



# JAGUAR LAND ROVER

BNPP HIGH YIELD AND LEVERAGED FINANCE CONFERENCE

BEN BIRGBAUER  
TREASURER, JAGUAR LAND ROVER

17 January 2019

# Disclaimer



Statements in this presentation describing the objectives, projections, estimates and expectations of Jaguar Land Rover Automotive plc and its direct and indirect subsidiaries (the “Company”, “Group” or “JLR”) may be “forward-looking statements” within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company’s operations include, among others, economic conditions affecting demand / supply and price conditions in the domestic and overseas markets in which the Company operates, changes in Government regulations, tax laws and other statutes and incidental factors

- Q2 FY19 represents the 3 month period from 1 July 2018 to 30 September 2018
- Q1 FY19 represents the 3 month period from 1 April 2018 to 30 June 2018
- Q2 FY18 represents the 3 month period from 1 July 2017 to 30 September 2017
- Q1 FY18 represents the 3 month period from 1 April 2017 to 30 June 2017
- FY19 represents the 12 month period from 1 April 2018 to 31 March 2019
- H2 FY19 represents the 6 month period from 1 October 2018 to 31 March 2019
- H1 FY19 represents the 6 month period from 1 April 2018 to 30 September 2018
- H1 FY18 represents the 6 month period from 1 April 2017 to 30 September 2017
- LTM represents the 12 month period from 1 July 2017 to 30 June 2018
- FY18 represents the 12 month period from 1 April 2017 to 31 March 2018
- FY17 represents the 12 month period from 1 April 2016 to 31 March 2017

Unless stated otherwise sales volumes are expressed in thousand units, and financial values are in GBP millions

Consolidated results of Jaguar Land Rover Automotive plc and its subsidiaries contained in the presentation are unaudited and presented under IFRS as approved in the EU.

Retail volume data includes and wholesale volume includes sales from the Company’s unconsolidated Chinese joint venture (“CJLR”)

EBITDA is defined as profit before income tax expense, exceptional items, finance expense (net of capitalised interest), finance income, gains/losses on unrealised derivatives and debt, gains/losses on realised derivatives entered into for the purpose of hedging debt, share of profit/loss from equity accounted investments and depreciation and amortisation.

EBIT is defined as for EBITDA but including share of profit/loss from equity accounted investments and depreciation and amortisation.

Certain analysis undertaken and represented in this document may constitute an estimate from the Company and may differ from the actual underlying results

# Agenda



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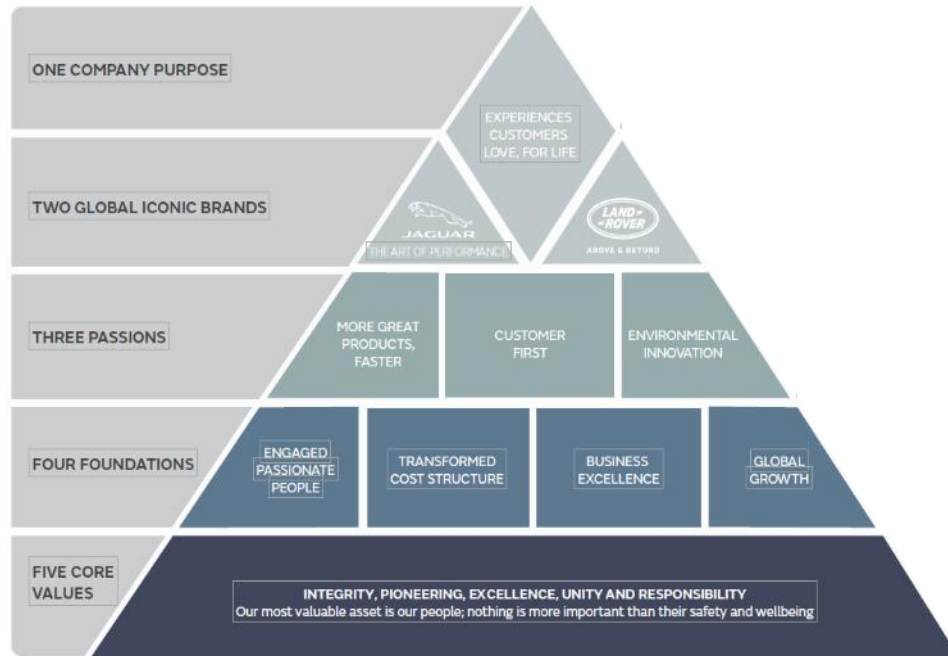
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# Consistent strategy

Investing to drive sustainable profitable growth



## Business Blueprint



## Investment strategy

### Products



### Technology



### Capacity and infrastructure





# Growing Jaguar Land Rover model range

Up to 13 nameplates vs 8 in 2010, plan 16 by 2024



## LUXURY



## SPORTS



**JAGUAR F-PACE W INNER  
WORLD CAR AWARDS  
2017 WORLD CAR  
OF THE YEAR**

## LIFESTYLE



**JAGUAR F-PACE W INNER  
WORLD CAR AWARDS  
2017 WORLD CAR  
DESIGN OF THE YEAR**

## LUXURY – RANGE ROVER



## LEISURE - DISCOVERY



**RANGE ROVER VELAR WINNER  
WORLD CAR AWARDS  
2018 WORLD CAR  
DESIGN OF THE YEAR**

## DUAL PURPOSE - DEFENDER



**LAND ROVER DEFENDER**  
Replacement in development



# Technology transformation underway (ACES)



## AUTONOMOUS

- Waymo long term partnership
- Self drive valet park testing in the UK



## CONNECTED

- Remote smartphone app
- Wi-Fi Hotspot
- SOS Emergency Call and roadside assistance
- Stolen Vehicle Tracker



## ELECTRIC

- All JLR models will have an electric option from 2020
- I-PACE BEV. Range Rover, Range Rover Sport and Evoque hybrids
- In-housing of electric drive units and battery pack assembly announced



## SHARED

- Ride hailing service
- Community car sharing
- Self driving taxi service
- Pay per mile insurance



# Ambitious electrification plans

To meet customer interest, diesel and emissions challenges



Range Rover and  
Range Rover Sport  
Diesel Hybrids

Range Rover and  
Range Rover Sport  
PHEVs

BEV and/or hybrids on all new and  
replacement models with I-PACE in  
2018 and Evoque hybrids in 2019

BEV's/hybrids  
available on all  
JLR models



2014

2017

2018

2019

From 2020

EV  
Nameplates

2

2

3

6

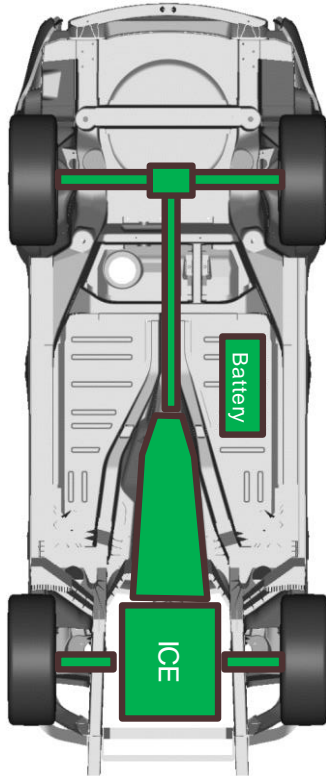
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# Investing in Modular Longitudinal Architecture

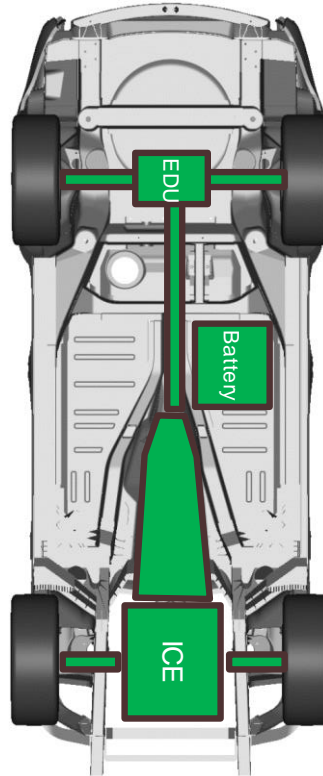
To enable cost efficiencies and flexibility across powertrains



**ICE & MHEV**



**PHEV**



**BEV**





# Expanded manufacturing footprint





## FINANCIAL PERFORMANCE

# Overall, long term profitable growth delivered

Recent headwinds and lower profitability



**Jaguar Land Rover has delivered solid performance over the long term, through exciting products, strong profits and investing in our future**

Over the period FY11 to FY18 JLR has:

- Increased revenues by 15% CAGR to £26 billion
- Generated PBT of over £14 billion
- Invested over £20 billion in new products, technology, capacity and infrastructure
- Delivered over £3 billion cash flow (after funding the investment)

**And, we have exciting products and plans in the pipeline to generate sustainable, profitable growth**

**However, in the past 3 years, we have had slower volume growth and experienced lower profitability , reflecting:**

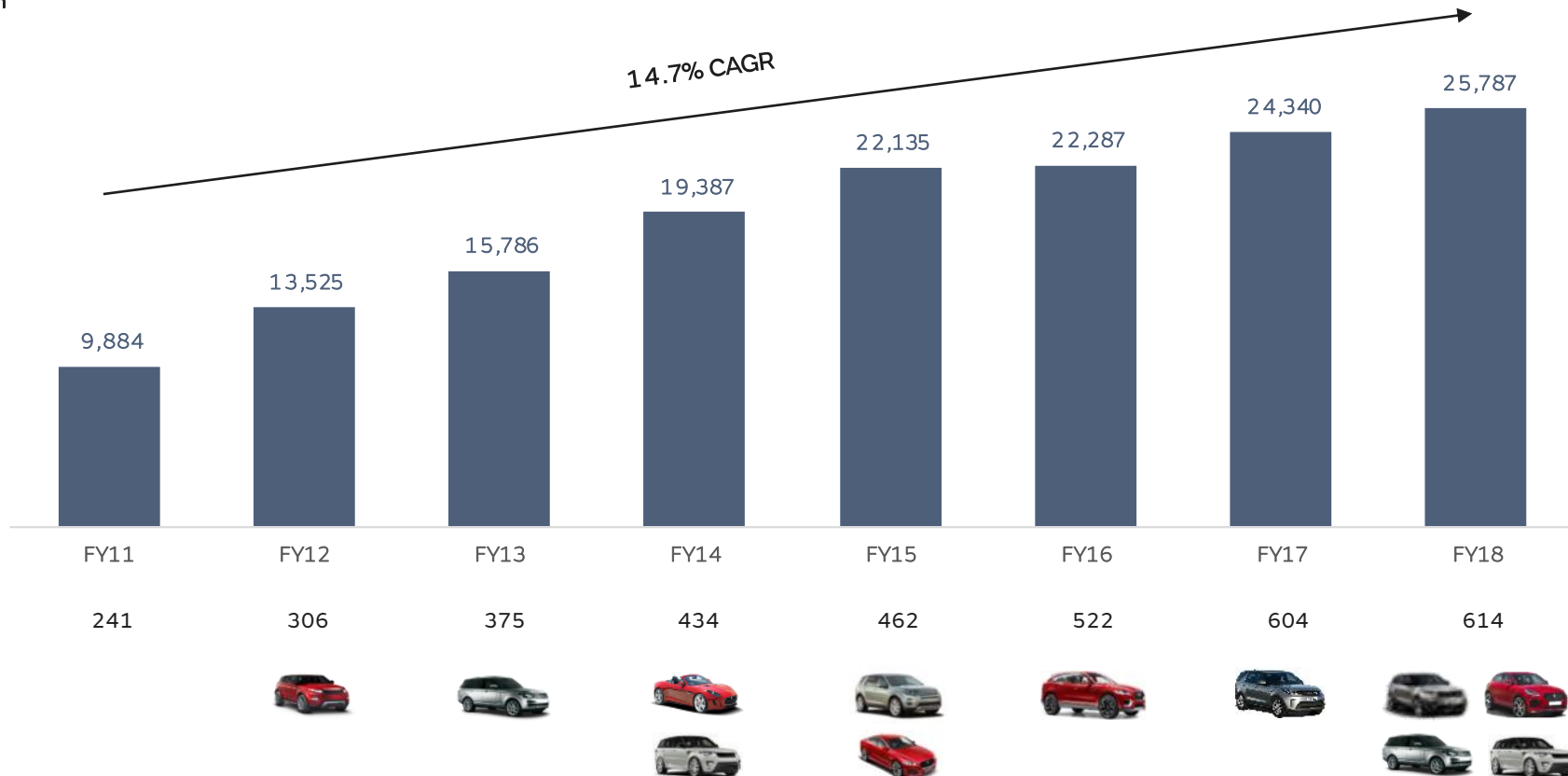
- Economic and geopolitical headwinds including market cyclicalities, diesel uncertainty and Brexit
- Technology and regulatory costs
- Higher incentive spending in competitive markets
- Negative operating leverage from lower volume growth and higher D&A expenses

# Strong revenue growth driven by new models

Recent growth slower: cyclical, diesel and Brexit



IFRS, £m



# Generated £14b PBT FY11–18

Lower profitability more recently



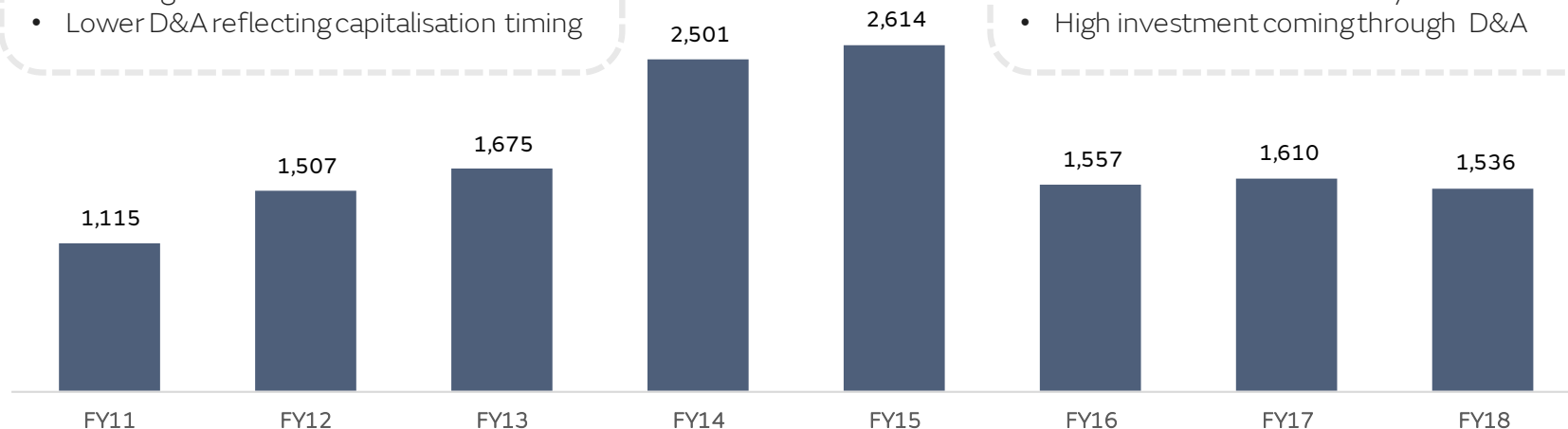
£ millions

## Increasing profitability FY11-15 reflecting:

- Strong volume growth, 18% CAGR, driven by new models, new segments and China market growth
- Lower D&A reflecting capitalisation timing

## Lower profitability FY16-18, reflecting:

- Lower volume growth, 8.5% CAGR with market challenges including cyclicity, diesel and Brexit uncertainty
- High investment coming through D&A



Exceptionals

FY11	-	FY12	-	FY13	-	FY14	-	FY15	-	FY16	(157)	FY17	151	FY18	438
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EBITDA margin	15.5%	15.6%	14.9%	17.5%	18.7%	14.1%	12.1%	10.8%
EBIT margin	11.5%	12.2%	10.9%	12.9%	13.9%	8.0%	5.9%	3.8%

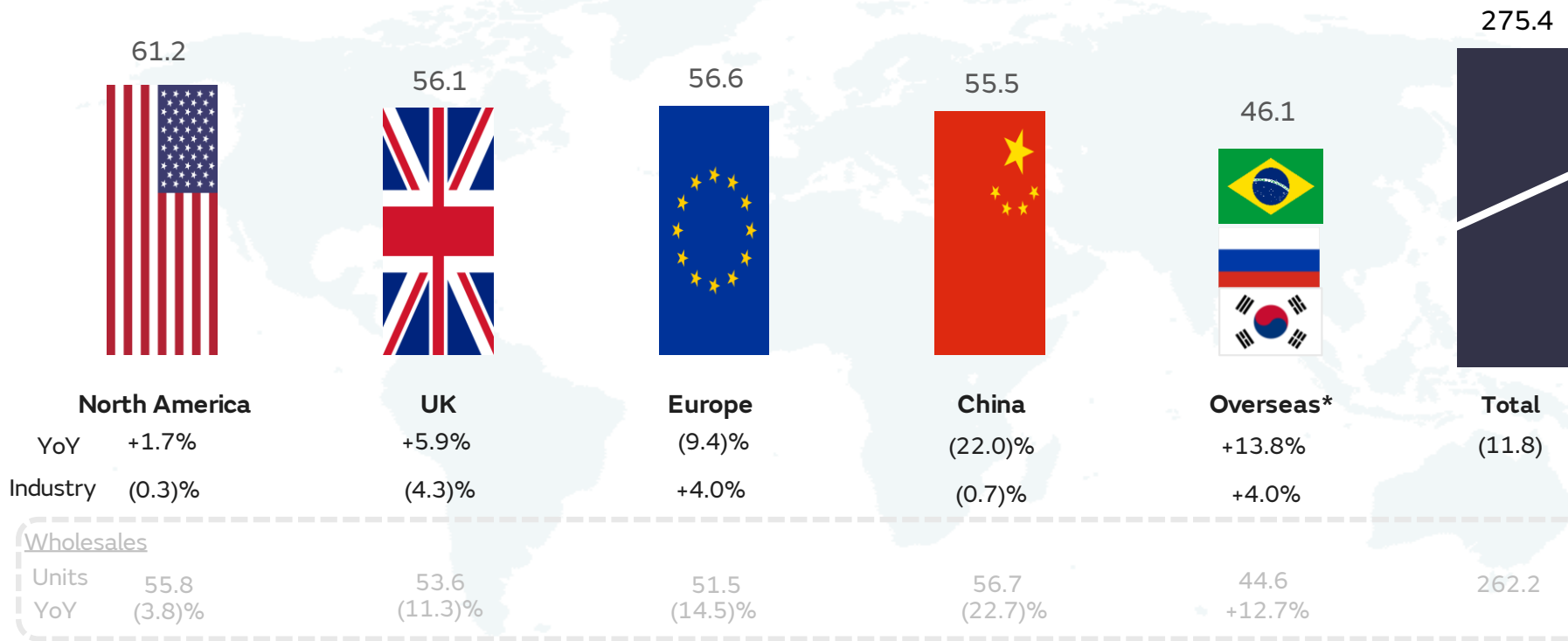


# Increasing market challenges

China slowdown, diesel and Brexit uncertainty in UK and Europe



Units in '000



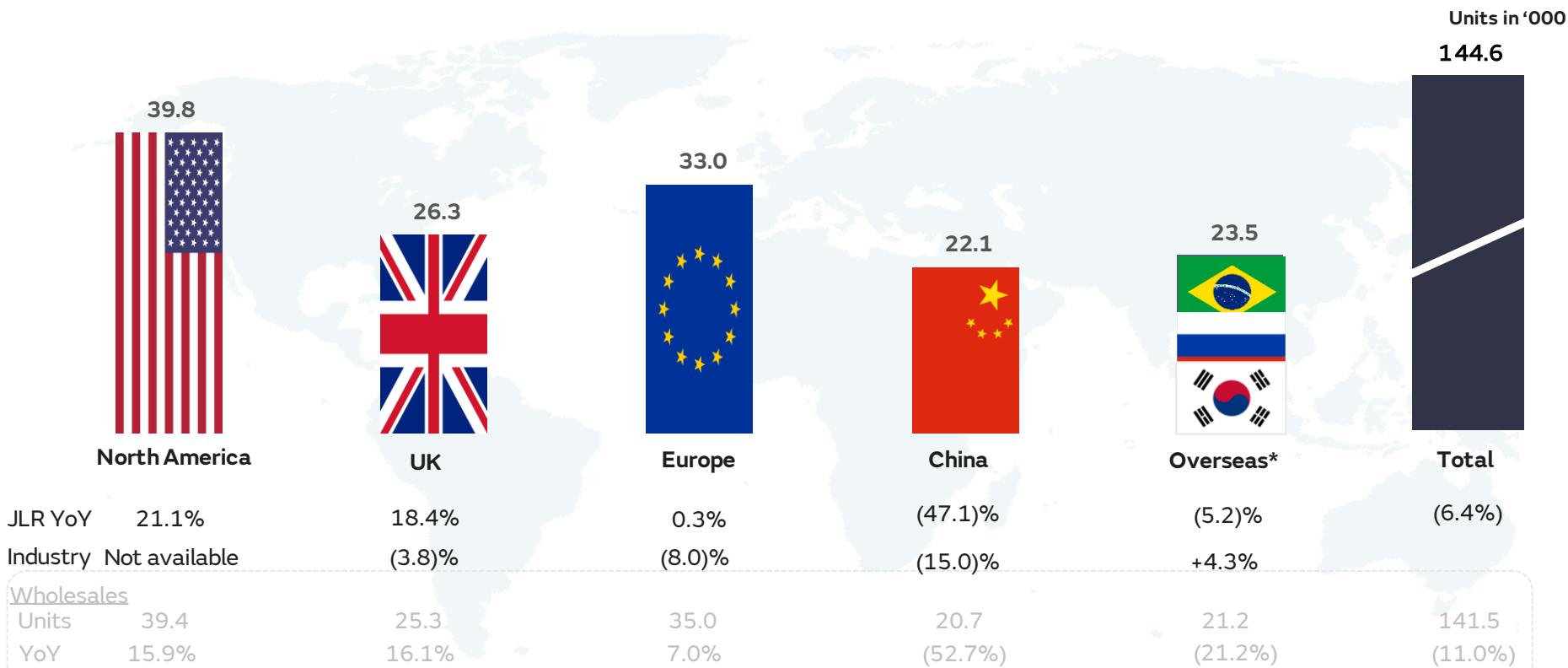
Volumes include sales from Chery Jaguar Land Rover. For statutory reporting under IFRS, the Group recognises revenue on wholesales (excluding sales from CJLR). The Group recognises its share of profits from CJLR within EBIT.

Overseas markets includes Australia, Brazil, Colombia, India, Japan, South Korea, Mexico, MENA, Russia, Singapore, South Africa, Taiwan and certain importers

The total industry car volume data above has been compiled using relevant data available at the time of publishing compiled from national automotive associations such as the Society of Motor Manufacturers and Traders in the UK and the ACEA in Europe

# China challenges continue

Trade tensions with the US, softer GDP growth



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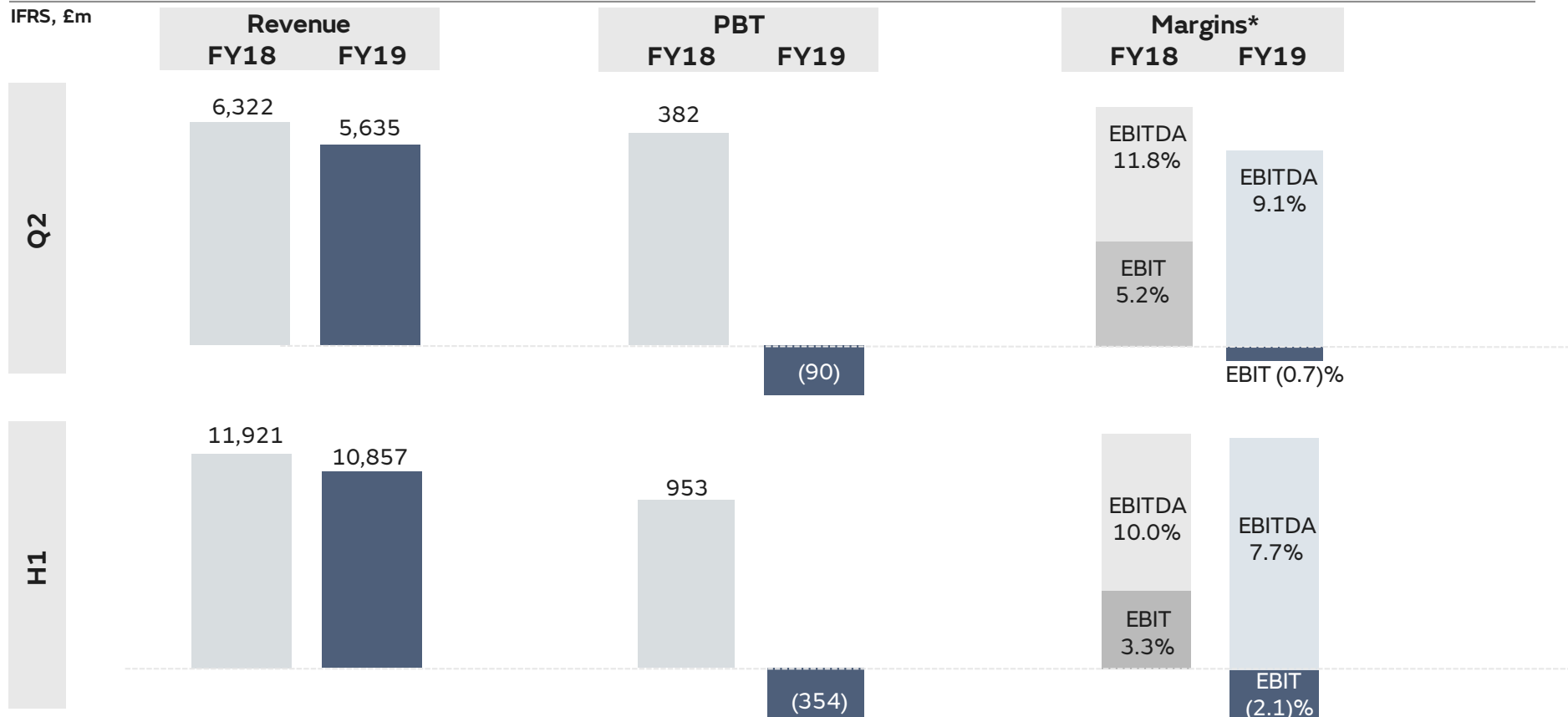
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# Market challenges impacting performance

Exacerbated by technology investment and cost (D&A)



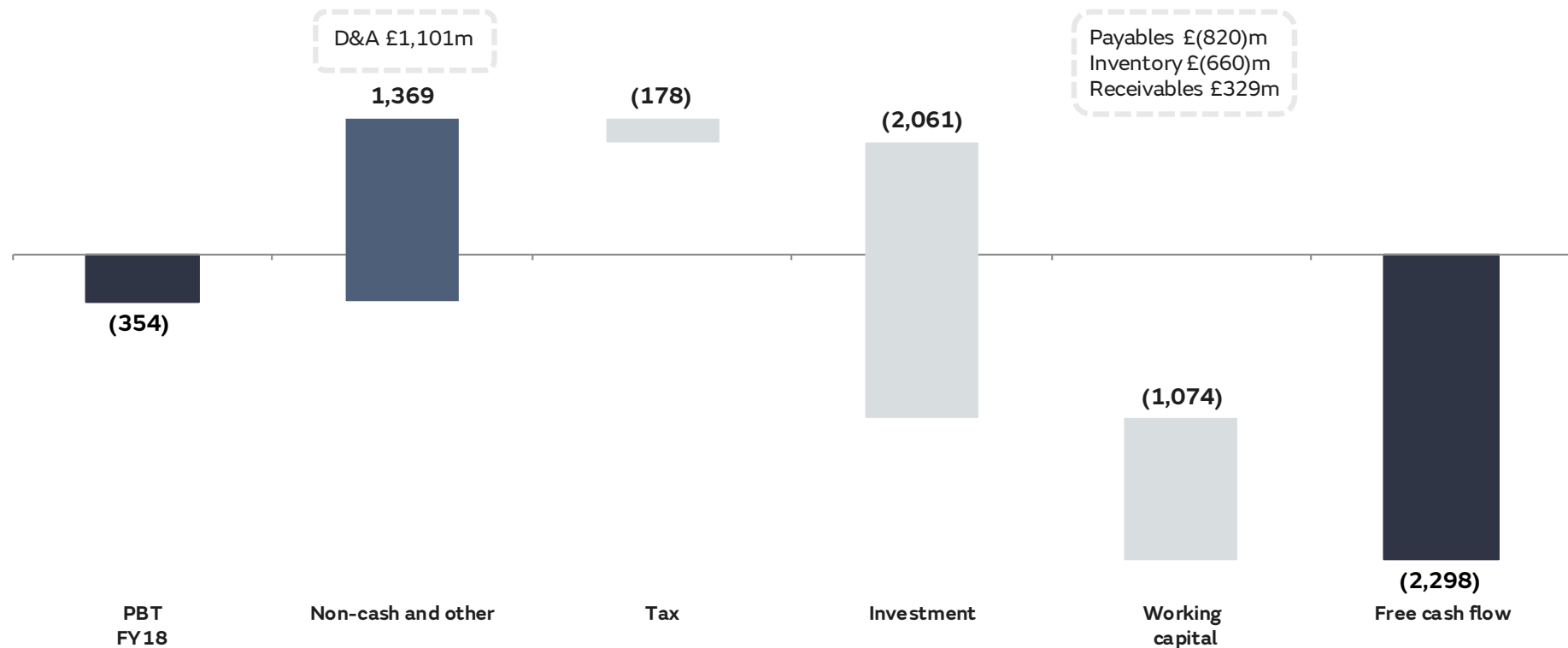
IFRS, £m



- FY18 margins restated to exclude gains on certain FX derivatives
- H1 FY18 PBT includes £437m exceptional pension credit (not included in margins)

H1 FY19

# Cash outflow £2.3b after £2.1b investment

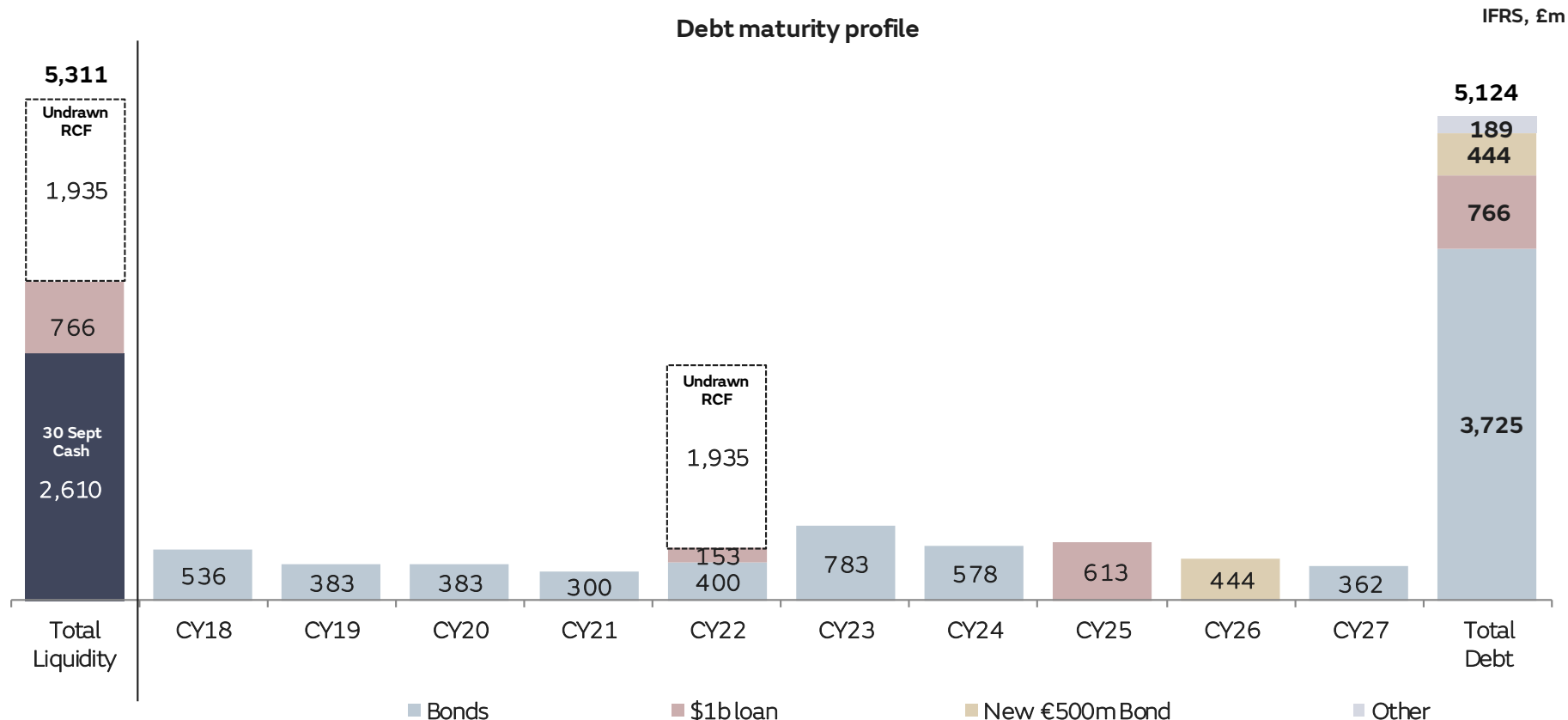


\* Free cash flow defined as net cash generated from operating activities less net cash used in investing activities (excluding movements in short-term deposits) and after finance expenses and fees and payments of lease obligations. Free cash flow also includes foreign exchange gains/losses on short-term deposits and cash and cash equivalents

Q2 FY19

# Proforma liquidity increased to £5.3b

Incl. €500m bond in Sept, \$1b loan drawn in Oct, undrawn RCF







## JLR TURNAROUND AND TRANSFORMATION PLANS

# Turnaround and transformation plan launched

Response to more challenging market conditions



Demand likely to remain muted due to geopolitical, economic, financial and regulatory factors



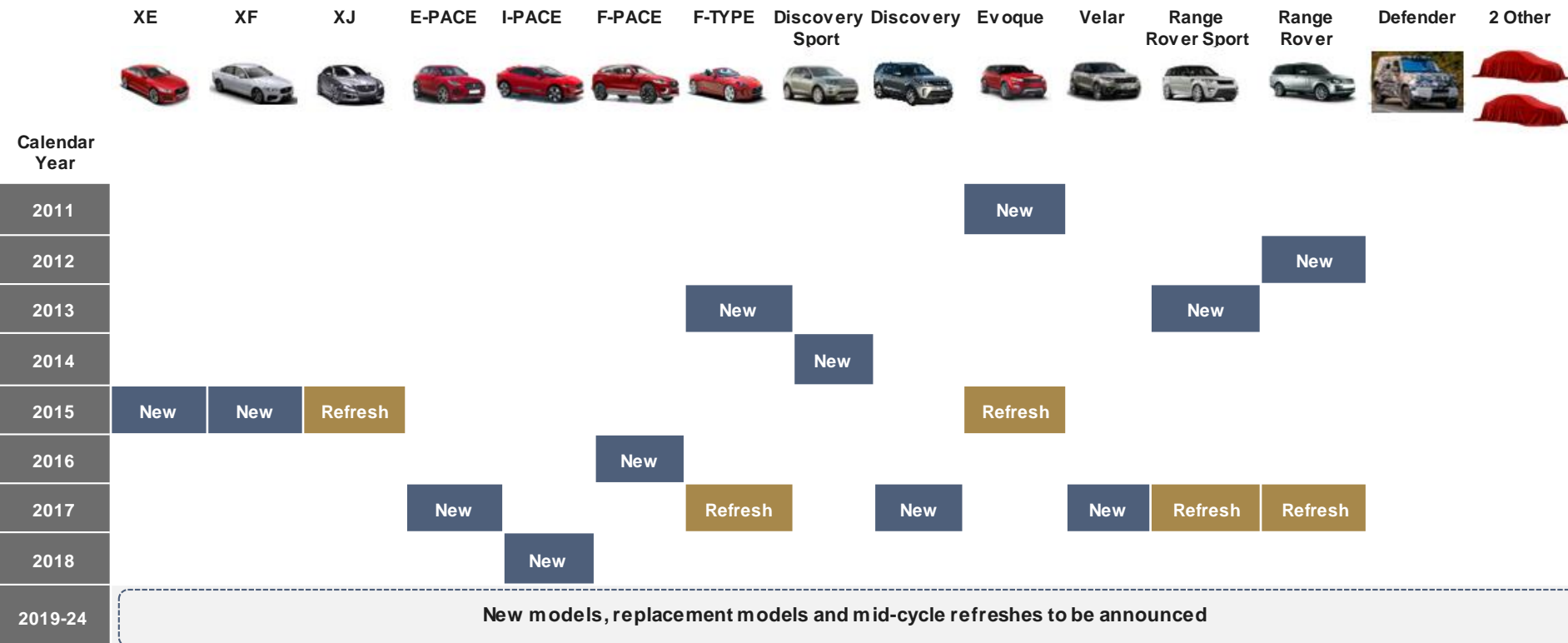
Turnaround plan required to succeed in this more challenging environment

1. Rejuvenate sales
  - Leverage strong product portfolio
  - Resume profitable growth in China
2. Improve cash flows and profitability -- Project Charge
  - Enhanced focus on improving cashflow -- investment, working capital and profits
  - Comprehensive profit improvement and cost savings plan
  - Reassessment of investment spending to ensure adequate returns
3. Fix structural issues -- Project Accelerate

Turnaround action: 1

# Drive growth with strong product portfolio

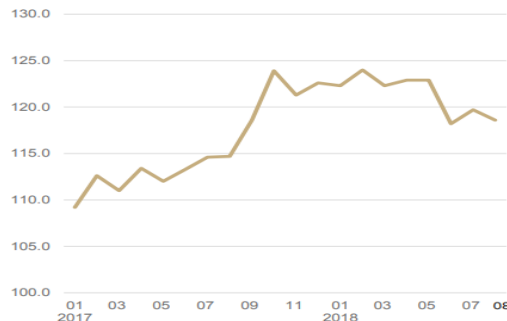
16 nameplates by 2024, regular replacement and refresh cycle



# Resume profitable growth in China

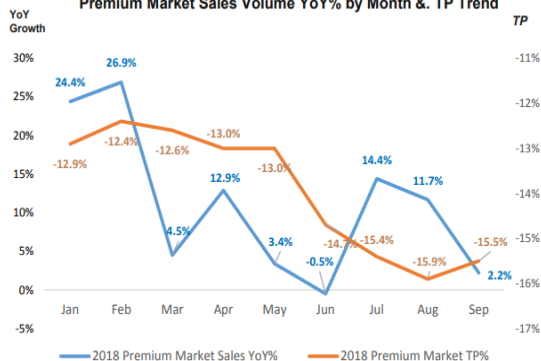


Consumer Confidence



Source: National Bureau of Statistics

Premium Market Sales Volume YoY% by Month & TP Trend



TP Data Source: CAM

Volume Data Source: Insurance Data

## Challenges to address

- Consumer confidence and market sentiment, industry down 7.7% in Q2 FY19
- Dealer ROI
  - Retailer stock levels
  - Profitability
  - Discounting

## Opportunities to leverage

- Continuing premium segment growth (forecast to be CAGR 4.3% to FY23)
- Lower import duty for EU/UK cars into China

## Comprehensive action plan

- Close collaboration with the retailer network to ensure a healthy development for the future
- Prompt actions to balance supply and demand in response to market conditions and otherwise escalating incentives
- Introduction of the fifth JLR vehicle to be built in China, Jaguar E-PACE
- Continued commitment to collaborate with local partners as part of its “Dual Power, Dual Innovation” ACES strategy in China.
- Continue to strengthen the Jaguar and Land Rover brands and support ‘pull’ strategy

Committed to long term growth. However, near term demand concerns remain

Turnaround action: 2

# Project Charge launched

2-3 year turnaround plan to improve cash flows and profitability



## Steering Committee

JLR Board of Management and JLRA Plc board representation

## Leadership

Chief Transformation Officer | External Consultants

## Charge Management Office

Operational workstreams



Cash balance



Investment



Working capital



PBT



Retails



Organisation

CHARGE



Teams mobilised  
across the  
business



External consultants  
on board and  
delivering



Senior SteerCo  
every fortnight,  
making rapid  
decisions



Implemented cash  
benefits of £300m  
in first 6 weeks

## Targets for next 18 months

- Deliver £2.5b of cost, cash and profit improvements through FY20, broadly consisting of:
  - £1b investment (from £4.5b to £4b in FY19 and FY20)
  - £0.5b inventory and working capital reductions
  - £1b profit and cost actions



# 'Accelerate' transformation initiatives

Focus on medium to long term



## Enhance Sales performance

- Positioning, pricing and launch approach
- Customer value based product and feature offerings
- Customer marketing effectiveness
- Network coverage and enhancement
- Customer service and quality perception

## Deliver competitive variable cost

- "Should Design" & "Should Cost" with benchmarking
- Purchase lifecycle planning
- Customer value driven tech standards
- Minimise manufacturing per unit costs
- Global sourcing strategy
- Make vs Buy

## Reduce delays and improve quality

- Optimised resource planning
- Drive consistency, commonality & modularity
- Step-up risk & change management
- Mindset & process discipline
- Vendor collaboration

Role and process clarity, business behaviours, and supporting enterprise-wide systems

### Implementation update:

- **Scoped projects** to address the major root causes
- Installed **Programme Leads** to lead dedicated teams on each of the 3 programmes of work
- Established **weekly steering committees**, and overall portfolio steering committee to govern programmes of work going forward

# Summary



Global market conditions remain challenging with China being a significant concern

Positives	Concerns
Lower import duties in China	Trade wars and macro headwinds in China  Brexit, diesel (Europe and UK) and diesel taxes (UK)  High incentives in the US, risk of tariffs

## Response and outlook

- Unexpected sharp China slowdown results in disappointing FY19
- Project Charge launched to drive turnaround in JLR. Target £2.5b of profit opportunities and cash through FY20
- Investment curtailed to c. £4b in FY19 and FY20; 11-13% thereafter
- Announced an organisation restructuring with voluntary redundancy and early retirement packages to reduce headcount by 4,500 following a 1,500 reduction in headcount in 2018

**We are committed to competitive, consistent, cash accretive growth over the medium to long term**