

Jaguar Land Rover makes £110m loss as computer chip shortage bites

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The global shortage of computer chips forced Jaguar Land Rover to make a pre-tax loss of more than £100m during the first three months of its financial year despite a near 70% surge in retail sales.

The automotive giant, which has major factories in the West Midlands and Merseyside, has revealed its results for the period to June 30, 2021, which saw a pre-tax loss of £110m, £303m better than a year ago.

JLR reported a rise in wholesales of 84,400, up 72.6% but 30,000 units (27%) lower than planned due to chip shortage resulting in the pre-tax loss and a free cash outflow

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In a statement, the company added that “demand remains strong” with record order book of 110,000 units for when chip supply starts to improve as expected in the second half of the year.

Retail sales in the first quarter totalled 124,537, up 68.1% year-on-year as sales continued to recover from the impact of

the pandemic.

Sales were higher year-on-year in each key region including in the UK (+186.9%), Europe (124.0%), Overseas (71%), North America (50.5%), and China (14%).

Revenue totalled £5bn in the first quarter, 73.7% higher than Q1 in the prior year.

Chief financial officer Adrian Mardell said: “We are encouraged by the continuing recovery in sales and the very strong demand for our products with record order books.

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“However, the global shortage of semiconductors continues to be a challenge which has constrained our financial results in the first quarter.”

On the computer chip shortage, JLR said: “The shortage of semiconductors is presently very dynamic and difficult to forecast. Based on recent input from suppliers, we now expect chip supply shortages in the second quarter ended 30 September 2021 to be greater than in the first quarter, potentially resulting in wholesale volumes about 50% lower than planned, although we are continuing to work to mitigate this.

“We expect the situation will start to improve in the second half of our financial year. However, the broader underlying structural capacity issues will only be resolved as supplier

investment in new capacities comes online over the next 12-18 months and so we expect some level of shortages will continue through to the end of the year and beyond.

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“While the present supply constraints continue, Jaguar Land Rover will continue to prioritise production of higher margin vehicles for the chip supply available, as well as make chip and product specification changes where possible to reduce the impact.”

Chief executive Thierry Bolloré added: “We are pleased to see a continuing positive recovery from the pandemic, with year-on-year growth in all regions, demonstrating the appeal of Jaguar and Land Rover vehicles.

“Though the current environment continues to remain challenging, we will continue to adapt and manage elements that are within our control and ensure that Jaguar Land Rover is well-placed to respond to any further market developments.

“We remain encouraged by the sheer strength of the demand for our vehicles, and note the success of our electrified powertrain offering as we work to drive that demand further by reimagining our iconic British brands for a future of modern luxury by design.

“We have the right vision with Reimagine, and we are already on the journey.”

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