



ASTON MARTIN

Analyst Conference

Tuesday, 27th October 2020

Operator: Ladies and gentlemen, thank you for standing by and welcome to the Aston Martin conference call. At this time, all participants are in a listen-only mode. After the speaker presentation, there will be a question and answer session. If you have a question during this time, you will need to press star one on your telephone keypad. To withdraw your question, press the pound key. Thank you. I would like to turn it over to the Aston Martin team. Please begin the conference.

Welcoming Remarks

Charlotte Cowley

Director of Investor Relations, Aston Martin

Good evening, everybody. I am Charlotte Cowley, head of IR at Aston and I would like to welcome you all to the Aston Martin Lagonda call. Before I hand over to Lawrence, I have one point of administration to flag. As you know, we're currently in the middle of a live deal, which means that for regulatory reasons we'll be limited on what we can say with respect to the equity and debt financing portion of our announcement today beyond what is stated in that announcement. The focus of this call will principally be our Q3 results and the Mercedes-Benz AG agreement. Of course we will nevertheless be as helpful as we can. We have the full team here and we'll do our best to answer your questions. Over to you, Lawrence.

Strategic Update

Lawrence Stroll

Executive Chairman, Aston Martin

Good afternoon everyone. I hope you are all safe and well. I am Lawrence Stroll and I am joined by our CEO, Tobias Moers, and our CFO, Ken Gregor. I am incredibly excited to be able to update you on what is the result of six months of enormous and monumental effort by the whole team in such a short period of time to position Aston Martin for success and to capture this huge and extraordinary opportunity ahead of us.

In the six months since I've become executive chairman in April, we have already made significant progress.

- We have appointed a world-class leadership team with deep experience of this industry.
- We have aggressively and successfully destocked the dealer network to rebalance supply to demand.
- We have strengthened the financial resilience of the business and have taken decisive actions on costs.
- We have also very successfully launched the famous DBX.

I'm extremely pleased with the progress to date and that we are ahead of our plan on timing, despite operating in these most challenging of times for everyone and all businesses.

Today, we are taking another huge step forward as our long-term partnership with Mercedes-Benz AG moves to another level.

- They will become the company's second largest shareholder, after myself, ultimately with a 20% shareholding.
- With this new agreement, we secure access to their world-class technology to support our long-term product expansion plans, including electric and hybrid powertrains.

In addition, we have developed a new business plan incorporating the benefits of this partnership, and we are targeting c. **10,000 units, revenue of c. £2 billion and £500 million of adjusted EBITDA by 2024/2025.**

This reflects the technology agreement and the delivery of new compelling vehicles to achieve these significant growth ambitions. This new plan will be underpinned by the proposed financing that we are announcing today to strengthen the balance sheet, extend the debt maturity and improve liquidity.

As part of this proposed capital raise, I'm delighted to welcome Zelon, a European family office and Permian Investment Partners as prospective new shareholders in the company.

I and my co-investors are fully committed to delivering this plan and in participation in this new substantial round of financing demonstrates both our confidence in the prospects for the business and our commitment to the future of the success of Aston Martin.

Everything I've just described is absolutely truly game changing. And of course, in addition, we have this significant marketing platform of an Aston Martin works team returning to the Formula One™ grid next year.

We now have the best team, the best partner, great plans and funding in place to transform the company to be one of the greatest luxury brands in the car automotive world.

On that note, I will now hand over to our CEO, Tobias.

DBX Progression and Transformational Partnership

Tobias Moers

CEO, Aston Martin

Thanks, Lawrence.

Firstly, good afternoon, everyone. I'm very excited to be speaking with you today for the first time as CEO of Aston Martin having joined the business to lead this transformation on August the 1st.

I'm incredibly impressed by the great work that has been delivered by the whole team here at Aston Martin. For DBX, the brand's first SUV, it's the most agile and dynamic luxury SUV I ever have driven. And we are delighted the media reviews have been very positive. If there's one sports car in the luxury SUV segment, this is it. The team, at St Athan have followed our quality-led ramp up as appropriate for our luxury product positioning and we are now delivering to meet customers' demand.

I'm also pleased to say the Gaydon has also restarted production of sports cars at the end of August, building cars to order starting with the new Vantage Roadster that we begin to deliver to dealers in early 2021. As well, we are ahead of our plan for rebalancing the GT and sport dealer stock, to which in Q3 we destocked by 567 units and greater than 1,400 year to date.

I have been hard at work with the team since August as we updated our plans for the business. We are targeting delivery of significant growth and margin expansion in the medium term, not just through product expansion, but also by incorporating a strategy to deliver a level of operational excellence and efficiency throughout every aspect of our organization.

This expansion of our partnership with Mercedes-Benz AG is a critical step towards achieving our goals for Aston Martin. The world-class capabilities of Mercedes-Benz AG technology, which will be fundamental to ensuring our future products remain competitive and allow us to invest efficiently in the areas that truly differentiate our products in the future.

As a team, we have great ambitions for Aston Martin and I look forward to keeping you updated on our overall progress.

With that, I would pass over to Ken Gregor, our CFO, for Q3 results and to outline what we can on the financing today.

Third Quarter Results

Kenneth Gregor

CFO, Aston Martin

Thanks, Tobias.

Good evening, everyone. I'm really just going to hit the high spots of our Q3 results. For your reference, we've posted the usual financial slides on the corporate website and the press release also has the stat accounts in there as you'd expect.

Q3 trading saw improvements on Q2, reflecting the start of DBX deliveries:

- Year to date, our dealers have had 2,750 retail sales, and we've seen wholesales lower, because of the destocking, at 1,550 units.
- In Q3 we saw 345 DBX wholesales reflecting the quality-led ramp up approach that Tobias just described, sports cars and GT cars were broadly unchanged Q-over-Q leading to revenue of £124 million.
- Q3 EBITDA was minus £29 million, which was a good step forward in terms of progress, it's better than Q1 and Q2, mainly due to greater volumes in particular connected with DBX and the increased deliveries of the DB5 Goldfinger specials.
- We have a cash outflow in the quarter of £143 million related to the operating loss and the working capital outflow connected with the buildup of the pipeline of DBX and the further investment we made in the period, which was in line with our expectations.
- Net debt at the end of September was £869 million with a cash balance of just over £300 million.

Now looking to Q4, obviously there's uncertainty surrounding the duration and impact of COVID-19 on the global economy, but we are focused on delivering a full quarter of DBX and continuing to execute our plan of rebalancing supply and demand on the sports car side.

Just turning to the financing portion of the announcement, as Lawrence mentioned at the start, we're really pleased to announce we've successfully arranged a fully committed and comprehensive financing package.

It comprises of four parts:

- £125 million of new equity,
- £259 million of second lien bonds, which mature in 2026.
- We are going to issue the equivalent of £840 million of new bonds which mature in 2025.
- And we've refinanced our revolving credit facility of £87 million, which will also mature in 2025.

Through this comprehensive proposed refinancing, we're strengthening the balance sheet, clearly extending the debt maturity and improving the liquidity available to the group. The proceeds right from the new equity and notes will be used to redeem the group's outstanding secured notes, which were going to mature in April 2022, including the DDNs, at the applicable call prices. We'll redeem the UK CLBILS facility. And on a pro forma basis, we will have pro-forma cash of over £500 million when we take into account the cash we already had and the net proceeds of all I've just described.

At that point, I'd like to hand back to Lawrence.

Q&A

Lawrence Stroll: Thank you, Ken. I appreciate that there's quite a lot for you to digest in a pretty short space of time. We are all more thrilled to be able to update you on all this exciting and transformative information today. Before taking questions, I want to reiterate what Charlotte mentioned in relation to the equity and debt aspects of the package, given its a live deal that is currently in the market we are restricted on what we can say, but are happy to help best we can. We will be very happy to now take your questions.

Operator: At this time, I'd like to remind everyone, if you would like to ask a question, press star one. We have a question from George Galliers from Goldman Sachs.

George Galliers (Goldman Sachs): Thank you for taking my question and congratulations on today's announcements. First question, if I may to Tobias, you've obviously been at Aston for a few months now. Have you, in your time at the company, been able to identify processes around Aston Martin's sort of R&D and investments or manufacturing and or opportunities in the bill of material, which when you compare to your prior role at AMG, offer low hanging fruit that the company can address to improve the profitability in the near term?

Tobias Moers: Simple answer is yes, there's a lot of room for improvement and this is what we apply as a strategy moving forward with the company, so we can operate in a more efficient manner- there's room for improvement. Take it that way.

George Galliers: Could you maybe just give us a little bit of insight into where the biggest inefficiencies are from your perspective? Are they indeed on the sort of research and development side, manufacturing or bill of material? Is there any incremental insight you could provide us with at this point?

Tobias Moers: I would like to start with the good side, the perfect side. Bringing on, for example, DBX as its own platform and bringing it to life, this is the most efficient thing. . So this is what Aston Martin is really great at. So we have a lot of things to do on our footprint in regard to production, manufacturing, assembly, logistics, things like that and the piece prices, assigned to cost approaches. So there's a lot of room for improvement and the strategy restarted that. It's just on the defined definition on a target picture how our assembly shops and manufacturing shops are going to look in future. So yes, a lot of room for improvements, especially focused on manufacturing and process efficiency.

George Galliers: Thank you. And then a second question, if I may. Obviously during the course of the quarter we saw you make some adjustments to your retail prices. Given the strong demand for the DBX, some investors kind of questioned why the price would need adjusting. Could you perhaps just give us some insight into the rationale behind that strategy, why you took that decision and ultimately how you think that will lead to high levels of profitability and better supply-demand mix going forward? Thank you.

Tobias Moers: Yeah. I would like to answer that question really, because it's a good question and it's the right to question to ask. First of all, coming into the business, I saw a lot of opportunity for us with DBX and we had a lot of discussion around expanding our portfolio in SUV. You need to meet the sweet spot when you hit the marketplace. Knowing quite well that we are able to expand our portfolio and even more profitable margins with maybe higher power output; maybe they get that way like a performance hybrid version for the future. And DBX provides us a lot of opportunity for the future, especially focused on China as a very important market for DBX. And it's just focused on regions like Europe, China and North America to give us more headroom for the future, for even more profitable variants, more higher priced cars, with a different and more profitable margin.

This is the reason Nothing to do with the order situation, nothing to do with our order book. It's just doing the adjustment to find the sweet spot, knowing how the market reacts and then that's it.

Lawrence Stroll: To add, we're still more expensive than the competition in those markets.

Tobias Moers: We still have a 5% premium in Europe and North America in regards to our most important competitive sets, or most important competitor.

George Galliers: Great. Thank you very much.

Operator: The next question is from the line of Angus Tweedie from Citibank. Your line is open.

Angus (Citi): Hi, it's Angus from Citi. I was just hoping if you could, I believe you can talk about the Mercedes agreement and how we should sort of think about it. I mean, is the

correct way to think of this as kind of equity finance CAPEX? And perhaps could you specifically discuss what happens if the share prices continue to trade below the entry price and how you calculate the value of the technology that is being given and any further cash top-up that'd be paid? Thank you.

Lawrence Stroll: I'll start with the last one. We think and know that the technology given is of a value that if we would have sourced on our own would have been a considerably greater expense. The second question was yes, if the share price is below the 60 - I believe it is c.62p - that we would have to pay the difference between 62p and anything below that. We are obviously quite confident we will not see share prices below, but instead well above the 62p mark. So, we're quite confident that's a non-issue for us. And what was your other question? I know there was three.

Angus: We should just expect that we're going to see ongoing dilution as basically the equity is issued as a means of financing this CAPEX. That's the question.

Lawrence Stroll: No, The Company receives two baskets. They get a first basket immediately. They get a second basket in a couple of years, which is mostly the EV technology and that's it. So, it's very defined in two baskets.

Angus: Thank you. That's very clear. Perhaps a second question more on destocking. Can you just discuss how that is progressing and when we were thinking that process could complete? Thank you.

Tobias Moers: As I mentioned, destocking is moving good. We are ahead of plan, by I think early 2021 by end of January, beginning of February is kind of that range. We're going to reach out to normal pipeline, fill what you have to have to sell cars now. So it's moving ahead and we're good.

Lawrence Stroll: Nicely ahead of plan.

Angus: Good to hear. Thank you.

Operator: Next question is coming from the line of Christoph Laskawi from Deutsche Bank.

Christoph (Deutsche Bank): Hi, thank you for taking my question. The first one also on the Mercedes technology. Does the new agreements change anything in terms of product plans in the sense that you are introducing alternative drive trains a bit earlier, or is also the EV technology still only for the Lagonda brand that will be introduced in 2024 or 2025, or has anything changed there? That's the first question.

Lawrence Stroll: Firstly, we are no longer using the Lagonda brand for our electric platform. Our electric platforms will be Aston Martin, full-stop, number one. Number two, we will be using the baskets on everything from EV and electric vehicles, infotainment systems, and we have electronics that will be the most current and up-to-date going into the cars literally over and as soon as the next 12 months.

Christoph: Excellent. Thank you. And on the midterm targets, I appreciate that you cannot really share much detail as of now, but is there any split on the 10,000 units you would be willing to share targets, but of say the DBX mid-engine other sports cars that you have in mind?

Lawrence Stroll: The SUV will be slightly the highest, and as you correctly said, that will have a complete compliment of front engine and a full portfolio of mid-engine starting with Valkyrie, the Valhalla, the Vanquish.

Christoph: Thank you.

Operator: We have a question coming from the line of Prateek Gupta from Goldman Sachs.

Prateek Gupta (Goldman Sachs): Hi, good evening. Thanks for taking my question. So, in terms of kind of your 10,000 volume target, if I remember correctly, your production facilities were geared towards, I think, 14,000 production target in the long-term. So how does that kind of scale it down now in terms of, do you plan to close down a facility, or how does the capacity utilization at each plant kind of work with the reduced volume count?

Kenneth Gregor: It's very clear for us, so we hope to restructure our business and right-size our business, and we have actually, explored a target picture for our footprint. It's too early to share with you, but it's all part of our business plan moving forward and for sure expect a different company in the future.

Lawrence Stroll: But you're right, currently the DBX's are made in St Athan and sports cars are made in Gaydon. And if you total those up, you you'd get to c. 14,000 capacity. So your math is correct, and we're looking to do it in what is perhaps a more efficient manner going forward.

Prateek Gupta: Thank you.

Lawrence Stroll: You're welcome.

Operator: The next question is coming from the line of Thomas Besson. Your line is open.

Thomas Besson (Kepler): Thank you. So I have two questions, and I apologize if you've talked about that, but I was on another earnings call because yours wasn't planned until I think recently. So, my two quick questions are very simple. The first one is on the timeline of the prospective issued shares to Mercedes-Benz. Can you just tell us by which time we should potentially have the 2.659 million shares for Aston? The first question. And the second, could you just clarify as well the net impact on your liquidity position to those actions?

Kenneth Gregor: Hi, let me try and take both. I think your first question was when do we get to the kind of fully proforma issued share capital including the full Daimler Mercedes-Benz share percentage. We expect Mercedes to be up to the full 20% in 2022. And then beyond that, there are warrants attached to the second lien debt. Those could be exercised equivalent to 5% of issued share capital through 2026. So, that's on the first point.

On the pro forma net liquidity, overall we had cash at the end of September of just over £300 million. So the net proceeds of all of the equity, the second claim debt, the new bonds issued, net of repaying the old bonds at the appropriate prices would see over £200 million net of additional liquidity taking the cash on a proforma basis to be over £500 million. And therefore, at the end of September, we also have net debt all £869 million. So a similar sort of thought process would then see the proforma net debt, the circa £650 million.

Thomas Besson: Great, thank you very much.

Operator: The next question is from Steven Reitman.

Steven Reitman: Yes. Thank you. Good evening. I apologize while I was on another earnings call as well before this. My question relates to the new agreements you'll be having with Mercedes over access to their latest technologies and the like. When do you think that will actually start showing up in Aston Martin products?

Tobias Moers: Q3 next year, then Q2 2022 Forward.

Lawrence Stroll: It starts next year.

Tobias Moers: We're going to see the first of that by end of next year, Q3, Q4 slash on Q2 2022, then at 2023 because it takes a little bit time to get it done in all cars and get it applied to all cars.

Steven Reitman: And if I could ask you to envisage this creating potential tensions with AMG, which we heard on October the 6th at the Mercedes strategy update, was also going to try to increase its premium positioning, I think as well with its products as parts of the earnings improvement program within Mercedes as well.

Tobias Moers: I know I've been with their team for over 20 years now. I left it by end of July. So I know what they're doing. We have a good understanding and we're not competing with AMG or Mercedes. I think we're more luxuriou. We are going to go with Aston Martin into the future, and it's a little bit different. So we have a good understanding of each other, and it's going to be a long lasting cooperation.

Steven Reitman: Thank you very much.

Tobias Moers: You're welcome.

Operator: The next question is coming from the line of Akshat Kacker from JP Morgan.

Akshat Kacker (JP Morgan): Thanks. Three from my side, please. The first one again on the Daimler partnership and the product launch cadence. From what I understand, we should expect major refreshes on the DB11 and the DBS as early as end of next year or early 2022. And a linked question, does that also mean that we can bring forward the mid-engine core cars? That's the first one. The second one is, is there a delay in the launch of the Valkyrie? I'm reading that now it is expected to launch in the second half of 2021. And the third one is if you could provide us with an update on the DBX order book and the sales coverage, if possible, what are the currently lead times on the DBX, please?

Lawrence Stroll: Hello, on the DBX order book, we are sold. We have orders sold out through the first quarter of next year, and we have weekly orders coming in to match our projections for the full year. So could not be better. We are extremely pleased and excited. The Valkyrie will be delivered, as you correctly say, second half of next year starting in June. And your third question was...

Tobias Moers: Timing of auto products. Expect that we're going to have a full refresh for all the sports cars in a period of time for now. I don't want to talk about all of the details which are coming because we still have a competitive situation to other automakers. We're going to have a total fresh up of our front ends and sports cars. We're in a situation that have a proper timeline now to get Valhalla and Vanquish all mid- engine cars to life. And as well, we have a plan for product and expansion for our DBX portfolio, considering all the opportunities which

are out there in the market with different power output levels. So a lot of things going on, as I mentioned before, kind of a firework in regard of product portfolio in 2023.

Pakur: Understood. Thank you.

Operator: Next question. And it's coming from the line of Jose Asumendi from JP Morgan.

Jose Asumendi (JP Morgan): Thank you. Two questions please. As we think about the supplier agreement or the technology agreement with Mercedes-Benz, are you sourcing any additional incremental components in the new contract or the new relation with Mercedes-Benz versus the previous one? Would you have access to the EV toolkit that Mercedes-Benz is also putting with EQS EQE, et cetera? That will be the first question.

Second question, as we think about, I mean, obviously, maybe this might not be the call to discuss all of this, but there is an overdependence to the UK market, number one. Number two, it sounds like you need potentially to downsize operations, do an asset write down. Can you give us the magnitude or can you give us the timing of when we will see the sequence of events unfolding in terms of downsizing the operations? Thank you.

Tobias Moers: So, yeah, for sure. Your first question. We're going to buy, for sure, additional components from Mercedes which is part of the deal that's given and that happens into in the future. I think it was more or less the answer. Yeah. We have agreed to terms and conditions to buy engines or have more bespoke engines for us. This is all part of the technology transfer. On the second thing, how are we going to right size our business? Please accept that we do not have detailed timing to share at the moment. Because it is a very sensitive topic, it needs a little bit more effort from our side to get that done..

Jose Asumendi: No problem. And going back to that first point, do you think you can go as far as also purchasing the EV toolkit? Or is this not in the current contract you have now?

Tobias Moers: I did not understand it. Can you repeat it?

Lawrence Stroll: I think your question was, what are we purchasing going forward versus the existing contract? Is that correct?

Jose Asumendi: Well, if you could basically access Mercedes Benz electric vehicle technology as well in the current contract.

Lawrence Stroll: No, the initial contract was more an entry in order to enable us to purchase technology and materials. This is now a relationship that we receive the technology and materials.

Tobias Moers: The technology is transferred with the shares, that's the exchange of the shares. So we're going to get access to all the technology, really good regarding performance plug-in hybrid, things like that, as well as to proper EV technology. And then we are able to buy EV technology from Mercedes, or maybe from their supplier partner and we're going to have an agreement with Mercedes. So everything is possible in that agreement.

Jose Asumendi: Thank you. Thank you much.

Tobias Moers: You're welcome.

Charlotte Cowley: Okay. I think we've only got time for one last question, if there is one.

Operator: Yes, we have a question from Stephanie Vincent from JP Morgan.

Stephanie Vincent(JP Morgan): Hi, thank you very much for taking my question. Just wanted to revert back to the pricing on the front end sports cars. If you have any announcements that you'd like to make about your expectations on some of these, I guess, older models and what you plan to do on the refreshes and on the average sales price in 2021, 2022, as we move towards the launch of the Vanquish. And then just also on the Vanquish, I guess IHS has started production around October 2022. I think in your latest notes, you were looking at 2022, 2023 type model years. If you had any updated comments on that launch as well, that would be very helpful.

Lawrence Stroll: On the first question, we have no intention of reducing prices at all on the front engine lineup. Second, we will be increasing prices when we deliver the facelifts, which is on all the front engines from Vantage to DB11 to DBS. And your third question I think was on Vanquish. The timing is 2023 to 2024 for Valhalla and Vanquish, 2024.

Stephanie Jensen: All right. That's great. Thank you.

Lawrence Stroll: All right. Well, listen, I'd like to thank everybody very much for their interest and I would look forward to keeping you all up to date on the extraordinary excitement and progress of this company. Thank you all.

Operator: This concludes today's conference call. Thank you all for participating.

[END OF TRANSCRIPT]