Aston Martin a British jewel

Why Aston Martin is heavily undervalued.

Since Aston Martins IPO in 2018 the stock has declined over **96%.** This Analysis **unlocks the truth** behind the rapid fall of Aston Martin shares and reveals the **true value of the established luxury car manufacturer**.

Aston Martin cars are celebrated for their timeless design, blending classic British styling cues with modern aesthetics. Renowned for their high-performance driving experience, Aston Martins deliver powerful engines, precise handling, and thrilling acceleration. Maintaining a sense of exclusivity, Aston Martin produces limited numbers of many models, appealing to luxury car buyers. The brand's rich heritage, from early racing success to iconic appearances in James Bond films, adds to its prestige and desirability.

To fully understand Aston Martins craftmanship, we logically start by the founding of the company in 1913 by Lionel Martin and Robert Bamford in London, England. Initially named Bamford & Martin Ltd., the company produced cars under the name Aston Martin after Lionel Martin successfully raced at Aston Hill in Buckinghamshire, England.

Throughout its early years, Aston Martin faced financial challenges and changed ownership several times. In the 1920s and 1930s, the company produced racing cars and built a reputation for performance and style. However, financial difficulties during the Great Depression led to the company changing hands again.

In 1947, industrialist David Brown purchased Aston Martin and introduced the DB series of cars, which would become iconic for the brand. The DB2, DB3, DB4, and subsequent models helped establish Aston Martin as a manufacturer of luxurious, high-performance automobiles.

Aston Martin's involvement in motorsports further enhanced its reputation for engineering excellence and performance. The brand achieved success in events like the 24 Hours of Le Mans and the World Sports Car Championship.

In the following years, the brand continued to produce iconic models, including the DB5, famously featured in James Bond films like "Goldfinger."

In recent years, Aston Martin has undergone significant transformation and expansion. The company has introduced new models, such as the recently shown Vantage featuring advanced technology and design. And please look at their new cars, this Aston generation will rock. The beautiful new front of the Vantage – it is just phenomenal.

Aston Martin has strategically partnered with other esteemed companies within the automotive industry to maintain a trajectory of innovation and uphold their exacting standards of excellence.

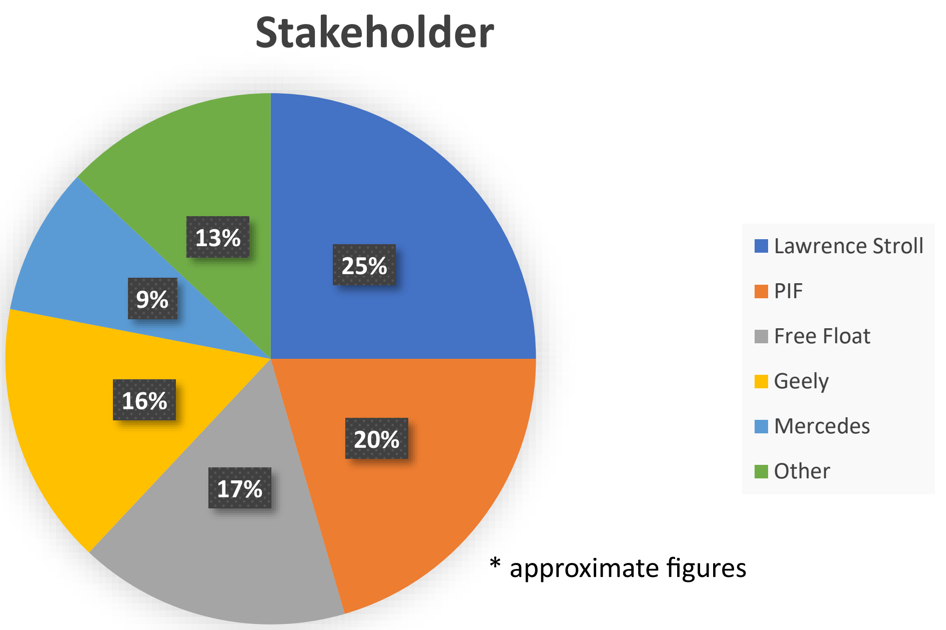
Surely these are dependencies, but Aston Martin has taken steps to maintain a level of independence that sets it apart from other luxury car companies.

Moreover, Aston Martin's commitment to in-house innovation and engineering excellence, exemplified by initiatives such as the creation of its own V12 engines and the development of their own software system, demonstrates a willingness to invest in proprietary technologies and capabilities to reduce reliance on external suppliers over time.

Besides Aston will receive for their **EV ambitions a payment from the government** to support their production and secure workforce. Speaking of, AML wants to **hire 400 employees** in production based on their already strong demand for their new models (e.g. Vantage, DB12, Valhalla).

By balancing strategic partnerships with a focus on in-house innovation and maintaining a degree of independence in key areas, Aston Martin aims to mitigate risks associated with supplier dependencies while continuing to deliver exceptional luxury and performance vehicles that captivate enthusiasts around the world.

Nonetheless, for publicly traded companies, reliance solely on brand equity is insufficient; the stock market predominantly evaluates the financial metrics and performance indicators of a business. Presently, AML finds itself in a **financially precarious position**, grappling with significant levels of **high-yield debt**. Plus, their financial results are suffering from the **engineering expenditures** for its hypercars (Although these investments are "justified" by the unparalleled craftsmanship they afford). Consequently, AML's operational profitability has demonstrated a **consistent ascent** over recent years, projecting an estimated return of **1.6 billion pounds by 2023**, but still, they "burn" money.



On the other hand, Moody's revised its financial outlook for AML in mid-2023 from **stable to positive**, despite maintaining a **credit rating of Caa1** (signifying near-default status). Nevertheless, this financial turbulence ignored, numerous influential stakeholders express confidence in Aston Martin's prospects, galvanized by the commitment of Lawrence Stroll, a billionaire investor credited with revitalizing the iconic brand. Stroll's intervention in 2020 averted the company's bankruptcy, with his subsequent acquisition of a minority stake in Aston Martin. Leveraging his reputation and track record of successful ventures, Stroll instills optimism among investors regarding the company's turnaround. Notably, his endeavors have already borne fruit, with Aston Martin's **reentry into Formula 1** providing a prominent platform for international exposure.

Significantly, institutional investors such as the **Public Investment Fund (PIF)** have demonstrated faith in Aston Martin's resurgence, with holdings reaching 20.50%. Concurrently, Saudi Aramco's investment of **approximately 1 billion in the Racing Point Formula 1 team** (now Aston Martin F1) further underscores external confidence in the brand's trajectory. Stroll, managing the infusion of liquid capital, has **initiated discussions with major creditors** regarding debt restructuring and interest payment arrangements.

However, in juxtaposition with industry counterparts like Ferrari, which has evaded financial pitfalls and cultivated an exemplary customer experience, Aston Martin's valuation remains very modest.

Alternatively, emerging electric vehicle manufacturers like Rivian offer a comparative perspective. Despite surpassing Aston Martin's revenue by nearly double, Rivian's inability to curtail operational costs has resulted in substantial net losses, approximating 5 billion dollars. Conversely, Aston Martin's projected net loss for 2023 is anticipated to halve.

In summary, Aston Martin emerges as a compelling investment proposition, characterized by its affordability (In comparison with other players native in the luxury sector + the fact that luxury will still work and grow, even in a recession), institutional backing, promising F1 performance, and optimistic future prospects, lauded by automotive enthusiasts and experts alike. Especially the release of the Valhalla hypercar underlines Aston Martin's commitment to producing high-performance vehicles, poised to captivate discerning clientele (With plans to manufacture **999 units priced at 700,000 pounds** each). Their evolution towards a super sport and luxury car producer is farewell a great investment opportunity for the PIF. Some may wonder if they plan to take the company private- however so many huge shareholders are involved, a secure financial future is practically unavoidable.

Note: Based on my own research I will surely invest in the company. No financial advice is given.

Sources: Aston Martin Investor Relations; Bloomberg