# CHIEF FINANCIAL OFFICER'S STATEMENT

The automotive industry faced numerous challenges in FY2020/21, not least the continuing global impact of Covid-19, as well trade tensions and the risks associated with Brexit, which was finally resolved in December 2020 with the end of the transition period and a trade deal agreed to avoid tariffs between the UK and the EU. In addition, the rapid pace of adoption of electrification in response to customer appetite and a more stringent regulatory environment continues to pose particular challenges.

Despite these headwinds, Jaguar Land Rover delivered strong performance in FY2020/21, recovering from the first quarter to deliver £185 million of positive free cash flow[1] and £662 million of profit before tax and exceptional charges[1] for the year, improving by £1.1 billion compared to FY2019/20. Driving this performance was the launch of six new PHEV models and nine new MHEV models to electrify 12 out of our 13 nameplates, including the all-new Land Rover Defender, which has been particularly well received. In addition the business continued to respond through Charge+, which achieved £2.5 billion of cost, profit and cash flow improvements during the year and £6.0 billion over the lifetime of the programme which started in Q2 FY2018/19.

Jaguar Land Rover retail sales[1] were 439,588 vehicles in FY2020/21, down 13.6% year-on-year, largely due to Covid-19 lockdowns suffered in the first quarter, but building since, particularly in China where retails have recovered strongly to end up 23.4% year-on-year. Wholesales[1] (excluding sales from our China joint venture) were 347,632 vehicles, down 27.0% year-on-year, reflecting the retail performance as well de-stocking efforts. Revenues for the year were £19.7 billion down 14.2%, less than would be suggested by wholesales due to the richer sales mix and higher average revenues per unit generated in FY2020/21.

Jaguar Land Rover's profits in FY2020/21 were significantly better year-on-year with £662 million of profit before tax and exceptional charges[1], a 12.8% Adjusted EBITDA margin[1] (+3.9% year-on-year) and an Adjusted EBIT margin[1] of 2.6% (+2.5% year-on-year), driven by favourable mix (including higher sales in China), lower incentive spending, Charge+ cost efficiencies, as well as favourable revaluation of unrealised hedges and foreign currency debt.

In February 2021, Jaguar Land Rover announced its Reimagine strategy to deliver double-digit EBIT, positive cash flow from FY2022/23 and net cash by FY2024/25, through a more focused electrified portfolio, new architectures, collaborations, further cost savings and efficiencies. Commensurate with this in Q4 FY2020/21 we have incurred an exceptional charge[2] of £1.5 billion comprising a non-cash write down of around £952 million for the cessation of certain programmes, including the Jaguar XJ replacement, and £534 million of restructuring costs. Including exceptional charges the loss before tax for FY2020/21 was £861 million.

Free cash flow[1] in FY2020/21 was £185 million positive, after total investment spending[1] of £2.3 billion. £1.8 billion of positive cash flow was generated though Q2 to Q4 of FY2020/21 more than offsetting the £1.6 billion cash outflow experienced during first quarter as a result of the initial Covid-19 lockdown. The positive free cash flow represented a significant improvement on the negative £759 million free cash flow in the prior year, reflecting significantly improved operating performance and a £951 million year-on-year reduction in investment spending.

Jaguar Land Rover issued around £1.6 billion of new debt in FY2020/21 including $1.35 billion of new bonds in the third quarter and CNY 5.0 billion loan in the first quarter. We maintained strong liquidity[1] during the year reaching £6.7 billion at 31 March 2021 comprising total cash and cash equivalents, deposits and investments of £4.8 billion[1] and the £1.9 billion undrawn revolving credit facility. We ended the year with total debt of £6.7 billion and a net debt[1] position of £1.9 billion. Furthermore, in April 2021, we concluded negotiations with 20 banks to extend £1.3 billion of our committed undrawn revolving credit facility out to March 2024.

The present global shortage of semi-conductor supply is impacting many industries including the automotive sector and we anticipate that our production and sales volumes will be lower than initially planned in the first half of FY2021/22 as a result. However, we expect that these supply constraints will ease in the second half of FY2021/22 as new capacity comes online and we intend to recover as much lost production as possible when the supply of semi-conductors improves.

Looking further ahead, we anticipate that the challenges facing our industry will continue, however, we are focused on executing our new Reimagine strategy underpinned by the Refocus transformation programme. Together, Reimagine and Refocus, will deliver growing revenue to over £30 billion and double-digit EBIT margin by FY2025/26, strong positive free cash flow from FY2022/23 after around £2.5 billion investment spending (annually) and a reduction in net debt[1]; returning to a net cash position in FY2024/25 and thereafter.

*Adrian Mardell*

**ADRIAN MARDELL**
CHIEF FINANCIAL OFFICER
*Jaguar Land Rover Automotive plc*
*28 May 2021*

[1] Please see note 3 of the financial statements on page 73 for alternative performance measures.
[2] Please see note 4 of the financial statements on page 76 for the detail of exceptional charges.