



## Q4 and full year FY20 results call transcript

Attendance List: Adrian Mardell (CFO, Jaguar Land Rover)  
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Title of Meeting: FY20 Results Call

Hosted By: Adrian Mardell (CFO, Jaguar Land Rover)

Coordinator Good day, everyone, and welcome to the Jaguar Land Rover FY20 Results Call hosted by Adrian Mardell. During the presentation, your lines will remain on listen-only. I'd like to advise all participants that this call is being recorded for transcription purposes.

And now with that, I would like to hand the call over to Adrian. Please go ahead, sir.

Adrian Thank you so much. Good afternoon, everybody. Good morning to those of you dialling in from North America.

First slide, if you would, please. Obviously, our year end results were announced today. I'll take you through a standard presentation, and Balaji will give some comments afterwards before we go into Q&A.

Product launches. Even in this very difficult time, we still had a really nice period for launching products. The all-new Defender we'll talk about a little later, but very important product introductions for us over this next phase, particularly because of the powertrain compliance of the PHEVs and the Evoque and Discovery Sport, we will pick those up as well. Next slide, please.

FY20 loss before exceptional items was £393 million. That was slightly worse than FY19, but of course, significantly impacted by Covid. You can see that when you go to Q4 FY20, the loss, again before exceptionals, was £494 million. That was £763 million worse than Q4 FY19, and you all know we were tracking significantly better in Q2 and Q3. I can confirm also for the period before Covid, the Q4 position would have been the best quarter of the year, around EBIT margins 6% or slightly higher.

In saying all of that, on a full-year basis even after Covid the EBIT margin did improve, just 0.1% negative, so it improved by just over half a point. EBITDA margin also improved by half a point also. Obviously, the improved performance as we'll get into a little bit, is underpinned significantly by the Charge+ programme. We will announce on the call the Charge+ target for FY21 has been increased from £4 billion to £5 billion.

Let me just take a look at volumes. Obviously, that underpins everything. Our retails were down 12% to 509,000 units. Revenue was

down almost 5% to £23 billion. Retails in Q4 was the worst quarter, and it's always the best quarter, of course, given the significant March in UK always falls within our final quarter, but there were only 110,000 units, so impacted by Covid by more than 45,000 units in the quarter.

Cash flow, even though it was post-Covid, we were still cash-positive in Q4, as we indicated, £225 million positive. Full-year cash £(702)m, and that was £563 million better than the prior year. If it hadn't been for us stopping sending units through to the dealers in the last 21 days of the month, we believe we'd have been cash-positive for the full-year FY20. We'll get into a little bit of that later as well.

On the next slide, please, we have some regional splits of volumes. China is a big call-out here. If you remember from Q2 and Q3, China was more than 20% higher than previous year. On a full-year basis, it's down almost 9%, 8.9%, so a significant negative in Q4 from China. You know Covid impacted China earlier than all other regions, and by far, the dramatic impact for us in China was in Q4, rather than in Q1—I'll get to that later—even though we were still better than industry, which was down 16.6% for the full-year.

Wholesales, you see there, wholesales, of course, drive our revenue and our cash coming into the business. They were 476,000 units, down 6.3% year-after-year. Q4 wholesales are almost always the best quarter by far. They were the second weakest just after our Q1. Again, that shows the dramatic impact we had as a result of Covid in the quarter. Can we go to the next page, please?

This is the FY20 by nameplate. You can see it here, the new Evoque, we talked before was trading really, really well in the middle of the year. That still ends up 25% higher than the previous year. I-PACE was up 40% on the previous year, although the I-PACE volume is overall just over 3% of our total volume.

You'll see down on the right-hand side the full-year numbers and how much lower we were on a full-year basis, and where those losses actually were by nameplate. Let me remind you, Q4 retails were just 110,000 units, more than 45,000 lower than we would have otherwise expected to have been in the quarter. We were tracking well for the first 10 weeks of the quarter, by the way, so we were certainly on-target for those sales. Next slide, if you would, please.

The full-year profit bridge, this again, is before exceptional items. Of course, there was a huge exceptional impairment in prior year, so we've taken out the exceptionals here, £(358) million last year, 0.7% negative EBIT. This year's number is actually £(393) million, negative 0.1%, so the absolute loss is a little higher, but less loss on an EBIT margin basis.

The significant loss walks we've shown there. I'm just going to pick out a few of these because a lot of these we've talked in previous quarter. I'll pick out China JV, which was £118 million on a year-over-year basis. We're very clear we're actually working through the challenges we've had with the JV alongside our partners in Chery. This

number was significantly impacted in the final months, as our production facilities, as you know, closed down in China at the end of January. We are very confident we'll start to see year-over-year improvements going forward for our JV.

Variable marketing was almost the most difficult determination for us to make at the end of the year because we stopped retailing units in the last three weeks. We did end up with those 40,000 retails that we didn't make, with higher dealer inventory than we wished for. Dealer inventory across the globe at the end of March was just about 101,000 units, so more than 25% higher than we anticipated.

We needed to determine, as dealers closed down in April and May, how long it will take to sell those units and what marketing support is required behind those units. Our final determination here effectively added two percentage points to the quarter, or £100 million or thereabouts. Overall, about £1,000 on average per car additional for that excess inventory.

Beyond that, we do have to face up to the second-hand value of those units coming back, particularly in North America, into a weak residual value and auction prices. Very weak in April, strengthened in May, but we did determine that we needed to book \$78 million-worth of residual value losses on the fleet that's already out there awaiting return in the balance of this fiscal year.

There are the two big pieces which dramatically increased the VME in Q4, shown in that number. Won't go into the details for contribution and structural costs. Most of that is all the good stuff we've actually done as a part of the Charge programme. Great performance again in Q4, we'll talk in a few minutes. The warranty is actually old TDV6 issue, which we talked about in some detail in Q1 fiscal year and also the software over the air updates, which we talked about then also.

Across the page we've frozen the absolute number of 393. I think it's important for us to point out what we believe we can clearly see as the impact of Covid there in that column, just under £600 million on the full-year. All of that was Q4, of course. We believe an adjusted number would have been in the mid-2% range, which was a little lighter than the range we were indicating for most of the second half of the year.

We did have a big exchange hit over the last few weeks, as Sterling collapsed, of course, toward the end of March. We haven't reflected any of that negative within that Covid adjustment column. Next page, if you would, please.

Cash position. Our cash outflow for the year was £702 million, as I mentioned. You'll see it here on this page. That was £563 million better than FY19, £225m positive in Q4, and significantly impacted over those last three weeks, when there were around 16,000 wholesales that we were tracking to deliver to dealers, and we just stopped deliveries. Priced out, they're actually worth more than £700 million, so we know we were tracking well over the first ten weeks. We did

have high confidence of passing those units through, and that would have made us marginally cash-positive in FY20 if Covid hadn't happened.

It has happened, but we did want to show you that our break-even position on cash here has significantly reduced from 18 months ago off the back of the Charge programme. Cash break-even is now sub-500,000 wholesales. Next page, if you would, please.

Here we go, investments—last of the finance pages. The investment levels have reduced to a shade under in the £3.3 billion for the full-year. All areas are there. You see £516 million lower than the previous year, and that year was £500 million lower than the year before that. That's the Charge programme again continuing.

No significant cycle plan changes within there, improvements on capital efficiency, although there were some delays on the Defender product, of course. As you know, that did come out later in the quarter than we were anticipating, so some of those investments will fall into FY21, but significant improvement again, on investment efficiency. Next page, if you would, please.

Okay, so we closed the plants, as you know, towards the end of March as a direct result of this terrible pandemic. You can see here we're starting to right some of the things we've been doing as a company, individuals, helping all organisations. Ninety-seven percent fall in UK sales in April is probably the most dramatic headline we would have seen. Lowest April UK sales since 1946, you see there. We were impacted significantly, like pretty much most other businesses. Next slide, if you would, please.

Okay, our response was quick; our response was dramatic; our response has lifted up the processes we'd use on the charge programme over the last 18 months, which you know is already quite a successful turnaround programme. We met 46 times as a board of management before the end of May, sharp on our discussions, decision-focused. Hence, why most of the big actions, the production stoppages happened very, very quickly for us. The importance here is we, therefore, stopped the oversupply into the marketplace, and we contained the increase of those dealer inventories through to mid-May, at the point when inventory is now starting to fall below March levels.

Currently, we have 89% actually of the dealers open. That data changes every week; 84% was the start of last week; 89% the start of this week. Fifty-eight percent actually are fully-open; 31% partly open. We instigated a cross-functional star chamber, basically investment and spend review. Those meetings have met 155 times through April and May, and the review all spend above £25,000 on a four-eyes cross-functional basis. There has been a dramatic fall-off in orders, in spend, in costs, and also investment, and we'll start to benefit from that fall-off through the June and July period.

We did take advantage of the UK government support scheme to furlough employees, so more than 20,000 employees in early May were

furloughed, although a number of those, of course, have been brought back as a part of the build plans, the restart programmes. You can see there we're indicating FY21 investment target has already been reduced to £2.5 billion, and plans are being put in place to meet and to deliver that target. Next slide, if you would, please.

Okay, so crises tend to bring out the best in people, and that's no different for us. The sad news is, we have lost three employees who died from that crisis. We turned our hand into helping front line workers in the UK there, you see that 14,000 visors generated on a weekly basis. We then provided 362 of our vehicles to super services like the Red Cross. Our employees volunteered themselves to help support their communities. I know lots of organisations have done that; that's what my company do as well. It really is why I love my company. That's the response we actually get. Next slide, please.

So we're now starting to lift from that lockdown period, which was seven to eight weeks in most plants. You can see there the days we stopped the productions. You can see there the days we started those productions. Castle Bromwich is the only plant which hasn't yet started. It had the highest inventories at the end of March, and significantly, as a result of the UK sales stopping impacted Castle Bromwich product more than others.

UK and European dealers have opened slower than the rest of the dealers in the other regions, and again, that impacts our Castle Bromwich product more than other areas. Therefore, the build-back of the sales have been slower. We'll keep the plant closed until the point in time those inventories are brought into control; likely to be post-what would have been a normal shutdown period, which is from the 10<sup>th</sup> of August. You see the different regional retailers have opened up on the right-hand side. Next page, if you would, please.

China, so important, of course, to our business model, China is starting to show itself in the version of a classic V shape recovery. If I take you to the right-hand side of that first series of data there, you can see May 2020 retails were actually higher than May 2019 by 4.2%, so very, very quickly we start to see this pattern toward the end of March. Very, very quickly, retail sales have returned to prior year levels in China. You do know that Q1 last year was our worst quarter for China, and therefore, we'd expect these to continue to grow going forward.

Leads are strong. Closure rates are strong as well. Most importantly, our transacting prices have actually strengthened over this period by one to two points, particularly on our import business, which is a great sign that we have control of stocks which have now been brought back down to manageable levels of one-and-a-half months already by the end of May. So, really quite positive, although it's only a short period of time. None of us, of course, can predict this future, but a really, really positive return; just the return we would have wished for for China.

All other regions on the next slide, China's on the left there. You can start to see North America appears to be four to six weeks behind, but

again, you're getting that profile of a big jump in May. We did start to see North American sales start to escalate in the second half of May. The 32% year-over-year reduction was less than we were anticipating, so we got surprised by a little bit of that strength.

UK, I've explained it already. March is our biggest month. We stopped selling cars about 12 days before the end of the month. No dealers have been open for April and May. You can see the level of sales. That region started with dealers opening in England from the 1<sup>st</sup> of June. It started to actually increase its sales in June.

Similar pattern in Europe, although it's a mixture of countries, and different countries opened at different points in time, so not quite as dramatically impacted in the UK. You can see the right-hand side we sold 24,000 cars in May. Quite a jump from the 14,800 sales in April and June will be bigger than May sales as well. We expect that increase in pattern with the regions UK, Europe coming on board.

The Defender, we spoke about it a few times. The 110, we haven't had dealer launches yet, but start of sales date in the UK and Europe did begin in May this year. Twenty-two-thousand-plus orders have now been taken by the dealers. More than half of those have actually already received those customer deposits. We will expect retail sales to scale quite sharply in Q2.

We've held back the Defender 90, the shorter wheelbase version, because the 110 hadn't yet had its opportunity to launch for the first three months. The 90 will be held back until later in Q2, September, or maybe even October. But, a really strong, promising opening start, and the configurations I talked about before that we have actually now topped 1.6 million complete configurations. Next slide, if you would, please.

These are two really important products for our compliance strategy. The PHEV have gone into the Evoque and the Discovery Sport. These products sell most in our UK and European regions, the regions that have been closed down most and for the longest. Therefore, not surprisingly, the year-over-year sales are still showing big negatives.

I think we'll need to see in three months' time what the return rate is on these. It's going to be another year-over-year reduction, and June, as well, given all the dealerships aren't yet opened up. Next slide, if you would, please.

Great progress on Charge+. I think we're indicating that our confidence on the cost and profit number had grown significantly through that Q3 period into December. We did deliver just more than the £1 billion, which we said we would do. You saw that on the year-over-year profit slide, at least most of that you did.

Interestingly, the increasing amounts now in those underlying areas, cost and profits, including material costs in Q4, which we called out in January also. Investments are still running low and continue to run lower going forward. We'll now look to redefine even lower levels of

inventory, both for ourselves and the dealers going forward as well. We do expect an incremental improvement and efficiencies on the investment inventory, and also on operating costs. Next slide, if you would, please.

Off the back of that, we're announcing the increase in the programme target from £4 billion to £5 billion; no change in the timeline so this will still be by the end of March '21. Next slide, please.

We're starting to show here, because I know people like to question how much is one-time, and how much is sustained underlying improvement. We're calling out 50/50, although it's very likely we'll over-achieve on non-recurring items. If we do, we will increase the target in a couple of quarters' time.

We're building some momentum on the underlying as well. The structural cost increases will be the biggest we see in the first half because of the actions I've mentioned we've taken on the star chamber. We are starting to see some traction on warranty and variable profit, and on our Ignite programme on material costs. Next slide, if you would, please.

Okay, so this is the cash on the debt profile. Start on the left-hand side; we had £3.66 billion cash on hand at the end of the year, plus the revolving credit facility. A flat line maturity of those repayments, as you know, with the RCF in 2022. The debt is just under £6 billion, and the debt multiple is 2.9 times as EBITDA was impacted in Q4. Next slide, please.

Okay, so I think a greater measure of confidence of course is that through this very, very difficult period, lenders have still wanted to do business, which is great. We've completed a three-year revolving facility in China worth RMB5 billion. That was completed week before last, and we completed very early on in this process in April an increase in our fleet buyback facility in the UK for £63 million. So, £630 million-worth of additional debt has been taken on in this quarter at competitive rates. Next page if you would, please.

This is looking ahead. An outlook, Q1 FY21, of course we know it's going to be significantly impacted by Covid. We thought it was right this time to give you what actually happened in April and May. Our cash outflow was £1.5 billion in that period, but it's really, really important to recognise why that was.

We were not building cars, and therefore, we were paying down our payables and supplier liabilities, and not building them back up. There's been a working capital unwind in the first two months of this quarter of £1.2 billion. Simply put, 80% of that outflow was working capital unwind, which will come back as we go through the course of the year and build cars, of course. We're indicating an FY21 Q1 free cash outflow at less than negative £2 billion. We're on track to do that with just two weeks to go in the quarter.

Then the outlook for the year I have there. Obviously, it's too early to give full guidance because it's so uncertain. We will continue to do the right things, and manage our positions as strongly as we've indicated going forward until demand starts to lift, revenues lift, and cash coming in increases also. We've effectively already restruck and reset our Charge+ target, and our investment target, which I have referenced already.

Excuse my voice. That's the end of the planned presentation, I think. Balaji, did you want to make some comments?

Balaji

Yes. Thanks, Adrian. Thanks to all of you for taking the time to attend the session. From a Tata Motors perspective, I think a few comments which I would like to amplify what Adrian just talked about.

The thing that has been in the results for the last year of JLR is an improvement in the EBITDA and EBIT and cash flow numbers over last year. Despite significant challenges that we have faced, which I believe is a testimony to the strong internal correction plans that have been put in place in terms of cost and cash deliveries. So that's item number one.

Number two, I think that despite the discipline being put in place, the product launches have continued. We bank a lot on the new Defender, the Evoque, the Discovery Sport, and there are a host of project products that are coming through, which means that we made the right choices in order to leverage the capabilities that are out there.

Third, from an overall Tata Group perspective, I think we are explicitly calling out in the results that this is a flagship company as a group, Tata Motors, and JLR is a flagship company of Tata Motors. Therefore, the promoter support is full and complete. That is something that we are reiterating, given the current challenging situation that we see all around.

Strategically speaking, one additional angle that we are bringing in this time is to call out at a group level, that is at a Tata Motor Group level, the plan to deliver significantly in the coming years. You would see the first set of plans of those being fired with a step-up in the charge delivery here, as well as the cash delivery in Tata Motors, of close to about \$900 million. That is something, as a combination, is a start of the journey of deleverage, and as and when we are finalising those plans, we will share it with you at an appropriate time.

JLR in particular, as part of the commitment on the turnaround journey for cash and deleverage, we are putting together a plan for becoming cash flow-positive from FY22 onwards. We would have been cash-positive had it not been for Covid, therefore, the plan is in place to actually become cash flow-positive in FY22. Accordingly, all divisions and investment are streamlined to achieving that particular goal.

We remain extremely positive on the story that is JLR and we remain here to support the business in whichever way we can. That is



something that we are quite happy to do so. From the management teams of both sides, we worked quite extensively in order to ensure that we are able to see eye-to-eye on all the matters facing JLR and TML, and work together to resolve the same.

While the current times are not necessarily the best of times, it also brings out the best in all of us in terms of managing a crisis and then showing that we emerge out of this crisis stronger than the way we went in. The proof I would leave you with is the fighting way in which we are delivering on Project Charge/Charge+ from savings of £2.5 billion to £3.5 billion to £4 billion; and now to £5 billion, and we are quite confident that that is something that will come through, if not exceed again.

Thanks a lot for that, and happy to take any questions that you may have in the Q&A. Over to you, Adrian. Back to you again.

Adrian Many thanks, Balaji. Shall we go to Q&A?

Coordinator A question is coming from the line of Christophe Boulanger. Please go ahead. Your line is open now.

Christophe Hi. Good afternoon. My first question will be on the dealer inventories. I believe you mentioned that dealer inventories through that 100,000 units at the end of March, and that it was around 25% higher than expected. Could you give us an update on where we are now at the end of May, and what will be the normal level on a seasonally-adjusted basis?

Adrian Yes. Will do, yes. The end of May was very close to the end of March, given the profile of the dealer openings over the course of the last two months was staggered. I think it's probably more interesting if we were to show you the data where we are in June.

We are now retailing more units to customers than we are passing through to dealers, which is, of course, the impact of us not building cars for seven to eight weeks over the course of the previous two months. We do expect end of June dealer inventory to be lower than March. We've set our plans up for Q2, which would have the same expectation in Q2. Our aim is to get dealer inventory back to levels they should have been at the end of FY20, now by the end of our '20 model year vehicles, which will be in Q3 FY21. That should happen quite consistently, and on an even basis over the course of the next five to six months.

Christophe Okay very clear, thank you. Maybe if I may, a second question? I believe you said your burn was £1.5 billion between April and May, of which £1.2 billion is working capital cash absorption. Clearly, it means that excluding working capital, your level of cash burn is fairly low. Could you please help us understand what is the level of cash burn excluding working capital on zero production demands?

Adrian Yes. I think the easiest way to do that is to take those two numbers away from each other, and you'll see an inversion of £150 million a

month over the April and the May period. That gives you a good indication that we've signalled for the quarter we'll be less than £2 billion. That's slightly higher in June, but not significantly higher.

That £1.2 billion is really the outlying data that if you take that away, that's why we're starting to be confident we've stabilised this position quite superbly, actually. We are expecting cash positive between Q2 and Q4 this fiscal year. Of course, I have to caveat that for unknowns in terms of potential re-outbreaks later in the year, and activity that we will need to take as humanity. I'm assuming that isn't going to happen, and if it doesn't happen, we would expect cash positives over the balance of the final three quarters of this fiscal year.

Christophe Okay. Thank you very much.

Adrian Thank you.

Coordinator Our next question is coming from the line of Stephanie Vincent. Please go ahead. Your line is open now.

Stephanie Hi, it's Stephanie Vincent, JP Morgan. Thank you so much for taking my question. On the back of Christophe's question, you mentioned on the Tata call about capex being quite low, I guess for first Q '21. Would you mind giving us a number, given I guess there's a lot of volatility with the shutdown in production.

Then my second question is on the Defender. It seems like orders are going quite well. How many—I guess—units per dealer could we expect coming into play over June and over the summer initially? It would be helpful, I guess, just to get a little more colour about the cadence for that vehicle. I know you mentioned it on the call, but even more granularity would be useful.

Then my final question is just on the CO<sub>2</sub> emission requirements from the EU. Any view on that, because it looks like the industry in general, especially larger players, are going to look to breach. Any view about what the European Commission plans to do in relation to that would be very useful. Thank you very much.

Adrian Okay, so let me take them in the order you asked them. Capital expenditure, there's a full-year guidance, let me just repeat first of all is at £2.5 billion. On a given month, you can always get surprised, of course, but my anticipation is the first half-year would be 40% to 45% of that; 45% probably, because we have programmes on pause through to the end of Q2, specifically MLA mid product. We will release that pause on those products at the point when we get much more confident of demand lifting in Q2. That really would force the profile of more second-half than first-half.

We continue to invest in those products which are coming out as fastest. The Defender 90, I've mentioned we will delay, but we'll continue that investment because that car will be hot once it actually allows the 190 initial launch to work through in Q2. We will continue with our Range Rover, and we will continue with our Range Rover Sport. You know

they're our biggest transacting value units, so it makes absolute sense to continue with those investments, and allow those revenues to grow from FY22, which will be a part of the underpinning of our cash-positive story that year. I would suspect a balance of 45% to 55% plus or minus a little bit is a good profile for this year's investment levels.

On the next question, I think, which was the Defender units. We have 22,000 orders. They are broadly split evenly across the regions. You've seen the launch dates, I think, on that slide. Most markets launch by the end of July, so I think it's reasonable to assume that all of those customer-sold orders—which is almost 10,000 of those units—will actually move to customers over that period of time, because I don't think customers know we're starting to build and ship cars, they're likely to want to delay their pickup of those vehicles much later than the actual start of sales dates in market. I think if you were trying to make an adjustment for Q1 to Q2 sales, it's reasonable to assume that 9,000 or 10,000 more Defenders will be sold in Q2 than in Q1.

On the CO<sub>2</sub> question, this is by far the most difficult question to answer because there's clearly quite a bit of uncertainty. We were non-compliant in Q1. Under Q1 profile, we would have had fines of around £50 million, which we have reserved for, by the way. Excuse me, Q1 calendar year, which was our Q4 fiscal year. I'm sorry; CO<sub>2</sub> is on a calendar year basis, so my mind switched into calendar years, excuse me.

We were very confident pre-Covid that the launch of the incremental PHEVs, which is why we show the Discovery Sport and the Evoque data, would remove those non-compliant units over the course of a full calendar year '20. I'm talking mostly about UK and Europe, so our original position was, and still would have been we're compliant full year.

The reason why we reserved in Q1 because clearly there's some uncertainty now with the speed of recovery with the plant shutdowns and the supplier shutdowns, the speed of us being able to bring those PHEVs into the marketplace. Even though we will be net-compliant once we have that full model line-up, it will be later in the calendar year now, so we took a conservative position, which says the full amount may not be eliminated, but we think we'll be back to a balanced portfolio which is compliant beginning calendar year '21.

There will be uncertainty post-Brexit about what the UK government does. Now, we break out our targets between EU 27 and the UK. We just have to work through that uncertainty, which we'll look to do as we lead up to the end of the transition period for Brexit later this calendar year.

Hopefully, that answers your questions.

Stephanie

Thank you very much.

Adrian

Thank you.

Coordinator Our next question is coming from the line of James Maxwell from Janus Henderson. Please go ahead. Your line is open now. Check if your device is on mute, please.

James Hello. Thanks for taking my questions, a few if I may. Tata Motors, in terms of the support, I'm wondering whether this would extend to a capital injection into Jaguar Land Rover. Is that something that we should expect or not? Is there something else that you are thinking about?

Second question, with regards to Chinese new RMB5 billion facility, is that for the Chinese JV, and if so, what benefit is it to the rest of the group?

Then the third question, given JLR is such a key employer in the UK, I suppose I'm a little bit surprised that up until now you don't seem to have had any real benefit of any kind of additional support, maybe in terms of liquidity, etc., from the UK government. Can you update in terms of what is possible, and what's available, and what your expectations might be? Thank you.

Adrian I didn't know whether Balaji was still on the line for the Q&A in terms of—

Balaji Yes, I'm here. I'm happy to take that.

Adrian Thank you.

Balaji I think that JLR is an integral part of the Tata Motors Group, which is a flagship company of Tata, so therefore, support in terms of whichever form is to be required is something that definitely we are behind it. There is no debate there.

In terms of the immediate need from a JLR perspective, I think what we are calling out as a group, not just toward JLR, is our motor group that the levels of debt are unsustainable in the long run. Therefore, we need to put forth an aggressive plan to deleverage the business.

In terms of the liquidity levels for JLR, we are comfortable in this space. It's not so much about debt-equity. It's more about strategic cash flows and how are we going to ensure that we're cash positive? From that perspective it's a little bit clearer it will become cash-positive, and you've heard Adrian explain that in detail.

Therefore, we will watch this space very closely, I think. The situation from the point of demand is something that all of us are concerned about. We hope and plan that the demand will start coming back and we will watch it closely to see if there is any risk from an overall balance sheet perspective, and then decide to move accordingly.

Adrian, over to you.

Ben Adrian, do you want me to cover the others, or do you want to cover them?

Adrian China JV?

Ben Well, I think the one question was on the China loan and whether that was in the China JV, and the answer is, is that the China loan was in JLR China, not the JV.

Adrian Yes.

Ben And, it's a working capital loan. Working capital includes being able to pay JLR UK for vehicles that are sold to JLR China. Actually, as of today, most of that cash is already back in the UK, James.

James Okay, thank you.

Adrian Keep going, Ben, yes.

Ben Then in terms of government funding, so there have been a variety of different government programmes announced. We have taken advantage of the furlough scheme, as mentioned in the presentation, that that's worth about £50 million a month. Back in March, it was announced that the government would be making £330 billion of guarantees available for corporate funding initiatives. The main programme for large companies that was announced at the time was the TCF programme, which only investment-grade companies were able to access, so we weren't able to access that.

We have been in discussions with the government as you'd expect, around alternative ways of accessing some of those guarantees. I think at this point, all I can say is those discussions are continuing and nothing's been decided at this point.

James Okay. Does that mean you're not planning for it? You're going to look at other sources, or you're still—?

Ben Well, I think we'll always look at—I think it was never the case that we'd look exclusively at the government. We've looked at other things like the China one. I think what I did say is that I did confirm the discussions are continuing, so it's possible something could come out of those. What we're looking at in terms of future funding isn't limited to that. Adrian showed you a slide earlier that showed other sources of funding. For sure, we'll continue to look to the debt capital markets when it's appropriate as well. So I think we won't rule anything out.

James Okay, thanks very much.

Adrian James, just to round that off, we are very focused on generating operating cash flow, very, very focused.

James Glad to hear it.

Coordinator Our next question is coming from the line of Tom Tharayil, from Neuberger Berman. Please go ahead. Your line is open now.

Tom Yes. Hi, Adrian. Hi, Ben. I have four questions, if I may. The first being, to absorb the £2 billion of cash burn, how do you plan to do that? Is that going to be through a mix of drawing on the revolver and the cash balances? I ask because your cash number usually includes financial deposits. Would it be with a mix of cash and RCF? I think I'm right, but there are no covenants on the RCF, if memory serves me right. I'm happy to be corrected.

My second question was on the China facility. We are reading in the press that it's a secured facility. Are there any covenants on the Chinese operations?

My third was Adrian mentioned customer deposits being received. I see that the Castle Bromwich plant is still delayed. This produces the Jags. Are we to assume that this delay is because you haven't received many customer orders for the Jags, and the orders are mostly skewed towards the Land Rover?

The last question is, this is a bit of a could have, should have, would have, but if the government were to come to you and say look, any funding would be contingent on the Tata family or Tata Motors putting in additional equity. Since we have Balaji on the call, I'd just ask again, is that something that's been raised by the government, or is that something that you're open to at this point? Thank you.

Adrian Ben, if you wouldn't mind taking China facility, and then kick off with the funding, and Balaji with the equity, and I'll take the operating cash and the customer deposit questions.

Ben Yes, sure. Tom, I think that the first thing on the China facility is that was just misreported. It is definitely not secured. It's a three-year umbrella facility. There are some covenants on it specific to JLR China, but they're covenants that we think have plenty of headroom, and we expect to be met. For example, the company needs to have a profit. Well, the transfer price arrangements there make it that we would expect that it will always have a profit as an example. We don't expect any of the covenants that are in there to get in the way of it.

I think the RCF does not have any financial covenants. I think that that documentation—to give you an example, it's actually patterned exactly off of the bond documentation. If you know our bond documentation—which I know you do, Tom—it's as clean as that, basically. I think that's good.

To be clear, and I think Adrian will talk more about it, but we don't plan to draw on the revolving credit facility. We have £3.7 billion of cash and short-term deposits at the end of March. We basically said that we expect a cash outflow in the first quarter of less than £2 billion, so you can do the math of that. We've added some additional funding that we talked about. I think we've given you enough data points there to figure out what the cash balance would be. It would actually say that

we don't need to draw on the revolving credit facility and so we don't plan to.

Tom Okay, yes.

Adrian Do you want to touch the government/funding one from Tata, or do you want me to go onto the operating ones?

Balaji Okay, let me—let me take that one, and then I can give the operating one back to you. I think, as explained by Ben in response to the earlier question, I think the conversations with the government are wide-ranging on various terms. Let us see what comes out, and then that is when the conversations, we need to think about it. I think it would be too premature to comment on it at this point in time. Unless we have a concrete proposal in front of us, there is nothing to react to. And whatever decision we take, it will be in the best interests of JLR.

Adrian On the cash burn point, Tom, you've mentioned the £2 billion. It will be Q1. You really should think about this year in three pieces. I would suggest the first one is the classic unwind of working capital, which has been dominant in April and May. Excluding the unwind, you'll see that even though volumes have been about 50% of last year levels over that period, the operating cash flow was just £150 million a month, maybe a little bit higher in June, but not much.

Quarter two is the second period where you should look for us to balance out our cash positions. The main thing we're trying to do in Q2—it refers to a question earlier—is actually to bring down our dealer inventory, units we've already wholesaled to them down to acceptable levels, so we have an orderly run-out of '20 model years because the changes in '21 model year is, as you've seen by those PHEVs, are very different. We do not want too many '20 model year vehicles as we start selling '21 model years; that would be a bad place for the market. We will compromise in Q2 on wholesales, revenue, cash coming in, and also, we'll build less cars. That's what's happening in Q2. It's specifically targeted at the prime objective to reduce dealer inventory.

That will lead the way for half-two to a number of things to happen as we bring those dealers back into controlled levels. We'll be supplying the '21 model year units to the marketplace. We think we have some great product offerings, by the way. We'll be increasing production, which you will start to see post-shutdown, We add another shift at Solihull. That's when Castle Bromwich will come online. We'll be sending more through to the dealers, getting a pull, we think like we're getting in China, therefore, our revenues will increase. You will see a build back of working capital in the second half of the year reversing much of that unwind and so you'll start to see a half-two cash positive.

Unfortunately, it's a game of three portions, rather than two halves, but that's what you're seeing actually unwinding. Our prediction for what's happened in this first quarter has been very, very accurate, which is why the discussion about revolving credit was a brief one. We haven't revisited it, and we don't plan to revisit it. The world would

have to look very differently to what it looks today in the back end of the year for that to be a different discussion.

On the deposits from the dealers, well, they generally happen with newly-launched cars, right. I want one of those early, and therefore, customers are prepared to actually hand their money without even sight of a delivery date. Those dealer deposits, you should really think about all new vehicles like the Defender, rather than the model year changes for saloons at Castle Bromwich. That's why we wouldn't have a dealer deposit number for other units, including Solihull-produced units, of course. It really is just the all-new vehicles, where people are desperate to be on the early list.

As far as Castle Bromwich is concerned, we haven't opened it. We did have more inventory there on a days-selling, forward-selling rate at the end of March. We are determined for this to be a demand-led recovery. That means we will sell down those '20 model year units before we start building more. That decision will actually be made once we start to see properly what UK and European sales, where most of these vehicles go first, look like through June and then July before we finally switch on Castle Bromwich units after the shutdown period.

If we haven't sold enough, we won't build them. That's what the demand-led recovery actually means. That's what makes sure we can only build cars that customers want with lean inventory, and we can do that step one, step two, and then step three, which is within our operating plans.

Tom Thank you. Thank you very much.

Coordinator Our next question is coming from the line of Richard Smith from Muzinich & Co. Please go ahead. Your line is open now.

Richard Hi, there. Thanks for taking my question. There have been quite a few references to this notion of JLR being sustainably cash positive by FY22. Can you just clarify in terms of timing, is that in the twelve months to March '22, the financial year end, or is it from around March '22 onwards?

Then the second question I would have would be around do you, someone asked a question, I think James did—about the potential of capital injections from Tata Motors. Assuming things go according to plan, what kind of credit metrics do you have in mind before you might start to consider upstreaming dividends back to Tata Motors from JLR?

Adrian Okay, let me take the first one. Then Ben or Balaji, if you wouldn't mind taking the second one. We're only talking about full-year '22 at the moment. I'm not trying to dodge your question, but I don't want to mislead you either, right.

Whether we can be cash positive in each of the quarters, you know I think Q1 is by far our worst quarter historically. Whether we can be cash positive in Q1 FY 22 next year really depends on what shape we go out of this fiscal year in. I talked about the one, two, three steps. If



that works how we're modelling it, and our dealer inventory levels are actually where we want them to be at the end of March, and there are no hits from an outbreak in the fourth quarter of that year, and each of the regions bounce back at the level that we've seen in two of the regions, then it's certainly possible for us to be cash positive in each of the quarters, something we haven't done in Q1, I don't know, for four, five, maybe six years, right.

That is the big test and the big ask. If we do what we've said we are aiming to do, and the market stays predictable for us, then it's possible to be cash positive in each of the quarters.

There are fundamentals about our business that do make the second half better than the first half irrespective of the market position. Most of our biggest seller months are between and September and March. September UK, March UK, December USA, Chinese selling period between October and January, they all land in the last seven months of the year, and our model-year refreshes happen over the summer, so selling new cars in August, September, October, rather than old ones in April, May, and June.

The fundamentals are it's the second half versus the first half business model, but if we can go out of the year hitting all of those operating levels that we are hopeful of, it is possible to be cash positive in each of the quarters, is my belief.

Ben

Okay. On the dividend one, I can probably start and you might want to hear what Balaji has to say about it as well. But I think the first point would be that the dividend policy is to pay 25% of after-tax earnings subject to liquidity, tax, and other considerations. We didn't have a profit in the last year, so that would say there's not going to be a dividend off of last year. I think that we know this year is going to be challenging, but I'd say let's see where we end up next year at the end of the year.

Then I think it will be a matter of what profitability was, and also what liquidity and other considerations are at the time. I think the reality is we can't predict a year away from now what the situation might be. The board will review it at that point in time.

I think we can't probably say more than I just said. Balaji, if there's anything you would want to add to that, please do.

Balaji

Yes. Thanks, Ben. I think you covered most of it, just two points I would make. The reason why we did the dividend policy at 25% of PAT is to give clarity to the, and also because the stability to the entire dividend pay-out plan, and not make it erratic. And that was an important one, and that 25% is in the lower end of the range of other car OEMs in terms of a dividend pay-out. That's the reason why on a long-term basis it was important to put that policy in place.

Second point is that this is a decision of the JLR PLC board, and therefore, they will obviously consider all the points that Ben did talk

about before they take a decision. The policy was put in place to help the board also to have a framework on which to take a decision.

Richard

Thank you.

Ben

Okay, I think maybe we're going to say due to management time at this point, we'll call a close to it. If we have missed anybody and you wanted to ask a question, please follow-up with myself or other members of the team and we can set up some time.

Adrian

Thank you for joining the call, everybody. Really, really appreciate it. Thank you for your time.

Balaji

Yes. Thanks, all of you.

Ben

Agreed. Thank you, everybody.

Balaji

Bye-bye.

Ben

Bye.

Coordinator

Thank you. Everyone, that concludes your conference call for today. You may now disconnect. Thanks so much for joining, and have a nice day. Bye-bye.

*[END OF CALL]*