

AUTOMOTIVE

Aston Martin saved by \$660M bailout from consortium comprising F1 billionaire Lawrence Stroll, Silas Chou and John Idol

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The Aston Martin DBX is the automaker's first SUV in its 106-year history and could give it some oomph in sales. Image credit: Aston Martin Lagonda

By STAFF REPORTS

British sports car maker Aston Martin Lagonda has been saved from collapse by a \$660 million bailout led by Formula 1 billionaire Lawrence Stroll.

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Mr. Stroll, who is owner of the Racing Point Formula 1 team, and a consortium led by him will chip in \$240 million for a 16.7 percent share of the company. The rest will come from issue of new shares, some of which will be bought by Mr. Stroll's consortium.

"The difficult trading performance in 2019 resulted in severe pressure on liquidity which has left the company with no alternative but to seek substantial additional equity financing," said Aston Martin Lagonda chairman Penny Hughes, in a statement.

"Without this the balance sheet is not robust enough to support the operations of the group," she said.

"Notwithstanding recent weak trading, the strength of the Aston Martin brand and our expanding portfolio of cars has allowed us to attract a strong new partner in Mr. Stroll to support the turnaround of the business."

Good and great

The rescuing consortium includes Mr. Stroll as leader, along with

Andr Desmarais, former CEO of Power Corp. Canada; Michael de Picciotto, vice-chairman of the supervisory board of global real estate brokerage Engel & Volks AG; Hong Kong-based fashion investor Silas Chou; John Idol, chairman/CEO of Michael Kors owner Capri Holdings; Lord Anthony Bamford, chairman of JCB; and John McCaw, former part owner of McCaw Cellular.

The consortium will seek to increase its holding up to 20 percent of the issued share capital of [Aston Martin Lagonda](#).

Ms. Hughes will leave her position as Aston Martin Lagonda chairman and director, with Mr. Stroll taking over as executive chairman under the deal.

Slack demand

Last year was disappointing for Aston Martin. Sales were weaker than anticipated for its Vantage car and in Europe as well as the home market of the United Kingdom.

This year kicked off with excess inventory at dealerships, partially due to the supply chain disruption at the end of 2018 coupled with the lower-than-expected demand for the Vantage.

Not surprisingly, more retail and customer financing was required to reduce inventory levels at dealerships and incentivize sales, further depressing the average selling price.

Also, despite retail sales increasing by 12 percent year-on-year, it did not meet Aston Martin's goals and it was unable to wholesale cars in the volumes as targeted.

Higher marketing costs contributed to a deteriorating bottom line as well. The automaker had to spend more in December to support U.S. sales and DBX launch efforts, with the added weight of headcount and SG&A costs falling below savings targets.

That said, the DB11 and DBS Superleggera models performed well and grew market share in recent years. But even those models could not escape last year's challenging trading conditions for Aston Martin.

The company this spring will launch the Vantage Roadster, a variant that is expected to generate around 40 percent of Vantage's sales mix over the life of the model.

Rough ride

But there is no hiding the disappointment within Aston Martin for the brand's slide.

"As we announced on 7 January 2020, the past year has been a regrettably disappointing and challenging time for the company," said Andy Palmer, Aston Martin Lagonda president and group CEO, in a statement.

"Despite our continued efforts, the difficult trading conditions and resulting poor performance in 2019 has put the company in a stressed position with severe pressure on liquidity and affected our ability to deliver against our original plan," he said.

"Today's fundraising is necessary and provides a platform to support the long-term future of the company.

"Mr. Stroll brings strong and proven expertise in both automotive and luxury brands more widely which we believe will be of significant benefit to Aston Martin Lagonda.

"Following a comprehensive review, today we announce a series of immediate actions to reset, stabilize and de-risk the business, positioning it for controlled, long-term profitable growth. These include rebalancing supply-demand dynamics, reducing capital expenditure and the re-phasing of some future product launches, together with cost-efficiency initiatives.

"We are focused on turning around performance, restoring price positioning and delivering a more efficient operational footprint.

"We will deliver some exciting new products this year with the much-anticipated DBX during Q2, Vantage Roadster in the spring and Aston Martin Valkyrie deliveries starting in H2.

"We have also announced plans to leverage a new motorsport collaboration with Racing Point to enhance the execution of the plan.

"I would like to thank Red Bull Racing, who we will continue to sponsor this year, for their partnership and support in us being able to say this today.

"The actions announced today will allow us to implement and deliver on our reset plan and provide Aston Martin Lagonda with a sustainable platform for the future."

Reset

As part of the rescue package, Mr. Stroll's Racing Point F1 team will be renamed the Aston Martin F1 team, starting with the 2021 season.

Other changes are underfoot, too.

"I am very pleased that I, and my partners in the consortium, have reached agreement with the board and major shareholders to make this significant long-term investment," Mr. Stroll said in a statement.

"Aston Martin Lagonda makes some of the world's most iconic luxury cars, designed and built by very talented people," he said. "Our investment announced today underpins the company's financial security and ensures it will be operating from a position of financial strength.

"On completion of the 500m of fundraising I look forward to working with the board and management team in Aston Martin Lagonda to review and improve each aspect of the company's operations and marketing, to continue to invest in the development of new models and technologies and to start to rebalance production to prioritize demand over supply.

"I, and my partners, firmly believe that Aston Martin is one of the great global luxury car brands. I believe that this combination of capital and my experience of both the motor industry and building highly successful global brands will mean that, over time, we fulfill Aston Martin Lagonda's potential."

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