Aston Martin shares in reverse as annual losses balloon

February 27 2020

The coronavirus outbreak could complicate Aston Martin's already difficult situation as China has been a key area for sales growth

Shares in Aston Martin Lagonda tanked Thursday after James Bond's favourite carmaker said net losses nearly doubled last year on weak global demand—and warned over the potential impact of coronavirus.

Losses after tax accelerated to £113.2 million ($147 million, 135 million euros) in 2019, Aston Martin said in a results statement. That compared with a loss of £62.7 million in 2018.

The flagging automaker said it sold 5,862 cars last year, down nine percent on 2018, adding that chief financial officer Mark Wilson was leaving the group.

"2019 was an extremely challenging period for the company," said chief executive Andy Palmer, who last month unveiled a £500-million cash injection that will see Aston Martin become a formula one racing team.

"While retail sales grew, we were unable to generate the revenue and profits we had originally planned," Palmer added Thursday.

Revenues fell to £997 million from almost £1.1 billion.

It warned also over the possible impact of the new coronavirus or COVID-19 outbreak in key market China—which was its star performer in 2019.

"COVID-19 has the potential to impact both the supply chain and customer demand in China and other markets," the company said.

"China was the company's fastest growing market in 2019 and represented nine percent of total wholesales."

Aston indicated it had seen only modest disruption from some component manufacturers in China, but none of its "tier 1 suppliers" manufactured there.

"Despite some disruption to supply of some components from China, there has been no impact on production. Supply is secured until at least

end March," it added.

The results sent Aston's share price sliding 10.7 percent to 349 pence in midday trading on the London stock market.

"Full year results from Aston Martin are as ugly as you can get," said Russ Mould, investment director at AJ Bell.

"Sales have gone into reverse and profit has evaporated. Worst of all is the scale of its borrowings. Its net debt position of £876 million is nearly as much as the entire year's revenue."

Back on track?

Aston on Thursday expressed hope for the future after last month clinching a cash injection from Canadian billionaire Lawrence Stroll to help it get back on track.

"2020 is the year in which the business will be reset in order that it can start to operate as a true luxury car brand," the carmaker said in the earnings statement.

"This process is absolutely necessary for the long-term performance and value of the company."

Under the deal, the Racing Point Formula One team—whose drivers include Lawrence Stroll's son Lance Stroll—will be rebranded Aston Martin from 2021.

Stroll senior agreed to partly fund the financial lifeline for Aston Martin, whose stellar progress ahead of its 2018 stock market debut crashed spectacularly on weak global demand linked to China's slowdown and Brexit.

"Arguably the scale of its planned £500 million fundraise isn't large enough," added analyst Mould.

"This may be all the company thinks it is capable of raising in the near-term, but there seems a big risk it will have to go cap in hand to shareholders again in the not too distant future."

Citation: Aston Martin shares in reverse as annual losses balloon (2020, February 27) retrieved 1 May 2024 from https://techxplore.com/news/2020-02-aston-martin-reverse-annual-losses.html