
Assets			
Goodwill	13	785,182	785,182
Intangible assets	14	1,138,173	979,290
Property, plant and equipment	15	1,353,165	1,226,630
Investments and other financial assets	16	54,509	42,841
Deferred tax assets	10	168,757	152,221
Total non-current assets		3,499,786	3,186,164
Inventories	17	540,575	460,617
Trade receivables	18	185,000	184,260
Receivables from financing activities	18	1,143,968	939,607
Current tax receivables	18	14,306	12,438
Other current assets	18	122,224	76,471
Current financial assets	19	13,500	40,084
Cash and cash equivalents		1,344,146	1,362,406
Total current assets		3,363,719	3,075,883
Total assets		6,863,505	6,262,047
Equity and liabilities			
Equity attributable to owners of the parent		2,205,898	1,785,186
Non-controlling interests	3	5,518	4,018
Total equity	20	2,211,416	1,789,204
Employee benefits	22	101,200	59,985
Provisions	23	150,868	155,335
Deferred tax liabilities	10	95,973	113,474
Debt	24	2,630,011	2,724,745
Other liabilities	25	726,775	687,462
Other financial liabilities	19	36,520	2,140
Trade payables	26	797,832	713,807
Current tax payables		112,910	15,895
Total equity and liabilities		6,863,505	6,262,047

Appendix 4 - Aston Martin Financial Ratio Calculations

* £million (except share data)	Q3-2022	Annual Report 2021		Annual Report 2020	Term used or notes	Financial Statement Used
		2021	2020	2019 (restated figures)		
Gross Profit	286.2	343.7	111.1	337.8	* Gross profit	Income Statement
Sales	857.2	1095.3	611.8	980.5	* Revenue	Income Statement
Operating profit	-148.4	-76.5	-322.9	-52	* Operating Loss	Income Statement
Net income	-518.0	-189.3	-410.5	-117.6	* Loss for the year / period	Income Statement
Assets	3394.2	2842.5	2794.8	2231.1	* Total assets	Balance Sheet
Shareholders equity	785.0	660.4	804.1	329.6	* Total shareholders' equity	Balance Sheet
Current assets	1416.0	867.9	889.5	567.5	* Current assets	Balance Sheet
Current liabilities	1082.8	905.2	808.3	890.2	* Current liabilities	Balance Sheet
Stock	333.8	196.8	207.4	200.7	* Inventories (Q3-2022 results states £137m increase)	Balance Sheet
Cash & cash equiv	Not available	418.9	489.4	107.9	* Cash & Cash equivalents	Balance Sheet
Accounts receivable	Not available	245.5	178.8	251.5	* Trade & Other receivables (current and non-current)	Balance Sheet
COGS	571.0	751.6	500.7	942.7	* Cost of sales	Income Statement
Inventory	137.0	196.8	207.4	200.7	* Inventories (Q3-2022 presentation slide 10)	Balance Sheet
Avg inventory	166.9	202.1	204.1	200.7	Calculated	N/A
Accounts payable	Not available	730.8	586.4	743.5	* Trade & Other Payables (current and non-current)	Balance Sheet

Non current liabilities	1526.4	1276.9	1182.4	1011.3	* Non current liabilities	Balance Sheet
Non current liabilities (interest bearing debt)	Not available	1074.9	971.3	839.1	* Borrowings from Non current Liabilities	Balance Sheet
Equity	785.0	660.4	804.1	329.6	* Net assets or Total equity	Balance Sheet
Total liabilities	2609.2	2182.1	1990.7	1901.5	* Total liabilities	Balance Sheet
Interest charge	362.9	173.7	183.1	83.9	* Finance expense £362.9 for Q3-2022 from Net Financing expense	Income Statement
No. shares	Not available	115.500	77.200	43.5	* 2021 Annual Report Pg 175 (point 11) - Weighted average number of diluted ordinary shares (million)	N/A
Dividend paid	0	0	0	0	* 2021 Annual Report Pg 174 (point 10) 2020 Annual Report pg 116 (Point 11) * Q3-2022 using Fidelity International (2022)	N/A
Market value per share (£)	1.195	1.353	2.009	3.337	* Obtained from Investing.com (2022) For dates 31 Dec 2020/2021 and 31 Sep 2022	N/A

Financial Ratios - Aston Martin

PROFITABILITY RATIOS	Q3-2022	2021	2020	2019
Gross Margin %	33.39%	31.38%	18.16%	34.45%
Operating profit %	-17.31%	-6.98%	-52.78%	-5.30%
Net profit %	-60.43%	-17.28%	-67.10%	-11.99%
Return on assets	-15.26%	-6.66%	-14.69%	-5.27%
Return on equity	-65.99%	-28.66%	-51.05%	-35.68%
LIQUIDITY RATIOS	Q3-2022	2021	2020	2019
Current ratio	1.31	0.96	1.10	0.64
Quick ratio	1.00	0.74	0.84	0.41
Cash ratio	Not calculable	0.46	0.61	0.12
ACTIVITY RATIOS	Q3-2022	2021	2020	2019
DSO	Not calculable	81.81	106.67	93.62
Inventory turns	3.42	3.72	2.45	4.70
DPO	Not calculable	354.90	427.47	287.87
Asset Turnover Ratio	0.27	0.39	0.24	0.44
LEVERAGE RATIOS	Q3-2022	2021	2020	2019
Gearing ratio	66.04%	65.91%	59.52%	75.42%
Debt/equity ratio	332.38%	330.42%	247.57%	576.91%
LT debt/equity ratio	Not calculable	162.76%	120.79%	254.58%
Interest coverage	-0.41	-0.44	-1.76	-0.62
Debt Ratio	0.77	0.77	0.71	0.85
INVESTOR RATIOS	Q3-2022	2021	2020	2019
Earnings per ordinary share	-1.57*	-1.64	-5.32	-2.70
Dividend cover	0	0	0	0
Price per earnings ratio	-0.76	-0.83	-0.38	-1.23
Dividend Yield ratio	0	0	0	0

* EPS for Q3-2022 obtained from Q3-2022 results presentation page 15 - other years are calculated

Appendix 5 - Ferrari Ratio Calculations

* Euro million	Annual Report 2021			Term used or notes	Financial Statement Used
(except share data)	2021	2020	2019		
Gross Profit	2190.0	1774.0	1961.0	* Net revenues - Cost of Sales	Income Statement
Sales	4271.0	3460.0	3766.0	* Net revenues	Income Statement
Operating profit	1075.0	716.0	917.0	* EBIT	Income Statement
Net income	833.0	609.0	699.0	* Net profit	Income Statement
Assets	9052.9	9051.3	Not determined	* Total assets	Balance Sheet
Shareholders equity	Not determined			* Total shareholders' equity	Balance Sheet
Current assets	3364.0	3076.0	Not determined	* Current assets	Balance Sheet
Current liabilities	Not determined				Balance Sheet
Stock	541.0	461.0	Not determined	* Inventories	Balance Sheet
Cash & cash equiv	1344.0	1362.0	898.0	* Cash & Cash equivalents	Balance Sheet
Accounts receivable	185.0	184.0	Not determined	* Trade Receivables	Balance Sheet
COGS	2081.0	1686.0	1805.0	* Cost of sales	Income Statement
Inventory	102.1	96.7	Not determined	* Inventories	Balance Sheet
Avg inventory	99.4	96.7	Not determined	Calculated	
Accounts payable	798.0	714.0	Not determined	* Trade Payables	Balance Sheet

Non current liabilities	Not determined				Balance Sheet
Equity	2211.0	1789.0	Not determined	* Net assets or Total equity	Balance Sheet
Total liabilities	Not determined				Balance Sheet
Interest charge	33.0	49.0	42.0	* Net financial expenses	Income Statement
No. shares (no. million)	183.8	184.7	185.3	* Pg 15 of 2021 Annual Report	
Dividend paid	Not determined				
Market value per share	Not determined				

Financial Ratios - Ferrari

PROFITABILITY RATIOS	2021	2020	2019
Gross Margin %	51.28%	51.27%	52.07%
Operating profit %	25.17%	20.69%	24.35%
Net profit %	19.50%	17.60%	18.56%
Return on assets	9.20%	6.73%	Not calculated
Return on equity	Not calculated		
LIQUIDITY RATIOS	2021	2020	2019
Current ratio	Not calculated		
Quick ratio	Not calculated		
Cash ratio	Not calculated		
ACTIVITY RATIOS	2021	2020	2019
DSO	15.81	19.41	Not calculated
Inventory turns	20.94	17.44	Not calculated
DPO	139.97	154.57	Not calculated
Asset Turnover Ratio	0.47	0.38	Not calculated
LEVERAGE RATIOS	2021	2020	2019
Gearing ratio	Not calculated		
Debt/equity ratio	Not calculated		
LT debt/equity ratio	Not calculated		
Interest coverage	32.58	14.61	21.83
Debt Ratio	Not calculated		
INVESTOR RATIOS	2021	2020	2019
Earnings per ordinary share	4.53	3.30	3.77
Dividend cover	Not calculated		
Price per earnings ratio	Not calculated		
Dividend Yield ratio	Not calculated		

Appendix 6 - AML and Ferrari Profitability Ratios Comparison

