

THE NEXT GENERATION OF TEAM PRINCIPALS

FORMULA ONE'S BUSINESS MAGAZINE

# Business F1™

November 2021  
Vol 6 Issue 11



Andreas Seidl

FX Demaison

The change makers  
shaking up **Formula One**

9 11771740 112000  
SINGLE COPY US\$32 • UK£25 • €30  
ANNUALLY US\$260 • UK£199 • €220

# 273



PERSEVERANCE FURTHERS  
MINUS273.BIZ

# NOVEMBER CONTENTS

# BusinessF1™



## The change makers

### COVER STORY

**54** Five years ago, the McLaren and Williams teams were dead in the water and facing extinction. Adrift and leaderless they were destined for more misery. Now suddenly their fortunes are turned around and there is hope after both were sold off to new masters. But the real change has been the arrival of two talented technical directors named Andreas Seidl at McLaren and FX Demaison at Williams. The change makers made an instant impact on both their teams.

### INSIGHT

**36** The scandal of Deledda  
F2 team owners have been simmering since the start of the season over events at the second race of the year, a 26-year-old no-hoper was allowed to compete in the 2021 Monaco FIA Formula 2 race after he had failed to qualify. Now it emerges that Formula One Race Director, Michael Masi personally approved the decision of the race stewards to allow him to compete in a flagrant breach of the regulations.

### 42 The inconsistencies at the heart of Formula One

Frédéric Vasseur has finally broken ranks and come out and criticised Formula One's Race Director, Michael Masi for his handling of the 2021 season. Whilst the other team principals have put up with it, Vasseur has decided enough is enough with the idiotic decisions that Masi has continually come out with. Vasseur is the first team principal to tell the truth about the crisis Formula One is in.

### FEATURES

### 66 The next generation of team principals

Who are the next generation of team principals? Where are they coming from? These are questions that Formula One needs the answers to. There are currently four promising contenders: René Rosin, Sébastien Philippe, Timo Rumpfkeil and Oliver Oakes.



### 74 The Walter Wolf mystery

Walter Wolf threw \$5 million at Formula One between 1975 and 1979. He got what he wanted which was to be recognised around the world as a man of substance. But he got bored and gave up after five seasons but not before winning a few races.

### 84 The smartest guy in the room

Wolfgang Reitzle took over from Sir Jackie Stewart as the top manager at Jaguar Racing. But his idiosyncratic management style saw him hire the totally unsuitable Niki Lauda to be the team's chief executive. It all ended in tears for Reitzle, who was arguably the most gifted executive the European motor industry had ever seen.

### 92 Conceiving a carbon car

Between 1979 and 1980 John Barnard cooked up literally the biggest revolution that anyone had ever seen in Formula One when he built a Formula One car chassis entirely of carbon fibre.



### 46 Lawrence Stroll has dreamed a dream

Lawrence Stroll the Chairman of Aston Martin Lagonda and Aston Martin Racing recently came out of the shadows and opened his heart in a podcast. He spoke about his dreams of owning Aston Martin and his determination that the team will be challenging for world championship honours within the next five years.

### 50 The rotten culture at the heart of KPMG

When Aston Martin Lagonda Global Holdings Plc floated on the London Stock Exchange in 2018, it was hopelessly insolvent. Yet its auditors KPMG had signed off its accounts and approved the IPO of a company it must have known was actually bust. Since the IPO a series of scandals have enveloped KPMG and it has been revealed that KPMG, was full of dishonest auditors who corrupted the system. It was at KPMG's Birmingham office that the Aston Martin Lagonda IPO, which lost investors \$4 billion, was cooked up.



### 88 Mohammed ben Sulayem's manifesto for the future

Mohammed ben Sulayem was rather late publishing his manifesto. The reason is simple: he spent more than 2,000 hours on the telephone to all the motorsports and mobility members of the Federation Internationale de L'Automobile (FIA) before putting pen to paper.

### REGULAR FEATURES

Credits 4 • Letters to the Editor 4 • People & Companies' Index 6 • Paddock Patter 9 • News 10-28  
Premature Facts 30 • Notes & Observations 32 • Lewis Webster 35 • Jottings 114

**EDITOR-IN-CHIEF**  
Tom Rubythorn

**CONTRIBUTING WRITERS**  
Thomas Gibson, Oliver Edwards  
Jo Maxwell, Lewis Webster

**RESEARCH TEAM**  
Mia Walsh, Alice Flannery

**CHIEF CREATIVE DESIGNER**  
Alexander L. Sargent

**CHIEF PHOTOGRAPHER**  
Graham Fudger

**CHIEF STATISTICIAN**  
David Hayhoe

**EDITORS**  
Rachel Robson, Hazey Hiller  
Susan McDougal, Daniel A. Clarke

**SALES DIRECTOR**  
Charlie Wise

**SALES EXECUTIVES**  
Rob Dubery

**VICE PRESIDENT - LOGISTICS**  
David Peett

**CONSULTANT**  
George Roberts

**SUBSCRIPTIONS CO-ORDINATOR**  
Daisy Macedward, Roger Smith

**PUBLISHER**  
Peter Collins

*BusinessF1 Magazine* is published by  
*BusinessF1 Magazine Ltd*, Billing Wharf,  
The Causeway, Cogenhoe, Northampton  
NN7 1NH, United Kingdom  
Tel: 00 44 (0) 1604 698881/2  
email: editor@businessf1magazine.com  
Website: www.businessf1magazine.com  
November 2021 Volume 6 (Issue 11)  
*BusinessF1* is published on the first  
Thursday of every month.

Title is copyright of *BusinessF1 Magazine Ltd*.  
F1 element is a recognised trademark of Formula  
One Licensing BV.

Printed in the EU  
Historical Audited Circulation



January to June 2006  
Total: 8,078

**NEXT PUBLICATION DATE:** The December 2021  
issue of *BusinessF1 Magazine* is published  
on 30<sup>th</sup> November 2021.

**SUBSCRIPTIONS:** Available for 12 months (12  
issues) at a cost of US\$260, UK£199 and €220  
- delivered anywhere in the world at no extra  
charge. Subscriptions can be ordered at  
www.businessf1magazine.com

**SINGLE COPY PRICE:** US\$32 • UK£25 • €30

**BACK ISSUES:** Copies of back issues are always  
available at a cost of US\$35 • UK£30 • €35

**EDITORIAL COPYRIGHT:** The contents of this  
magazine, both words and statistics, are  
strictly copyright and the intellectual property  
of *BusinessF1 Magazine Ltd*. Copying or  
reproduction may only be carried out with the  
written permission of the Publishers, which  
will normally not be withheld on payment of an  
agreed fee.

**ARTICLE REPRINTS:** Many articles published in  
*BusinessF1 Magazine* are available as reprints by  
prior arrangement with the Publishers. Normal  
minimum run for reprints is 100 but smaller  
quantities can be accommodated. Please contact  
David Peett - Vice President of Logistics.

**BusinessF1**

Formula One, FORMULA 1, F1 (and non-English equivalents) are recognised as  
trademarks of Formula One Licensing BV, Formula One Group company.

# Letters

Letters to the editor should be addressed to Tom Rubythorn, Editor-In-Chief, *BusinessF1 Magazine*, Billing Wharf, The Causeway, Cogenhoe, Northampton, NN7 1NH, United Kingdom or send by email: editor@businessf1magazine.com

## My role in the saga

Dear Tom,  
I did enjoy the highly detailed tale and analysis of the BAR/Honda saga (*BusinessF1 August 2021 Vol 6 No 8*), but my involvement was different to that portrayed. I was involved with David Richards in the original pitch to British American Tobacco (BAT), having put together the deal to bring private equity investor Apax Partners into Prodrive and also their assistance in the purchase of the World Rally Championship rights and again in the deal that saw David and Prodrive take over and so successfully run BAR the 'next time round.' I do recall having meetings with Adrian Reynard, but I did not arrange any financing or investment. Thank you for the re-creation of the excellent tome that is *BusinessF1*.

Yours,  
Nicky Samengo-Turner  
NST Enterprises  
Chapel Row Farm  
Chapel Farm  
Buckleberry  
RG7 6PB  
United Kingdom

**The editor replies:** Nicky was one of the many diverse and colourful characters involved in this saga and his exact role is lost in the sands of time. I am not even sure he can remember.

## Sad recall

Dear Tom,  
Sadly, *BusinessF1 September 2021 Vol 6 No 9* brought back an era of pain when I saw Jaguar were the focus. What a fiasco those days were. A case study for sure how a car manufacturer thinks they can run a Formula One team and for it to end in catastrophic failure. It also brought a wry smile and a moment of happiness to see John Hogan. He was a great friend and is missed every day.

Yours,  
David Webb  
Chief Executive  
CSM  
10A Greencoat Place  
London  
SW1P 1PH  
United Kingdom

**The editor replies:** I agree with David – it was very painful. What a complete fiasco. Some readers may think we have been especially harsh on Rick Parry-Jones, who has recently died. But he was a one-man wrecking ball. "Catastrophic failure" is not an exaggeration and possibly an underestimate of the scale of what went on at Jaguar Racing.

## No Herbie

Dear Tom,  
Your news article in *BusinessF1 October 2021 Vol 6 No 10* regarding Jean Todt recalling Herbie Blash to perform as acting race director. I think Todt may well have a problem

in that Herbie has recently become the good luck broly holder for Pata Yamaha World Superbikes (WSB) racer Toprak Razgathioğlu! Toprak is winning many of his races after Herbie started holding his broly on the grid - not a bad job to get for a 72-year-old.

Yours,  
Ian Grate-Britton  
Director  
GB Enterprises  
4A Longfellow Drive  
Newport Pagnell  
Milton Keynes  
MK16 8PQ  
United Kingdom

**The editor replies:** No one is sure that Herbie would want the job but like everyone else I am sure he is aghast at what is currently going on in the Formula One control room where the situation goes from bad to worse.

Great name (no pun intended) by the way – did you inherit it from your father or were you born with it? (No offence intended).

## The Hillbillies

Dear Tom,  
It was super kind of you to send me a copy of *BusinessF1*, but I am completely out of Formula One. I was already unmotivated at the end of Schumi's comeback and haven't been to any Grand Prix since. But since the hillbillies from the USA took over and since the knee-jerk uncovered his dark side, the sport has become impossible to follow for me. After having visited every country and every warzone, I now enjoy life in the footsteps of Ernst Jünger's 'Waldgang'. I do hope you repeat your success with *BusinessF1* (2002-2007). That period was one of my best business/friendships ever.

Yours,  
Dr Kolja Spori  
Director  
Via LinkedIn  
Wige Media GmbH  
Am Coloneum 2  
50829  
Cologne  
Germany

**The editor replies:** For those that don't know the Waldgänger is the person who disappears into the forest, goes underground and conceptualises himself as a kind of spiritual partisan in a totalitarian context. But one of the outstanding characteristics of Ernst Jünger's book is its apparent historical vagueness.

Aside from the philosophising, Kolja makes some good points about modern day Formula One. This is how I see it in English that everyone can understand; Liberty Media is sacrificing the high-brow, high spending but relatively older viewership assembled under Bernie Ecclestone for a much younger, low-brow, less affluent viewership, the gamble being that the new younger viewership will morph into the audience that Bernie originally commanded. Maybe it will...but in the meantime.



# TOM HARTLEY JNR

EXQUISITE CLASSIC & PERFORMANCE CARS

## A HANDPICKED SELECTION OF OUR CURRENT STOCK

### 1954 FERRARI 500 MONDIAL

- 1 of only 5, Scaglietti-bodied, Series 1, Ferrari 500 Mondials
- Ferrari 'Red Book' Classiche certified
- Winner of the 1955 Ethiopian Grand Prix
- Pictured in the 1955 Ferrari Yearbook
- Also accompanied by a complete and proven Hall & Hall 3-litre 750 Monza-Specification engine

£POA



**1930 BENTLEY 4½ LITRE SUPERCHARGED 'BLOWER'** 1 of only 18 matching number examples that still exists, regarded as the most original of all the Blower Bentleys.....£POA



**1958 FERRARI 250 GT CABRIOLET S1 BY PININ FARINA** 1 of only 40 Series 1 examples ever produced & total matching numbers.....£POA



**1967 FERRARI 275 GTB/4** 1 of only 6 factory Verde Pino examples & single ownership for the last 45 years, total matching numbers.....£POA



**2017 BUGATTI CHIRON**  
An incredible spec car, only 3,912 miles from new, impeccable service history & huge saving from its cost new price...£2,350,000



**2014 MCLAREN P1**  
A very special UK supplied, one owner example that benefits from a huge spec & just 5,196 miles from new....£1,100,000



**1981 PORSCHE 924 CARRERA GT**  
An ultra rare right-hand drive example, with just 3,531 miles from new & is believed to be the lowest mileage in existence...£135,000



Tel: +44 (0)1283 761119 [www.tomhartleyjnr.com](http://www.tomhartleyjnr.com)






# DK


## Engineering


Est. 1977



**Not just all things Ferrari...**  
**The Complete Service**

 [fb.me/DKENG1977](https://fb.me/DKENG1977)

 [DKEngineeringTV](https://www.youtube.com/DKEngineeringTV)

 [@dkengineering](https://www.instagram.com/dkengineering)

Acquisition Consultancy • Sales • Service • Restoration to Perfection • Engine Building • Race Preparation • Rolling Road • Storage

T: +44 (0)1923 287 687 • E: [info@dkeng.co.uk](mailto:info@dkeng.co.uk)

Little Green Street Farm, Green Street, Chorleywood, Hertfordshire, England, WD3 6EA

[www.dke.co.uk](http://www.dke.co.uk)  
A Cottingham Family Business



# 30+

# Project 100 sport

## Years of Adventure in Sport



At **Project 100 Communications** (est. 1990) we specialise in international motor racing and adventure sport. We develop, design and execute sponsorship and promotional support programmes at every level – for race teams, sportsmen and women, events, clubs and for corporate and individual clients.

Away from the circuits, major projects have included the Toyota Trophy Dakar Rally, Scott Dunn Polar Challenge ski race to the North Pole – and over a decade of world record-setting on land, at sea and in the air with the late Steve Fossett.

Our work at the legendary **Le Mans 24 Hours** (plus at other major European and global endurance events) has embraced roles at every commercial and sporting level – from driver, team and sponsorship management to supplying a full range of top nearby accommodation and ‘backstage’ VIP hospitality. We see the big picture – and we sweat the details.

**Join us on the adventure**

w: [www.project100.com](http://www.project100.com)

e: [info@project100.com](mailto:info@project100.com)

t: +44 (0)1727 836 238





**Tom Rubython**  
Editor-in-Chief

Both the incidents described involved a sodden track and reckless driving for which Lando Norris received no punishment from the stewards. Perhaps they were worried he would tell them to “shut up.” Norris may seem very affable in interviews but underneath the skin he is the ultimate spoilt brat and needs to learn some real humility. But not much chance of that.



**Tom Rubython** Editor-in-Chief

# Paddock Patter

## No sympathy for Lando Norris

Nobody closely listening to the audio and video on board footage from the end of the Russian Grand Prix can possibly have any sympathy for Lando Norris. He behaved like a brat, at one point telling his race engineer, Will Joseph, to “shut up.” The way he entered the pit lane to change to intermediate tyres was downright dangerous and mirrored his antics at the Belgian Grand Prix when he crashed in qualifying at Eau Rouge. John Watson, the five times Grand Prix winner, was watching both incidents at home on television and knew exactly what was about to happen before it did.

It also highlighted the imbalance of respect between Norris and Will Joseph. Norris treats Joseph like his

employee whereas Hamilton and Verstappen interact with their race engineers as equals and partners with the proper civility.

Pete Bonnington, the Mercedes Crew Chief predicted Norris would spin off and I am sure Gianpiero Lambiase, Verstappen’s Crew Chief was thinking the same.

Both the incidents described above involved a sodden track and reckless driving for which Norris received no punishment from the stewards. Perhaps they were worried he would tell them to “shut up.”

Norris may seem very affable in interviews but underneath the skin he is the ultimate spoilt brat and needs to learn some real humility.

But there’s not much chance of that.

## The halo

According to various people inside the Fédération Internationale de l’Automobile (FIA), three drivers would now be dead if it weren’t for the halo, the structure that sits above drivers’ heads. If there was no halo, Charles Leclerc, Romain Grosjean and Lewis Hamilton would no longer be with us. I find this difficult to believe but nonetheless it is accepted wisdom. But in the previous 32 years before the halo was introduced, only three drivers have been killed in a Formula One car.

The truth is that Formula One is now so safe that a driver is now more likely to be killed or injured riding

a bicycle. In fact, the only two injuries this year have seen Fernando Alonso and Adrian Newey injured in bicycle riding accidents. Everyday activities such as skiing or horse riding are now far more dangerous than driving a Formula One car.

Is this right? Don’t ask me - I just believe the halo removes the purity of a Formula One car. And it’s not just my view. Any Formula One car fitted with a halo is worth, in resale terms, approximately half that of pre-halo cars. Private collectors just aren’t interested in halo cars which I am not sure will ever be worth much.

## Is there an alternative to the halo?

The halo has always seemed to me to be such a crude object with no finesse at all in its design. Surely just a simple horizontal hoop protruding from the central roll bar over the driver’s head would do just as good a job and would have prevented injuries or

death to Leclerc, Hamilton and Grosjean. And why not reintroduce the windscreen to Formula One. Not the crazy version they have in Indycar but a six-inch sloping plexiglass job that would protect a driver against most frontal debris.

## Did the halo save Kubica in Canada?

If anyone asks me what is the most violent accident in Formula One ever? I would name Robert Kubica’s 2007 multiple impact high speed shunt as he skidded upside down across the track with bits flying off the car. If the halo had been fitted to Kubica’s car everyone would have said it saved him and doubtless the FIA would have produced a convincing 32-page report confirming it. But it wasn’t fitted to his car and he was saved.

And would anyone take a bet that in the next 36 years only three drivers will be killed in a Formula One car. Well, I wouldn’t. In all likelihood at least 4-6 drivers will be killed in an F1 car in the next

36 years. So, statistically the safety record with the halo will be worse than without. Will the FIA then remove the halo? Well of course it won’t.

The sad truth is that if a bullet has a Formula One driver’s name on it then we know what’s going to happen. Ironically the one driver the halo would have almost certainly saved is Ayrton Senna. It would have almost certainly kept the wheel at bay that killed him. Then again, a suspension joint could have shot through the air (just like a bullet that had got his name on.)

Honestly, I do believe that the halo saved Romain Grosjean’s life but then again, honestly, I don’t. An act of God saved Roman Grosjean, not the halo.

## New fuels for thought

Regular readers will know I regard Sebastian Vettel as one of the more sensible drivers currently on the grid. Vettel has rightly picked up on the fact that Formula One could be doing a lot more on alternative fuels than it is. E85 is available on forecourts in the United States and it would run in a Formula One engine with few or any modifications right now. It doesn’t need years

of preparation, it can be done now. In fact, I believe if a can of E85 was poured into an F1 car fuel tank it would run quite happily without any modification. There’s no need for it to be prescriptive, just give teams the option to run any fuel between E10 and E85.

Easy, isn’t it? Why does Formula One make such a big deal out of it? Well, you know the answer to that.

*Octane takeover is completed - Dumontier remains in charge - ten-year deal signed*

## Bell Canada is first broadcaster to run its own race

Bell Canada has become the first broadcaster to become a promoter of a Grand Prix after it completed the takeover of François Dumontier's Octane Racing Group Inc. Octane, the promoter of the Canadian Grand Prix, ran into trouble after the race was cancelled for two consecutive seasons because of the world health crisis. Bell Canada has effectively rescued Octane which was severely affected by the double cancellation of the race. Bell's sports networks TSN and RDS are the official broadcasters of Formula One in Canada and have the rights until 2024.

Dumontier was unable to retain his independence after it became necessary to refund all ticket holders of the 2020 event when the 2021 event was cancelled.

Bell have guaranteed that tickets sold for the 2020 race are valid for the 2022 Canadian Grand Prix and no tickets were sold for the 2021 race due to the uncertainty. The 2020 ticket holders who had already chosen to transfer their tickets to the cancelled 2021 event have had the option to transfer them for the 2022 race. Simultaneously, as part of the deal, Octane's contract to promote the Canadian Grand Prix has been extended to a ten-year deal expiring in 2031. Bell Canada, which is owned by BCE Inc, broadcasts to 22 million consumers. It was founded in Montréal in 1880 and runs



**Caroline Proulx, Québec's Minister of Tourism, has welcomed the takeover.**



**François Dumontier's Octane Racing Group has been taken over by Bell Canada.**



**Karine Moses, Bell's Vice Chair, moved to protect her company's broadcast contract.**

Canada's leading sports content channels. The Canadian Grand Prix in Montréal is said to be the biggest annual sporting event in Canada and has a cumulative live audience of over 300,000 over three days.

The Canadian Grand Prix has had a difficult history and Octane previously went under in 2012 when it incurred \$4.5 million debts promoting the 2012 race. But the company was restructured and carried on.

There is no doubt that Bell was attracted to the event by the fact that it is now Canada's largest tourism event. Karine Moses, Bell's Vice Chair said: "This transaction confirms Bell's commitment to deliver the most compelling content across every platform while increasing our presence in the Québec media marketplace through significant investments in culture, sports and entertainment. We welcome the Octane Racing Group team, and look forward to amplifying this iconic Montréal event over the long term with Bell's leading network, broadcasting and digital assets."

Octane Racing Group will be a standalone entity within the Bell Group and François Dumontier remains President and Chief Executive. All Octane employees have joined Bell. Dumontier said: "With Bell's assets and commitment to develop the event, the future of Montréal's

leg of the Formula One World Championship just got better. I am thankful to have the opportunity to continue to follow my passion with Formula One and to be able to develop new opportunities for the Canadian Grand Prix with the support of a company so well established in Québec and across Canada."

Stefano Domenicali, Chief Executive of Formula 1 Group (FIG) has welcomed the news and said: "Bell's investment is very positive. Canada is a race that holds a special place in the calendar and we are delighted by our two-year extension to 2031. It will ensure the long-term growth of the Grand Prix which will benefit the sport and the city of Montréal alongside the great work that François and his team are delivering and will continue to deliver."

Caroline Proulx, Québec's Minister of Tourism, has been very enthusiastic about the takeover: "I am delighted with the arrival of a new major private partner like Bell, which, in addition to preserving the expertise acquired over the years, contributes to the long-term sustainability and growth of this event that generates major economic benefits. The Canadian Grand Prix is a flagship event that makes a remarkable contribution to the vitality of tourism and to the influence of Montréal and all of Québec."

## Former McLaren chief starts campaigning group Dennis launches new charitable initiative

Ron Dennis, the former team principal of McLaren Racing, has launched a new charity called Podium Analytics which will focus on gathering data on sport-related injuries in young people. It will then use the data to effect change. Dennis hired the home of the British Prime Minister, Boris Johnson at 10 Downing Street, London to launch the charity in late September this year.

The charity will specifically address the issue of sport-related injuries in 11-18-year-olds. It has a mission to reduce the incidence and impact of sports injuries in young people and has secured a long-term

partnership with the University of Oxford called the 'The Podium Analytics Institute for Youth Sports Medicine and Technology at the



**Ron Dennis' charitable initiative.**

University of Oxford.'

Ron Dennis said: "It will be a first-of-its-kind institute focused on 11-18-year-olds and safety for lifelong health, rather than performance. Safety in sport is paramount and it's essential that the focus shifts to young people. These early years are where habits are formed and injuries are first sustained and this tracks from youth to adulthood, shaping the overall health and wellbeing of an individual throughout their life. Having spent over 40 years in motorsport, safety is an issue that I have lived and breathed."

He added: "Professional sport is very well equipped to look after

the mature athlete but the simple fact is it doesn't really exist in youth sport."

Dennis says there will be a big focus on "concussion, serious musculoskeletal injuries and sudden cardiac death in young people." He reveals that on average, 12 young people die of cardiac death in the UK every week, the majority, physically fit children exercising.

Inevitably there are plenty of sceptics, one former colleague said: "I don't see the point of this. There are a lot better ways Ron could have spent his money helping a broader range of young people." Another less-kind cynic said: "Ron just wants a knighthood from Johnson. Look at the venue for the launch. It tells you everything."



Tobias Moers is optimistic about moving from loss to profit.

## Intangibles continue to grow as CIPI challenges Aston Martin Lagonda face crucial final quarter

Aston Martin Lagonda, Britain's premier sports car maker, is facing a crucial final quarter of the year. The company led by Chief Executive Tobias Moers, has been stabilised but faces critical challenges as it struggles to get positive cashflow, lower its horrendously high interest payments, write off an intangible asset mountain and most of all, become genuinely profitable.

The four crucial challenges labelled internally as cash, interest, profit and intangibles (CIPI) remain a huge challenge for management which is "overstretched and overstressed" according to insiders. CIPI are now initials branded on managers' foreheads according to the same insider: "It's all we talk about."

The cash situation has stabilised with just over \$700 million in the bank, but \$100 million of that was from increased borrowings meaning a real cash outflow of \$90 million over the past six months. The overall debt position (including cash balances) has also stabilised at around \$1.1 billion but is \$91 million higher than six months ago. Interest payments at \$95 million a year are sucking \$2 million a week out of the company and average debt interest rates are very high at around 9%. The real rate is 10.5% as some interest payments are deferred for five years.

The company is now marginally profitable on a day-to-day basis but in the first half of the year

(Jan to June) it actually lost \$98 million.

The intangibles problem shows no sign of being sorted out. Despite a huge mountain of nearly \$1.9 billion of intangibles on the balance sheet, it has actually increased by \$36.4 million in the past six months in a period when there is an urgent need to reduce it. A motor industry insider commented: "Aston Martin is hopelessly insolvent if the intangibles are stripped out of the balance sheet. It is addicted to capitalising intangible assets which should be included in the bottom line."

Performance in the fourth quarter depends on deliveries of the Aston Martin Valkyrie. If 100 cars are delivered it will bring in cash of around \$200 million but it will have no effect on the balance sheet as there is approximately \$2 million of intangible assets tied up in each Valkyrie that will have to be immediately written off. All 150 Valkyries should be delivered by the middle of 2022 and the sales will have a possible impact on cashflow but not profitability.

Aston Martin has also sold 85 spider versions of the Valkyrie with scissor instead of gullwing doors and a removable roof. All 85 should be delivered in 2022 and will provide a \$275 million boost to cashflow after costs. 25 race versions are also sold and will deliver another \$70 million to cashflow.

The Valkyrie boost should lower

borrowings by \$300 million, reduce intangibles by as much as \$400 million and reduce interest costs by \$20 million a year, easing pressure on the company.

But insiders still expect a rights issue announcement, probably at the rate of three new shares for every one held to raise \$750 million at the beginning of 2022.

In its half year results, the board of directors collectively admitted it only has a "reasonable expectation" that the company has "adequate resources to continue in operational existence for the foreseeable future." According to financial experts this was effectively admitting a rights issue will be necessary in the future.

Another unconfirmed report has revealed that the controlling directors have assured the new auditors Ernst & Young that there will be a rights issue of around \$750 million "soon." According to the same (unconfirmed) reports it was on that basis that Ernst & Young did not qualify the first half accounts.

A rights issue is inevitable because of the high debts. The company has loan notes outstanding of \$1.2 billion at an interest rate of 10.5% which have to be repaid in late 2025. And another \$335 million notes that have to be repaid a year later which have an interest rate of 15%. There is an urgency to repay the loans early and refinance them at a lower interest rate. But this will require a substantial

strengthening of the balance sheet which a rights issue will achieve.

Despite all the obvious problems, Lawrence Stroll, the Aston Martin Lagonda Chairman is astonishingly optimistic: "When I joined Aston Martin just over a year ago, I had in mind key milestones that needed to be achieved to put the right foundations in place for the Company's future success. These have all been delivered, from appointing a world-class leadership team, to successfully rebalancing supply to demand and crucially strengthening the financial resilience of the business." Stroll also points out how important the new deal with Mercedes-Benz is to the future of the business: "Signing the landmark technology agreement with Mercedes-Benz AG underpins our product plans for the future, including the route to electrification."

Interestingly Tobias Moers, the Chief Executive said he wanted to improve profitability although the company has none: "We have performed well in the first half of the year as we continue to deliver results in-line with our plans to improve profitability." But he did report that the order book was "strong" as are "pricing dynamics" which is vitally important to Aston Martin. He said: "We are now operating with the right supply to demand balance for our products, earlier than we had originally expected."

## President will adopt a chairman's role Ben Sulayem will appoint FIA's first chief executive

**M**ohammed ben Sulayem intends to appoint the Federation Internationale de L'Automobile (FIA)'s first chief executive officer if he is elected as the new president of the FIA in December.

The new CEO will completely reform the management of the FIA which many people believe has a structure which dates back to the sixties. Ben Sulayem will also task his CEO with focusing on growth. Additionally, the incoming CEO will have to wrestle with the FIA budget which some members have described as being "out of control."

Insiders say there are no proper controls on spending and even though the income of the Federation now exceeds \$200 million it is said to be perpetually difficult to stop cash spending going out of control and any incoming President will need to cut costs. Part of the cash outflow is due to the policing of Formula One's technical regulations, some of which are carried out by expensive outside consultants which has soared as the rules have become more complicated.

Now the FIA is faced with employing an army of accountants and consultants to try and police the new financial regulations.

In 2019, the FIA liquidated its portfolio of investments and turned them into cash to meet potential outgoings. At the end of 2019 it had cash in the bank of

\$180 million against the previous year's cash balance of \$44 million.

The FIA's accounts are extremely opaque and not easily assessed but Ben Sulayem has promised full transparency if he is elected. The accounts have certainly not been transparent under President Todt. The last set of accounts for 2019 were finalised only on 26th November 2020. Members are not pleased and are questioning why the accounts take so long to be published. One member from South America said: "It takes so long for us to see the accounts and then we cannot understand them."

It is undeniable that the accounts have only got opaquer since President Todt took over from President Mosley. Under Mosley the accounts were relatively easy to understand.

David Richards, who at one time was a serious potential candidate for the presidency himself is thought to be one of the people under consideration by ben Sulayem to be the new chief executive.

Richards has been vocal in his criticism of the FIA's internal management and he believes it needs total reform. Earlier this year, he described the FIA's management structure as not "fit for purpose." Richards believes the structure is rooted in the 1990s and that management practices have changed since and the FIA has not changed with it.

Mohammed ben Sulayem and his team have a four-year plan for his term of office. He wants to create a leadership team focused on transparency, democracy, and growth. If elected, he will immediately instigate an external governance audit and evaluation of the FIA's finances. There will be introduction of transparent budgeting and financial reporting. The appointment of an FIA Chief Executive Officer will be crucial

to these plans.

Ben Sulayem promises by 2025 a world class governance and a transformed operating model. He will, by then, have established a unified, business-driven management structure with transparent budgeting and reporting.

See separate article on Mohammed ben Sulayem's election manifesto which starts on page 88.



Mohammed ben Sulayem, the presidency candidate will appoint an FIA chief executive for the first time, if elected in December.



Michaella Snoeck, Head of Media Rights at Formula 1 Group.

## Most countries are covered off F1G reveal Fox Sports Asia replacements

**F**ox Sports Asia have stopped broadcasting after Disney refocused its transponder leases towards direct to consumers broadcasts that do not include sports programming.

It has left Formula 1 Group (F1G) in a mad scramble to cover the footprint in Asia. Fox Sports Asia covered off Afghanistan, Brunei, Cambodia, Hong Kong, Indonesia, Laos, Malaysia, Mongolia, Myanmar, North Korea, Papua New Guinea, The Philippines, South Korea, Singapore, Thailand, Taiwan, Timor, and Vietnam.

F1G has managed to sign replacement deals in Hong Kong, Singapore, Thailand, the Philippines, Malaysia, Brunei,

Indonesia, Vietnam and Myanmar. But there is now no broadcast in North or South Korea, Cambodia or Taiwan.

New agreements are in place in Hong Kong with Now TV; Singtel in Singapore; TrueVisions in Thailand; Tap DMV in the Philippines; Astro in Malaysia and Brunei, Emtek Group in Indonesia, VSTV in Vietnam and Canal+ in Myanmar.

The Fox Sports Asia deal was worth \$90 million a year and the revenue loss will be more difficult to replace.

The deals were put together by Michaella Snoeck, Head of Media Rights at Formula 1 and Ian Holmes, Head of Broadcast.

# Huge assault on German speaking Europe Netflix boss launches big German initiative and makes hints about Formula One

**R**eed Hastings, the *Netflix* Founder and Chief Executive, has opened a Berlin production office and hired two big hitters, Katja Hofem and Inga Leschek from the German TV industry, to head up the operation.

Hastings opened *Netflix*'s new headquarters building in Berlin in late September. In his opening speech, Hastings said the international proliferation of local language content continued to be "the really special thing about *Netflix*." Hastings announced plans to invest \$600 million in German language films and TV series for what *Netflix* has labelled the DACH region.

DACH is an acronym used to describe Germany Austria and Switzerland. It reflects the fact that German acts as the de facto national official language of the vast majority of the people in those regions.

*Netflix* has invested in a brand new, state of the art 'virtual

production' facility with a backdrop 75 feet wide across and 23 feet tall surrounded by 4,500 square feet of shooting space. It is surrounded by a dynamic LED backdrop that is rendered in a video game engine, in real-time, moving with the camera to simulate a realistic background and sky that creates the illusion of shooting outdoors. Because the whole process is captured in-camera, with effects added in real time, the technology removes the need for green screen and drastically reduces the post-production process.

The investment has been made because Hastings believes that *Netflix* is right at the beginning of the streaming revolution especially in markets like Germany.

*Netflix* now has 209 million subscribers and Hastings says: "It will take another 10 or even 20 years before linear TV disappears completely." He told German news magazine *Der Spiegel*. "One must

not forget that in the US half of the households still do not own smart TVs, that is TV sets connected to the internet."

Hastings also publicly stated he would "think" about buying Formula One if it were ever to come up for sale again. Hastings sees *Netflix* as "an entertainment company that does not do journalism." Despite constant rumours that *Netflix* will launch a separate sports channel Hastings has ruled out sports broadcasting for *Netflix* only because "it cannot control the source." He added: "Control would be a prerequisite for us to be able to offer our customers a safe deal." Hastings added: "A few years ago, the rights to Formula One were sold. At that time we were not among the bidders, today we would think about it." Hastings reiterated that

he would only move into that area if they controlled the sport in its entirety: "At *Netflix*, we do entertainment and not journalism. We keep our hands off live sports."

*Netflix* does want to get into video games. It is testing games that subscribers can play on their mobile phones via the *Netflix* app. *Netflix* has to decide whether it wants to become a big player in video games as Hastings says: "We still have a lot to try out in this area. Around 10,000 new games are released every year, a gigantic number. Compared to that, producing films and series seems almost easy."

Hastings refused to confirm or deny that he had discussed licensing Formula One as part of *Netflix*'s move into games. The rights are currently not available but could be in the future.



Katja Hofem is the Vice President of series programming for *Netflix* in the German speaking DACH region.



Inga Leschek is the new Director of unscribed & documentary programmes for *Netflix* in the DACH region.

# NETFLIX

Reed Hastings has launched a big initiative in Germany and reiterated interest in Formula One.

*Deal is worth \$35 million a year to the team*

## Aston Martin Lagonda's sponsorship deal with AMR

Aston Martin Lagonda Global Holdings Plc has struck a sponsorship deal with Aston Martin Racing Ltd worth \$35 million a year. The deal began on 1st January 2021 and is thought to run for five years. Under the terms of the deal the team has Aston Martin in its title branding, the car chassis is called Aston Martin and the car is painted green. The car company is also entitled to substantial branding on the car, pit decoration and teamwear.

The car company is the team's

biggest sponsor and contributes 20 percent of the current budget.

The car company and the team have mutual shareholders of around 30 percent each and the deal was not an arm's length transaction which has caused the car company's auditors Ernst & Young a few problems. However, the directors have pointed to similar arrangements that exist at other teams where the car company supporting a team has differing shareholdings from its parent, notably at Mercedes-AMG and Daimler AG.

Under the arrangement team drivers Sebastian Vettel and Lance Stroll are also supplied

with Aston Martin company cars of their choice. This has also caused Ernst & Young difficulties as Lance Stroll is an immediate family member of one of the biggest shareholders in both entities.



Sebastian Vettel arrives at the Styrian Grand Prix in his Aston Martin DB11 company car on Thursday 24th June 2021.

*Blockbuster 2021 is expected for excavator manufacturer*

## JCB's Formula One involvement is huge boost to bottom line

JCB Bamford Excavators (JCB) has seen a huge boost to its fortunes from its involvement in Formula One both as a sponsor and shareholder in Aston Martin Racing.

The construction and agricultural machinery manufacturer is currently seeing record orders, turnover, profits and production levels as its business prospects take off amidst huge increased global exposure of its brand.

It expects to see turnover top \$7 billion this year and profits top \$1 billion for the first time ever. Much of this is being put down to its Formula One involvement. Unit sales will likely top 100,000 for the year.

But JCB's Chief Executive, Graeme Macdonald is cocooking about the turnaround led by its

Formula One involvement: "We are sitting here now in September with four times the usual order bank we had in normal times two to three years ago. As a result, we are ramping up production to levels we have not had before. I have never seen anything like it."

JCB suffered greatly in 2020 as its 21 factories around the world were closed and it lost two

months production as its profits halved and 6,500 staff were laid off. As a result, sales fell to \$4.3 billion in 2020, down from \$6 billion in 2019 and unit sales fell from 92,216 to 74,590. Graeme Macdonald said: "In March 2020, \$1.4 billion worth of orders disappeared overnight."

But JCB has a remarkable record as one of Britain's biggest private companies and has made a profit for the past 76 years since being founded in 1945.

JCB is developing the first internal combustion engine powered by hydrogen.

JCB's Chief Executive Graeme Macdonald is forecasting record turnover, profits and unit sales.



# BusinessF1™

FORMULA ONE'S BUSINESS MAGAZINE

## Your free subscription has run out!

To keep reading, please subscribe fully to become a member

<https://businessf1magazine.com/business-subscription-payment-window>

### You will receive:

- 12 monthly issues
- A luxury 12- issue binder
- A hardback copy of Tom Rubythorn's Fatal Weekend
- Exclusive Access to the digital edition

