Aston Martin Lagonda Q1 2020 Results

Wednesday, 13th May 2020

Operator

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Ladies and gentlemen, thank you for standing by and welcome to the Aston Martin Q1 2020 results 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. To ask a question during the Q&A session, you will need to press star and one on your telephone.

I would now like to hand the conference over to your first speaker today, Ms Charlotte Cowley. Thank you, please go ahead.

Welcome

Charlotte Cowley

Director of Investor Relations, Aston Martin Lagonda

Good morning everyone and welcome to the Aston Martin Lagonda Q1 2020 results call. Firstly, I hope that you and all your families are safe and well.

I'm Charlotte Cowley, Head of IR and I'm joined today by Viki Bhatia, our Interim CFO, who joined the business just three weeks ago, on 20th April. First Viki is going to run through the presentation; this is also available on our IR section of our website and then we'll both be very happy to take your questions. So, over to you, Viki.

Q1 2020 Results

Vikram Bhatia

Interim Chief Financial Officer, Aston Martin Lagonda

Good morning ladies and gentlemen, as Charlotte has mentioned, I joined Aston Martin about three weeks ago, so I've been at Aston Martin before, in 2015, so I know the business and I'm delighted to be back working with the team, some of whom I know quite well.

Q1 2020: starting to execute strategic reset

Slide one, as per all businesses, the ongoing COVID-19 pandemic has heard a substantial impact on Aston Martin Lagonda during this quarter. And it certainly increases the uncertainty and risks to the financial performance in 2020. The company is in the process of implementing its strategic plan to decrease dealer inventory towards a luxury norm; however, the advance of COVID-19 has also impacted dealer demand for cars, which added to the planned wholesale unit decline.

With retail sales outpacing wholesales in unit terms, we significantly destocked the dealer network by 428 units. For context, this compares to c. 190 units that the company destocked in the full year 2019.

As you know, another key focus has been the continued development towards start of production for DBX, which I'll come back to later in this presentation.

Finally, amidst the uncertainty of COVID-19, we were able to successful complete the capital raise of €536 million on 20th April, significantly increasing the company's liquidity and strength of the balance sheet.

Alongside this, we also welcome our new Executive Chairman, Mr Lawrence Stroll, to the business, with his wealth of luxury brand and auto experience and his passion for racing and F1.

Q1 core wholesales decreased by 44% year over year

Slide two, turning to the wholesales in detail, the core decline of 44% was impacted by the COVID-19 pandemic but equally importantly, by our strategic destocking plan. Our most significant regional decrease was seen in APAC, down 74%, or 267 units. Within APAC, China was down 86%. We had planned for no wholesales in January and February to rebalance dealer inventory. During March,, we felt a significant impact from COVID-19.

The UK was the best-performing market, with a decline of only 3% year on year, benefiting from lower dealer stock at the start of the year, enabling pull-through of wholesales to meet retail demand.

The chart on the top left highlights that we had no specials in the quarter, as planned, compared with 32 in the same period in 2019, which is an additional headwind for us this quarter and will continue into quarter two.

Turning to average selling price, which is bottom left here, this was £98,000 for both core and total cars given no specials in the quarter.

In support of the strategic destock, our most significant headwind to ASP was the elevated customer and financial support for retail sales. This we have agreed to support the destocking strategy, the brand and the retailer network. With the relative proportion of higher retails to lower wholesales, this had a significant impact on ASP in the quarter.

Core, geographic and product mix were also ASP headwinds, with lower China volumes and higher Vantage sales as a proportion of overall units.

Adjusted EBITDA down £47 million and adjusted EBIT down £76 million

Moving to the key profit matrix of adjusted EBITDA and adjusted EBIT, looking at the EBITDA walk:

- the lower wholesale volumes had the biggest impact of £47 million, compounded by no specials in the quarter.
- Price mix was also a headwind, as I said when discussing ASP.
- Non-vehicle declines of £9 million were primarily due to decreases in other revenue streams such as brands and motorsport, servicing of vehicles and aftermarket parts. The low cost reflects some volume-related flow-through but also rephasing of marketing spend.
- Finally, FX was a £7 million headwind to adjusted EBITDA.

Over to EBITDA on the right, D&A of £29 million was slightly lower than the prior year, reflecting the lack of specials this year and the adjusted operating loss was £76 million.

Net interest costs of £42 million were up from £14 million in the prior year, reflecting the $340 million of new notes issued in 2019 and given the US denomination of these notes, there was an FX impact of £17 million in the P&L charge. The loss before tax was £119 million.

Pre-equity raise: cash balance of £172 million with net debt decreasing to £956 million

Turning to cash, a key focus for all of us and all companies at this time of uncertainty, cash at the end of the period was £172 million, up from £108 million at the end of December.

The biggest movement was the net financing inflow of £156 million, with the £171 million placing to the Lawrence Stroll-led consortium on 31st March. The consortium had provided £75.5 million of short-term working capital financing during the quarter, which was refunded at the placing.

CAPEX was lower than guidance, at £85 million, with spending primarily focused on St Athan, DBX and Aston Martin Valkyrie and some re-phasing to later in the year, although we do expect investment to be H1-weighted.

The smallest net cash movement was from operations, with the cash operating loss in the period largely offset by working capital movements, an inflow of £48 million.

- The largest part of this was £63 million receivables inflow, reflected as an unwind of the Q4 2019 overhang of £35 million and lower wholesales.
- An inventory outflow of £35 million was primarily due to a build-up of parts supply for products due to deliver in the second half.
- In terms of deposits, they increased slightly due to V12 Speedster.

Turning to debt, now we have a year of comparable data, we are presenting this, including leases, as per IFRS 16.

The fair value movement of £41 million of the SSNs offset some of the £64 million net cash inflow. Net debt was £32 million lower than the year-end, at £956 million.

The last 12 months adjusted EBITDA for our leverage calculation was significantly lower, resulting in adjusted leverage of 16.2x . However, the timing of closing the equity raise was split over the quarter-end.

Reflecting the full £536 million equity raise, pro forma cash would have been £514 million and adjusted net debt would have been £614 million and leverage at 10.4x.

Proactively managing operational impact of COVID-19

As with everyone, we have been managing through the impacts of the spread of COVID-19—firstly ensuring the health and safety of our employees, our partners and local communities in which we operate.

We've also taken action to manage proactively across our supply chain and businesses more broadly. We temporarily suspended production at our manufacturing facilities on 25th March.

At St Athan, we reopened on 5th May, as we worked with the Welsh government and health officials to ensure a safe working environment and protect the wellbeing of our employees, which include providing appropriate PPE and social distancing measures. Gaydon will follow, as we use learnings from St Athan's reopening to apply the required health and safety measures for Gaydon's restart.

We have a number of staff volunteering to support frontline NHS workers—making gowns, scrubs and other much-needed PPE at our sites, as well as providing maintenance and repair services for NHS worker cars at our Newport Pagnell workshop.

In terms of our dealers, at points, 93% of the network were either closed or running with limited capacity. However, we are happy to report that this number is improving, with all 18 Chinese dealers open and more than 15% of dealers fully open globally, as I talk to you today.

Turning to cash conservation, I have talked about some of the rephasing of spend in the financial review but in addition to that, most of our employees were furloughed prior to the reopening of St Athan and we have been using the financial support offered by the government's job retention scheme.

And as reported a few weeks ago, for three months from 1st April, our senior team have volunteered to waive some of their salaries and/or fees.

Product launches in 2020

Our key focus, of course: delivering the two pivotal cars that will provide a platform for the future.

Firstly, the DBX—a key new product launch for us as we diversify and enter the luxury SUV segment of the market.

Despite the temporary suspension of operations at St Athan, with the site reopened last week, we are still on track for summer deliveries and start of full production scheduled in the next few weeks, a testament to the strength and the measures made by the team as we prepared for this key delivery.

The order book continues to build and extends into 2021. Building on this strength, new derivatives will be unveiled from 2021.

And some of you may have seen some of our test fleet out and about on the roads recently, some of which were making deliveries of the equipment we have been providing to support the NHS.

Then, top right is the Aston Martin Valkyrie, which will pave the way for our mid-engined platform, which , will be further supported by our in-house works F1 team from next year.

The development schedule for Aston Martin Valkyrie was impacted by the closure of test facilities in the last month, so deliveries will now starter later than originally planned in the second half of the year.

Finally, on this slide, the other cars coming in this year are the Vantage Roadster, bottom left, which launched at our virtual Geneva reveal in March. Both Roadster and Coupe are now available, with either our iconic ”vane” grill option or the track-inspired “hunter” grill. We are particularly pleased with the strong order book already for this.

Then there are the two specials: the DBS GT Zagato and the *Goldfinger* DB5 Continuation are both coming in, in the second half, on plan.

Concluding remarks

Before we open up for questions, 2020 is the year in which the business is being reset to enable it to operate as a true luxury company.

What we and no one else had planned for was for COVID-19—the uncertainty surrounding the duration and the impact of the virus on the global economy increases uncertainty for financial results for the year and makes determining a full year outlook not possible at this time.

We are planning on the assumption that trading remains challenging and are therefore implementing measures to take further action on operating costs and focus on controlling cash. We are also, as is prudent, continuing to review all future funding and refinancing options to increase our liquidity.

Having just completed the capital raise, we are in a stronger position than we were but, as announced last month, we are looking at additional options to increase liquidity, including:

- retaining the option to draw up to $100 million of delayed-draw notes,
- accessing additional working capital facilities; and
- exploring options on further support from the government.

While it's a worrying time, there is a lot going on in the business as we execute our plan to build Aston Martin Lagonda into one of the pre-eminent luxury car brands globally. This includes:

- a strong front-engined sports car offering, where we are taking actionto destock the dealer network and rebalance supply to demand and regain strong price positioning;
- a strong SUV offering, with full DBX production due to start in the next few weeks and deliveries in the summer, with orders growing and the order book extended into 2021;
- a strong mid-engined offering, starting with Aston Martin Valkyrie deliveries this year, followed by Valhalla and then Vanquish. Our mid-engined platform will further be supported by our own F1 team, from 2021, giving us a fantastic marketing platform to further build the brand.

2020 is a year of reset and yes, 2020 has additional challenges with COVID-19 but our enthusiasm and ambition for the future remains significant.

Thank you for your attention and we will now be happy to take your questions.

Q&A

Kai Mueller (Bank of America): Hi, thank you very much for taking the call and running through it, given even you've been only there for a couple of months.

The first question is really on your inventory levels, so you obviously outlined quite well the reduction in dealer inventory you've done, 428 units and the incentive programmes you've done in terms of supporting that. Can you give us a little bit of colour in terms of how much more is there to do to get to where you want to get to? Or even give us some sort of idea how much overhang, in terms of inventory, there still is, i.e. how much longer are we –

should we be expecting a massive undershooting in your wholesale numbers compared to retail going forward?

And the second point is when you started, now, obviously, Q1, you said the dealership network in China was closed in January and February, basically. We probably had the same thing in April in the western world. When we think about Q2 versus Q1, can you give us a little bit of colour in terms of the magnitude of impact that should have on your business? And I think that, in particular with regards to the commentary you've made, , if we run a couple of numbers, are you happy, , with this £500 million in cash you have, that that can sustain you through a more prolonged period of slowdown or does it really mean you need to go and pull the other credit line and ask the government for support?

Vikram Bhatia: On the destock, we destocked 428 cars, wholesale cars and this was more than double what we did in 2019. We will continue destocking during the course of 2020 because, as you know, our strategic plan is become a luxury brand and we will therefore build cars to order once we've completed our destock of cars.

Charlotte Cowley: And then, Kai, thanks, I think you're asking, what do we think looking forward into Q2? Now, , as , we never comment on current trading. What we can say: yes, all the dealers have opened in China and we're pleased with what we're seeing in China. Now, the uncertainty around the duration of the impact of COVID makes it really difficult to determine what the full year looks like. , what is clear is that a number of our major markets were not in lockdown for most of Q1 and they have been so for all of Q2 so far, so of course you would expect that the impact would be more severely felt in Q2. It really does just depend on when and how lockdown measures are eased in our key markets. Beyond that, it's quite difficult for me to be able to help, I'm afraid.

Okay, so we'll go to the next question, please.

George Galliers (Goldman Sachs): Thank you and thank you for taking my questions. The first question I had was whether you could just confirm where you finished in terms of cash at the end of April? Obviously there's a little bit of kind of movement around the quarter because of the closing of the equity, so if you could provide the cash balance at the end of April, I think that would be extremely helpful to the market.

Vikram Bhatia: As I mentioned in my earlier statement, the pro forma cash balance at the end of April was – I beg your pardon, at the end of March was £514 million and that's what brought the ratio down to 10.4x.

George Galliers: And would you be willing to disclose the end of April number? I guess you are monitoring this on a daily basis, given the environment we're in.

Charlotte Cowley: Ah, George, I'm not sure it would help you very much because we don't tend to report, , monthly cash balances –ever in a year, so, , we've tried to give you at least, the step that you can see in net debt and the cash, including the full rights issue proceeds.

George Galliers: Okay. And then secondly, just on the ASP evolution, if we take the 98,000 and we apply sales tax, we end up at a price point which would appear to be below the kind of base price for the Vantage. Can you give us some indication of the quantum of discounts or sales incentives you're providing on the vehicles you're destocking and what should we expect for ASPs in the second half of this year, excluding the DBX?

Charlotte Cowley: So, George, the key thing to think about on the ASPs is, of course, that the negative impact of the retail financing support is linked into the retail sales. So you've got – this quarter, really pleasing to see retail significantly ahead of wholesales, which has allowed us to do that 428 unit destock, so you've got that retail incentive on those higher-than-wholesale retail numbers spread across a lower number of wholesales –this gives a disproportionate impact on that lower wholesale number, which is all aligned to the strategy of reducing to the luxury norm. So, you've got your wholesales at a level, retail is ahead of that and hence why you've got that negative impact of the financing. I would expect that to continue, as we do still have work to do on the destock as we go through the year.

Now, when you think about it, through the second half, of course you'll have DBX coming in and being built to the order book, as will all new Aston Martins going forward, so you're not going to have a headwind coming in from DBX, in terms of any sort of retail financing support in the second half.

The other thing to think about is, – don't track straight across from the retail price of a car you've got a dealer margin in there that you've got to think about, you've got tax to think about as well. So, , don't get too tied in knots in terms of trying to do those calculations.

George Galliers: Thank you and then, just quickly, two housekeepings. I think you guided for full-year CAPEX of £285 million and you said around half of that would come in in Q1. You obviously came in lower than that. Does the £285 million for the full year still stand or does the rephasing actually lead to some deferral into 2021?

And then, just on net interest expense, again, I think you've guided for the full year to be something in the region of £90 million but we've seen £42 million in Q1. Are there some incremental costs in that Q1 number or is £90 million not the right number for the full year? Thank you.

Vikram Bhatia: George, given the timing of the key 2020 programmes of DBX and the Valkyrie, we still expect CAPEX to be first-half-year weighted, we are continuing to investigate efficiencies and cost savings in both operating costs and capital expenditure.

Charlotte Cowley: And back to what we said in the statement, George, given the uncertainty at the moment any previous guidance has been withdrawn.. We'll come back to you when we've got a firm view on any firm numbers.

And just on the net interest quickly, you'll have picked up in the statement that there was £17 million of FX in that interest – a P&L interest charge in the quarter. So, , depending on where FX rates move for the rest of the year, that will be a variable against that £90 million but nothing to change in terms of the £90 million constant currency guidance.

George Galliers: Okay, great. So, just to summarise, £90 million remains for the net interest and CAPEX will be H1 weighted but you'll update us on the full-year number at Q2?

Charlotte Cowley: Yes on the CAPEX but on the interest, that £90 million is in the mythical constant currency world, so of course we've booked an additional £17 million in the quarter–

George Galliers: Okay.

Charlotte Cowley: – on top of that because of FX in the quarter. If that £17 million happens to hold for the whole of the year, then do the £90 million plus £17 million but of course FX rates will move around.

George Galliers: Great, thank you very much.

Giulio Pescatore (HSBC): Hi, thanks for taking my question. The first one is on the DBX. Can you just share, maybe, some details around the order book in terms of regional exposure? I think it would be interesting to see where the order book is going.

And then the second one, on the Speedster, I know you were meant to be selling 88. Maybe can you give us an update on how many have you already sold and how many are still – I mean you mentioned the order book is still building, so maybe you can give us a percentage of how much have you already sold versus how much you still plan – are planning to sell?

And then last one, on the Valkyrie, I read in the press, at least, that the Valkyrie was pushed back in H2. Maybe can you share how much do you think you can produce and sell this year and how does that compare in terms of previous guidance?

Vikram Bhatia: Okay. On – I think, in the previous guidance, we did say that, we have a very strong order book on the DBX and we are still picking up orders going into 2021. Production – the manufacturing of the DBX has now started at St Athan and the first cars should be rolling off pretty quickly and then will be delivered to the customers via the dealers in the summer.

Charlotte Cowley: On the Valkyrie, really simply put, some of the test facilities have been closed due to COVID, so it's nudged us back a little bit, so it'll be coming later in H2 than we originally planned, so yes, some of that will shift into 2021 and we'll work that through as we get closer, through to the end of the year.

And then the other special, of course: we've said that we're pleased with the response to the V12 Speedster that launched in March.

Giulio Pescatore: Okay. So, can I squeeze in, maybe, one other one? On the Formula One, can you maybe go back on the rationale behind going back into the competition? I understand the marketing point but from a cost perspective, can you really afford to run your own team and how is that changing in terms of cost base? Will that increase your operating levels, for example?

Charlotte Cowley: Yeah, so, Giulio, remember, so there's actually no difference in the financial impact to us going with the new team compared to the relationship we currently have. I think we said at the time that the financial terms were commensurate with that that we have at the minute. But of course, the benefit that we get is team name, chassis name, so it is an Aston Martin works team, so significant benefit from that, we can use it to leverage the whole brand globally and use those moments to engage with our customers and , drive significant value from that.

Giulio Pescatore: Okay, thank you.

Operator: Thank you. Your next question comes from the line of Charles Coldicott from Redburn. Please ask your question.

Charles Coldicott (Redburn): Morning, thanks. I've just got two questions, please. Firstly, on Q2 and the working capital, I think – is there anything you can say on that? I think you previously said that you would have £100 million of inventory build in H1 because of the DBX in St Athan. Is that – should we still expect that to happen? So that's £65 million in Q2. And maybe you could just also comment on the receivables inflow in Q1. Is that all explained by the unwind of overhang from Q4, or does that reverse a bit in Q2?

And then secondly, I wanted to ask about residual values. Could you comment anything you've seen, I guess particularly in the US, given the high degree of leasing there and have you seen that your financing partners, , FCA and JP Morgan, have they changed their terms at all?

Charlotte Cowley: so inventory – we would still expect to have some inventory build through into the second quarter, because while St Athan had started production of the bodies of DBX today, we start full production, in the next few weeks. So, yes, there will still be some inventory build in Q2 and also for Valkyrie, I can't give you a firm number but certainly I would expect it to build from where we were at the end of Q1.

In terms of the receivables inflow, about £35 million of it was associated with the Q4 overhang, so that's almost entirely unwound. There's still a little bit more of that to go though and that was mostly attributed to trade receivables in late December 2019. And then, of course, the trading impact by the fact we had lower year-on-year sales in March as we had COVID-19 starting to impact, so that our actual ending balance at the end of March was relatively low. So that's probably it on the working capital piece.

On residual values, clearly, by reducing the inventory then we'll be able to reduce the amount of customer and retail financing support that we'll have to put into the market. We can see that already. We've got a better picture in Q1 than we had in Q4. It will continue. I'm not saying it will be zero but it's certainly in better shape in Q1 than it was in Q4, so we would expect ASPs to gradually rise but later on, as we get through the destock and then that, as you say, will feed through into residual values.

Charles Coldicott: Okay, thanks.

Sanjay Jha (Panmure Gordon): Good morning, thank you. I just wanted to get my head around the working capital again. I know you talked about inventories and receivables. Can you talk about payables, because I thought that you had quite a bit of payables to deal with in the first half. Can you sort of throw some light on that?

Vikram Bhatia: Yes, the payables are there and the payables are increased slightly because we are buying stock for the build of the DBX. We are paying our suppliers, as we build our stocks up, so I don't see a problem as far as where I sit, with the payables, at all.

Sanjay Jha: Sorry, you said your payables are going up, so that means you're not paying on time. I'm sorry –

Vikram Bhatia: No, no.

We are paying in line with the terms of the payables. The payables are going up because we are building and buying materials for the DBX. So they go up.then we've got terms with suppliers, so we pay suppliers, in line with their terms.

Sanjay Jha: Okay.

But when are these payables due to be paid? Sorry, can I – what I'm trying to figure out is, because there's nothing been happening for the last few weeks, I'm guessing that at some stage, you are paying these payables and I just wanted to get a feel for working capital movement in quarter two.

We run our payable runs twice a month, in the middle of the month and at the end of the month and in line with the terms that have been set up on our system.

Sanjay Jha: Okay and my second question is: could you give us some idea about what's happening with the supply chain and particularly, I know some of your suppliers are in Italy, I just wanted a feel for where you are in terms of supply– I know last time you had a call, you talked about how you could see supply chain up to June, or something, or was it up to end of March? I can't remember but what's it looking like now?

Charlotte Cowley: You can imagine, Sanjay, our supply chain team are working very closely with all of our suppliers. One of the reasons we were able to start production of DBX yesterday was the fact that our supply chain team had ensured we'd secured supply for DBX and that factory is –starting – full production in a few weeks. So they are very busy but we are in a good place, thanks.

Sanjay Jha: Thank you.

Thomas Besson (Kepler Cheuvreux): Thank you very much. Sorry if I am French but I'm going to try and ask precise questions if I can?

Could you give us an idea of how many DBX you believe you can deliver in 2020? You're suggesting your order intake has built up into 2021 but I don't think we've had a figure. Apparently, you mean summer start for delivery, it can be July or September. Could we have an idea if it's going to be 500, or 1,500, DBX deliveries in 2020, please? And could you, as well, confirm the number of specials you think you're going to be able to deliver in 2020, including the Valkyrie number, please?

Charlotte Cowley: Hi Thomas, okay, so I'll take the DBX. I mean, , when we said that the order book had exceeded 2,000 and we were covered for our retail demand for 2020, that gives you an indication, in terms of numbers. I don't think we've given a specific target on DBX wholesales for the year but that would probably give you a bit of scope, I suppose, to help. Apologies I can't be exactly precise for you but that's probably as precise as I can be.

In terms of specials, we've got the 19 DBS Zagatos coming through, I think it's Q4, as the other half of that centenary pair that we started to deliver with the Continuations in Q4 last year.

We've then got, 25 of the DB5 Continuations. The majority of those I would expect to go in the second half of this year as well. And then Valkyrie, , I don't think we've ever shared a number on that but with the testing facility delay, you've slightly fewer of those Valkyries expected to be delivered than our original expectation for the second half but those, of course, will be picked up in 2021.

Thomas Besson: So, broadly, we can count approximately 50 specials, I guess and whatever number of DBX. Okay, thank you. Second question, please: your aspirational Italian peer has talked about some cancellations in its order intake in the quarter. Can you comment on whether you have seen, as well, cancellations at Aston and specifically, I have been a bit surprised, I must say, by the strength of your UK business, knowing the situation in the country. Could you talk about group cancellations and make a specific comment on the UK market and what we should expect for the next three quarters, after such a strong Q1, please? Thank you.

Charlotte Cowley: Yeah, I can make a comment on the cancellations. There have been one or two on the specials, all of which have been backfilled by other customer orders, so nothing to call out there. In terms of core cars, the DBX order book has continued to build. I can't sit here, hand on heart and say that a dealer hasn't had a cancellation from a customer but, the orders to us are placed by the dealers and we haven't had anything coming through, we've just had that order book increasing over the last few weeks and now extending, as I think we said, into 2021.

In terms of the UK specifically, I don't think I have any great colour there. I mean the performance – it was the best region, and started the year with the best stock position, so that certainly helped. We'll have to wait and see, how the easing of the current lockdown restrictions really impact the demand but, as per I can't remember whose question it was but the Q2, it really will just depend on how and when lockdown fully eases in each market and that will be as relevant for the UK as it is for any other market.

Thomas Besson: Okay, thank you. I have a very easy one to finish, please? Do you have a date in mind for the new team to present a plan that would replace, I guess, the pre-existing one and would set up mid-term targets within the new set up, please?

Charlotte Cowley: I'm not entirely sure that people will be expecting us to present a new plan, per se, given, we gave the plan which centres around getting supply and demand rebalanced for sports cars and destocking the sports car network and we've made good progress on that in the first quarter and still more work to do there; then getting, the DBX launched. You've heard today that DBX has started production yesterday, and the reviews for that car and the strength of the order book is making us feel confident about it. Then the investment in the mid-engined, so starting with Aston Martin Valkyrie coming later this year and then Valhalla and Vanquish thereafter. So that is the plan. That's what we're out delivering and so I'm not quite sure –

Thomas Besson: Sorry – sorry, Charlotte, if I wasn't clear, I mean financial targets. I understand what you're trying to do but there are –

Charlotte Cowley: I'm sorry, apologies.

Thomas Besson: – no financial targets. Yeah, sorry, it's my French.

Charlotte Cowley: yes, no, I think, at the minute, you've got to just please bear with us. I don't think we're alone in not putting specific targets out for this year, so let us get through the uncertainty, have a clear view for this year and then, once we're in a position to be able to update then I should think we might be able to give some appropriate new guidance to the market but I can't give you a date.

We don't know how different markets are going to perform over the next few weeks, so you'll just have to bear with us, I'm afraid.

Thomas Besson: Great, thank you.

Christoph Laskawi (Deutsche Bank): Hi, good morning, I will have a follow-up question on liquidity. You mentioned that liquidity, at the end of March, on a pro forma basis is at £514 million. Could you help us understand what is the additional available liquidity that you have, as well, at the end of March? I'm talking about, , undrawn facilities, like the RCF and so on. That's the first question and I will have two follow-up questions as well.

Vikram Bhatia: Okay. Yes, we have additional facilities which we are reviewing every day. We have the $100 million DDNs, which are available to us. We are also talking to government for support if available and we're also looking at additional access to working capital facilities. That's as much as I can say today but we've got these facilities and our requirements very much in our focus.

Christoph Laskawi: And on the RCF, is it fully drawn?

Vikram Bhatia: A small amount is available but we've drawn quite a lot of it.

Christoph Laskawi: Can you share with us how much is available?

Vikram Bhatia: About £20 million.[subject to credit approval]

Christoph Laskawi: £20 million. Okay, okay. Then the second question is really to try to understand the pace of cash burn and how flexible you are in the structure. So, first, do you have any figures you can share with us in terms of monthly cash burn rate on zero production? And if not, what is the share of your variable versus fixed cost?

Charlotte Cowley: So on that, you've seen that we've taken some action on, costs in terms of taking advantage of the government scheme in terms of the job retention scheme for our staff who are furloughed because you can imagine, , in terms of numbers of employees, our manufacturing colleagues are a high proportion of employees, so we've taken action there to mitigate spend. You can imagine that we've been thinking carefully about what we're placing in terms of, , building the inventory and planning on what inventory we're bringing in while we've not been manufacturing in plants but ensuring that we do have the supply that we need for when we do start, as we have done in St Athan. And you've seen the senior team waive some of their fees. All of these are incremental factors, levers that we can pull to control spend and you've also seen the outlook statement, that we've made a specific comment about looking for further actions on costs and being extremely focused on cash conservation and you've seen some of that with some of the rephasing of CAPEX, as well, in the quarter that we've just reported.

Christoph Laskawi: So do you have, like, a broad, , percentage you could give me in terms of variable cost, based on all what you said here?

Charlotte Cowley: Yes, so there's been some flow-through of manufacturing costs, , because if you've not been manufacturing then you've got variable manufacturing costs that have supported in the quarter and you'd expect that to be doing so in April. And then, looking at all other areas of variable spend, so there's been some rephasing of marketing spend in the quarter, some of that we said was about Formula One sponsorship, given some of the timings of those races this year. We've already said that we're looking at our site footprint, so we'll be looking to close six of our sites. So, , a proper deep dive looking through, , different lines on the operating cost base.

Christoph Laskawi: Okay and then maybe – thank you and then the last question is really on the DBX. Can you maybe share with us what will be a broad number of DBX delivery for 2020?

Charlotte Cowley: I think somebody else already asked us that and I gave really as much help as I can, I'm afraid, so I haven't got any more to add, I think.

Christoph Laskawi: Alright. And then, maybe, for the last two months, what has been the pace of order book growth for the DBX? Have you seen a slowdown compared to, let's say, December and January for February and March?

Charlotte Cowley: I mean naturally, given, , we had – I think it was 93% of our dealer network that was closed at some points and obviously you would have expected somewhat of a slowdown but net-net, we have more orders now than we had when we last updated you. What's really interesting is, , the social media interaction is extremely high. The configurator usage is extremely high and we are pleased with what we're seeing with those dealers who've got – more than 15% of them are open today and we're pleased with what we're hearing from those dealers on the ground.

Christoph Laskawi: And then in China, following, , the reopening there, have you seen a pickup in order intake on the DBX –

Charlotte Cowley: Yup.

Christoph Laskawi: – over the past few weeks? Yeah? Okay. Okay, thank you very much for your answers. Cheers.

Stephanie Vincent (JP Morgan): Thank you. I have two, if I may? Just on the production cadence for this year, I think it would be helpful, given we're in such an uncertain time, if you can talk about the breakdown of parts supply coming from the various regions, so specifically UK, EU, US and China? And then, this is longer term but how can a non-marketing person look at the marketing effort for your products, going into the new normal? And how successful can social media and online marketing be? And it would be really helpful to talk about KPIs, something that we can get into our heads to maybe track this going forward, given the marketing experience will be quite different?

Charlotte Cowley: Hi Stephanie, so, in terms of where the parts are coming from, quite a big bit of work that we did when we were very focused, , on country of origin – I don't really want to bring up the B word but when we did all our Brexit contingency planning, so we've got a very high percentage that's UK, although we do also then have quite high, by value, European parts and you'll have seen that in terms of some of the – FX – , a big chunk of that £7 million FX headwind in this quarter was associated with the COGS, where we're bringing high-value parts in from Europe. We do have suppliers, , in other regions. I think the stats are it's over 60% is UK local content and 95% of our parts are Europe or UK, so hopefully that helps on that.

And in terms of the marketing efforts, I mean it's a great stat, I'm not quite sure what you're going to do with it but we had a 700% increase on our social media engagement, so there's a stat for you but you can imagine that Pete and his marketing team are very focused on how do we ensure that we are spending our money appropriately, given, , we're not running events, which are normally quite a high proportion of our spend and so ensuring that we're maximizing that, as are all our dealers, so that's our brand marketing but also all our dealer partners, supporting them in the quote-unquote new normal of engagement as we work through this.

Stephanie Vincent: Do you mind if I toss in another question, just in terms of the, maybe, percentage or sort of KPIs you look at as a percentage of orders that you believe come from these automotive shows and events?

Charlotte Cowley: It's very difficult to track, Stephanie, with any marketing funnel and of course you've got your reach and engagement right at the top of it and then you work down through the funnel in terms of working through from interest into leads into active engagement, then working all the way through in terms of people coming in, so active interest, processing an order and then booking an order with us. We've got our in-house system that logs that in terms of, , dealers registering interest, or registering footfall, and then actually getting through to that point of contract with the customer. But there's no, necessarily, hard and fast rule. I think, if I knew that, I'd be making a fortune in a marketing job but , key is often the test drive moment and converting that test drive into orders.

Stephanie Vincent: That's great, thank you.

Angus Tweedie (Citigroup): Hi, thank you. My questions are on liquidity, actually. Can you just talk about the $100 million of delayed draw notes and whether you're relying on those to get through your kind of Q2 liquidity needs? And then, secondly, on those, can you confirm if there is any sort of material adverse change clause that's in there and how confident are you that that money will be available if it's required?

Vikram Bhatia: We have no problem with the DDNs at all. We've got them. If we need the money, we'll draw on them. We don't need the money at the moment, so there's no intention of drawing on them. We have enough liquidity. As I mentioned earlier on, we are looking at other working capital facilities, as any good firm would do in the current climate that we live in. We're also exploring options on additional support from the government. We've stated this quite openly today and we'll see how we go but we do look at these things because we are a responsible company.

Angus Tweedie: Okay and just on the government point, can you give us any idea what – , sort of vaguely what you think that could entail or what you would like to receive?

Vikram Bhatia: Yeah, we are speaking to them. We have a person in house who liaises with government on our behalf. We are hoping to take advantage of any facilities that the government is willing to offer, provided it suits us and that's where we are. How long it will take, I honestly don't know. The wheels of government move very slowly.

Angus Tweedie: Okay, perfect. Thank you.

Michael Dean (Bloomberg): Good morning everybody. I hope you're all well. Just another follow-up question on the $100 million of DDNs: when is this facility available until?

And then, just on Gaydon, sorry if you mentioned this earlier but when do you expect to resume production there? Thank you.

Vikram Bhatia: Yeah, the facility on the DDN is available until July, so that's a given. We have people working in Gaydon but Gaydon is a smaller site than St Athan, so we're very careful on social distancing, etcetera, in Gaydon, so we are planning on how we restart the site fully.

Michael Dean: So you're actually producing cars at Gaydon at the moment?

Vikram Bhatia: No, we are not producing cars at the moment. We are trying to assess the – how we can go about that. It is a smaller site, it's a tighter line, therefore we are assessing that.

Michael Dean: Okay, very clear. Thank you.

Phil Bagguley (Bank of America): Thank you. Good morning. Thank you for taking my questions. I have two. The first one is in respect to any and all of the bonds. Have there been any bond purchases, either by the company or by any of the principal shareholders? And then the second question is on the delayed draw notes. Is there any kind of – I mean you've mentioned the potential to extend that option. Can you just remind us on the terms of that and is there any kind of mac clause that the counterparties might try and exercise in that agreement?

Vikram Bhatia: Yeah, on the bonds, no, there's nothing to report on them. We're not doing anything on the bonds there. On the delayed draw notes, we have a maturity date of July. We haven't drawn on them and –

Charlotte Cowley: And there's no mac clause to worry about –

Vikram Bhatia: No, nothing like that.

Phil Backley: Great, thanks so much.

Kai Mueller: Hi, sorry, it's me again. I was on mute earlier, when I was wanting to ask a follow-up question. The point – , it was sort of mentioned earlier in terms of the incentives, obviously, you've given to drive sales but can you remind us, as well, on this, , residual risk sharing agreement that you have, when we think about your leased vehicles that you pushed last year and maybe even the leased vehicles that you, , are pushing this year, when would you see that to materialise? So you obviously are giving incentives right now to make the sale but how do we have to think about the time the car comes back to the dealer and potentially the residual values, below what had been assumed? Who takes the hit, or how does that agreement work between you and your lenders, or the financing companies?

Charlotte Cowley: There's nothing more to come through from our perspective. You're seeing that in the ASP headwind at the minute, Kai. , We've got, , different individual arrangements with the different financing companies in each market but, , there – it's their balance sheet that's taking that risk, not ours.

Kai Mueller: Okay, sorry, if vehicles that have – as soon as the lease has been signed, your risk is off the table but in order to get it signed, you are giving better terms in terms of the original price, at the initial point but there's no risk that they could come back, when they come back to the dealers, that you are also taking a write-down, or a hit on the residual value differential?

Charlotte Cowley: No, that's correct, that's why it's called sub-venting the lease, so basically we do that first, up front and then the relationship is with that financing partner, through to the customer, rather than us.

Kai Mueller: Okay and maybe just to follow up, anyway, is I know you've been tracking, , from the IPO, sort of your residual value marker and obviously since you launched some of the new – the DB11, the residual value has held much better than the DB9s. Obviously, over the last year, the residual values and volumes have been the issue. Can you give us an update on sort of what your latest tracking tells you, in terms of where residual values are heading?

Charlotte Cowley: Well, I mean, I think, when I was talking to Charlie, we were talking about the fact that, , it will take a bit of time for this –

Kai Mueller: Yeah.

Charlotte Cowley: – action to work through the system but , as we are seeing that – that kind of support improving as we go through the quarters, as we saw a better picture, as I said, in Q1, than we had in Q4, that should start to feed through. But if you think, , average lease lengths run for a reasonable period of time so I think it will take a little bit of time to work through for residual values.

honestly, that's one of the things that I didn't check in my massive fact book, in terms of current read on residual value, so I haven't got an up-to-the-minute number to share with you, I'm afraid, sorry.

Kai Mueller: Okay, no, that's great. Thank you very much.

Dominic Convey (Peel Hunt): Good morning to you both. Just – I might have missed it earlier but can you just be clear on how many vehicles you still need to take out of the dealer network to achieve your stated objectives? Obviously you've done over 600 in the last 15 months but it's critical as to the way we think and model average selling price going forward and perhaps give us a little bit on that same theme, how quickly you expect to get to that stated target.

Charlotte Cowley: Well, so on the targets, I mean we're going for a luxury, , best in class position, which is lower than where we are – we haven't put a number on it. The fact that we have destocked by that 428 this quarter and we still we've got work to do, so, , we're flagging that we do expect that work to continue. In terms of how quickly it will take to get there. I mean, , we'll have to wait and see do consumers', , buying patterns return once we get through lockdown in different markets? But I'd certainly expect it to take at least the second quarter, if not a bit longer, to work through to get to that lower level of dealer stock. Although I would say, in some markets, they're certainly in, , pretty good shape already in terms of dealer stock, some of those markets you've seen, , better performance from in terms of the numbers that we posted this morning.

Dominic Convey: Can we infer from that, so, UK, you're where you want to be, Europe, probably getting close to it, Americas and Asia-Pac is where you've still work to do. Can you – I'm just, I guess, looking for some sense as to how much – how many vehicles that is to get you down, in those other territories, to where you are in the UK.

Charlotte Cowley: Yeah, Dom, I'm really sorry, I mean I'm not trying to be difficult but –

Dominic Convey: Okay.

Charlotte Cowley: – we haven't put a number on it. , we are – I don't know, , it's a pretty meaningful destock, that 428 we've achieved. , there is still work to do against that number. , what's really great I don’t know we said in the release , nearly half of that destock was Vantage, so, , pleased with the progress that we're seeing there. Regionally, you can take a bit of a steer in terms of, , the different regional performances but I certainly don't want to build any expectation that we feel we're done in terms of that inventory position yet.

Dominic Convey: Understood, thank you.

Operator: Thank you. There are no further questions at this time, please continue.

Charlotte Cowley: Super. Thank you very much for all your questions. and we will look forward to keeping you updated on our progress in due course and apologies to those who were trying to talk to us and were on mute. Kai, we didn't mean to make you have to go back in the queue. Thanks all, bye-bye.

Operator: Thank you. That does conclude our conference for today. Thank you all for participating; you may all disconnect.

[END OF TRANSCRIPT]