

Aston Martin: 12- Chapter SVA Teardown

1. EXECUTIVE SUMMARY & STRATEGIC VERDICT

TO: Office of the CEO, ScanGeni Ventures

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SUBJECT: SVA Teardown & Strategic Assessment of Aston Martin Lagonda Global Holdings plc (AML.L)

VERDICT: Aston Martin (AML) is a value-destroying enterprise in its current state. The spread between its Return on Invested Capital (ROIC) and its Weighted Average Cost of Capital (WACC) is severely negative. The company's valuation is not supported by current economic reality but is instead a high-conviction bet on a monumental operational and strategic turnaround. The brand, its sole meaningful moat, is being leveraged as collateral against future performance that has yet to materialize.

The market has priced in a heroic NOPLAT growth trajectory that requires near-flawless execution of the "Project Horizon" transformation strategy, significant margin expansion on new models (DB12, Valhalla), and disciplined capital management. The current capital structure is fragile, and the company remains highly vulnerable to macroeconomic shocks and execution missteps.

2. THE VALUE CREATION MANDATE (SVA)

Value is created when a company generates a return on its invested capital that is greater than the cost of that capital. All other metrics are vanity. The core drivers of Shareholder Value are:

1. **NOPLAT (Net Operating Profit Less Adjusted Taxes):** The unlevered, after-tax cash profit generated from core operations.
2. **Invested Capital (IC):** The total capital from all sources (debt and equity) used to fund the company's net operating assets.
3. **ROIC (Return on Invested Capital):** The primary measure of operational efficiency ($\text{NOPLAT} / \text{Invested Capital}$). It is the truest gauge of a company's ability to generate cash from its asset base.
4. **WACC (Weighted Average Cost of Capital):** The blended rate of return required by the company's capital providers (shareholders and lenders). It represents the minimum acceptable return, the hurdle rate for value creation.

3. METHODOLOGICAL FINANCIAL DIAGNOSIS

The foundational mathematics of Aston Martin's current economic state. All figures are based on TTM (Trailing Twelve Months) and normalized for strategic analysis.

| Metric | Formula | Calculation | Result |

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| Sales | - | - | £1,620M |

| EBITA | (Adjusted for non-recurring items) | - | £80M |

4. THE L&T SVA TREE (ROIC DE-COMPOSITION)

ROIC is a function of two distinct operational levers: profitability (Margin) and capital efficiency (Turnover). We deconstruct AML's 3.0% ROIC to identify the source of underperformance.

L&T Value Tree for AML.L:

ROIC (3.0%)

= NOPLAT Margin (3.7%)

x Invested Capital Turnover (0.81x)

5. ANALYST CONSENSUS VS. SVA REALITY

Analyst Consensus (The "Street" Narrative):

The consensus view is a "turnaround story" driven by multiple expansion. The narrative is fueled by:

1. New Product Cycle: Higher-margin models (DB12, Valhalla) are expected to drive significant ASP (Average Selling Price) and margin uplift.
2. F1 "Halo Effect": The success of the F1 team is expected to translate into brand equity and pricing power.
3. Electrification Strategy: Partnerships (Lucid) provide a capital-light path to an EV future.

6. THE SPREAD-GROWTH MATRIX

This matrix plots the company's ability to create value (ROIC-WACC Spread) against its growth. Value is only created when a company grows with a positive spread. Growing with a negative spread accelerates value destruction.

Current Position: AML resides in the "Value Destroyer" quadrant.

ROIC-WACC Spread: -8.0%

Revenue Growth (fwd): ~10-15% (Target)

AML is actively destroying capital with every unit of growth. The strategic imperative is to shift vertically into the "Value Creator" quadrant by increasing ROIC above WACC *before* accelerating growth.

7. EXPECTATIONS INVESTING (REVERSE DCF)

We reverse-engineer the current share price to calculate the future performance the market has already priced in. This quantifies the "expectations treadmill" the management must run on.

Enterprise Value (EV): ~£2,100M (Market Cap £1.3B + Net Debt £0.8B)

Current NOPLAT: £60M

WACC: 11.0%

Model: Two-stage DCF (5-year high growth, then perpetuity)

8. TSR (TOTAL SHAREHOLDER RETURN) DECOMPOSITION

An investor's return is a function of cash flow, growth, and changes in market sentiment (the multiple).

TSR = Dividend Yield + NOPLAT Growth +/- % Change in Valuation Multiple

AML's Prospective TSR Bridge:

1. Dividend Yield: 0%. The company is in no position to return cash to shareholders.
2. NOPLAT Growth: Required: 35% CAGR. This must be the primary engine of return. Failure to achieve this level of fundamental growth will be catastrophic for TSR.

9. MBB MATRIX (PORTFOLIO HEALTH)

We analyze AML's product portfolio using a modified BCG Matrix framework (Market Attractiveness vs. Competitive Position/Margin).

| Quadrant | Products | Strategic Mandate |

| :--- | :--- | :--- |

| STAR (High Growth, High Margin) | DBX707, DB12 (Potential) | Invest Aggressively. Fund all necessary resources. These models must carry the company's profitability and fund future development. The DB12's launch execution is a critical test. |

| CASH COW (Low Growth, High Margin) | DBS (End-of-life) | Harvest. Maximize cash flow from the final production runs. Use proceeds to fund the STARs. Do not reinvest heavily. |

10. M&A VULNERABILITIES & MOAT ANALYSIS

I. Economic Moat:

Primary Moat: Brand. The Aston Martin brand is synonymous with British luxury, performance, and heritage (James Bond). This is a powerful, intangible asset that allows for premium pricing. However, years of financial instability have tarnished its exclusivity and reliability perception.

Secondary Moats: None. The company lacks meaningful scale, proprietary technology (increasingly reliant on partners like AMG and Lucid), or network effects. Its manufacturing expertise is not unique in the ultra-luxury segment. The moat is narrow and consists of brand equity alone.

II. M&A Vulnerabilities:

Capital Dependency: The most significant vulnerability. The company's negative free cash flow and high debt load make it perpetually reliant on external capital. This creates opportunities for existing large shareholders (Geely, PIF) to increase their stakes at favorable terms during financing rounds, or for an external bidder to launch an opportunistic offer.

11. STRATEGIC SCENARIOS & RISK ASSESSMENT

Scenario 1: Bull Case - "Horizon" Delivers (25% Probability)

New models (DB12) achieve high margins (>20%).

DBX continues to drive volume and cash flow.

Operational efficiencies are realized, reducing the cost base.

Outcome: ROIC exceeds WACC within 3 years. NOPLAT growth exceeds 35% CAGR. Share price re-rates significantly.

12. C-SUITE LEVERS FOR VALUE MAXIMIZATION

The following actions are non-negotiable and must be executed with zero latency to reverse value destruction.

1. **Mandate ROIC > WACC as the Sole Performance Metric:** All capital budgeting decisions, operational plans, and executive compensation must be tied directly to achieving a positive ROIC-WACC spread. Eliminate all other vanity metrics.

2. **Aggressively Drive NOPLAT Margin:**

Pricing: Enforce pricing discipline on new models. The brand must command a premium, not offer discounts.

Cost: Ruthlessly execute "Project Horizon" cost-outs. Link supply chain and manufacturing bonuses directly to margin improvement.