



ALMA MATER STUDIORUM
UNIVERSITÀ DI BOLOGNA

DEPARTMENT OF MANAGEMENT

SECOND CYCLE DEGREE

STRATEGIC GROWTH IN FORMULA ONE: RED BULL RACING CASE STUDY

Dissertation in International Accounting

Supervisor

Prof. Lorenzo Dal Maso

Defended by

Antonio Marletta

First Session July 2026

Academic Year 2025/2026



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INTRODUCTION

Founded in 1987 by Austrian entrepreneur Dietrich Mateschitz and Thai businessman Chaleo Yoovidhya, Red Bull isn't just a beverage company. Since its foundation, Red Bull has dominated the marketing game; the brand has systematically dismantled traditional advertising paradigms, prioritising storytelling and lifestyle association over product-centric promotion. Red Bull, conversely to competitors, spent up to 30 per cent of its annual revenue on marketing efforts (Gorse, Chadwick and Burton, 2010), creating its own media streams and ensuring that the brand is the primary architect of the culture it inhabits.

In 1987, Mateschitz knew that the beverage industry was saturated with products competing on price and flavour. To overcome the competition, he decided to focus on "Brand identity". The "Red Bull" brand was not designed for everyone, it was specifically tailored for the "*courageous adventurous*", those who embraced "*crazy ideas*". This psychological positioning helped Red Bull create a new category in the beverage market in Europe: the "energy drinks" niche. This completely new niche in the Western market effectively renders traditional competitors like Coca-Cola or Pepsi irrelevant, giving Red Bull all the space to set the market on its own terms.

The Red Bull journey has always led to pioneering action in the market, especially when it comes to the marketing side. One of the most significant corporate decisions was to shift from sponsoring the brand by collaborating with a sports team to directly owning the team and directing all the team's efforts to give visibility to the brand. This strategy of active ownership over passive sponsorship allows the brand to maximise the commercial value of its marketing spend. Over the past four decades, this strategy has driven Red Bull's expansion into multi-sport ownership, encompassing football, sailing, ice hockey, esports, and beyond. But the most significant strategic move in the company's history was the decision to enter Formula One, representing a huge investment to position the brand in the highest motorsport league.

The ownership of a Formula One team allowed Red Bull to treat its racing team as a subsidiary of its media empire. Every lap generates exclusive data and high-resolution footage for the Red Bull Media House, that build audience attention rather than buying it through commercial interruptions. Moreover, Formula One's global fanbase has recently grown to 827 million (Formula 1, 2025), with a rapid influx of younger viewers; 43% of fans are now under the age of 35 (Nielsen Sports, 2021). This demographic

alignment ensures the brand remains relevant to its core consumer base of adventure-seekers. The ownership of a Formula One team reinforced Red Bull's status as a premium brand, creating a sustainable competitive advantage in a market where energy drinks are functionally similar.

But leading a Formula One team to success is not an easy job, particularly for an organisation whose core business is rooted in the beverage industry. Formula One represents one of the few global industries where excellence is the bare minimum to survive; technical innovation, extreme logistics, strict regulation and political influences make this sector one of the most difficult to navigate and succeed in. Structuring a winning team is not just about “buy a great driver” or “have the right strategy on track”; those are considered as essentials, but the most important brick is to have a proper ecosystem working smoothly in order to level up excellence. This involves laying down a perfect set of investments, having disruptive people ready to change the fixed scheme, managing political, economic and audience pressure while building the perfect team spirit. A tough job that only a few teams have performed well in the motorsport history, Red Bull did.

Red Bull entered the world of Formula One in November 2004 by purchasing a racing team for the symbolic cost of \$1. By 2024, Red Bull Racing dominated the world's most important motorsports competition and the team's estimated value exceeded \$4 billion (Forbes, 2024). This paper will focus on the remarkable rise of Red Bull Racing and the strategies that have enabled Red Bull to accomplish this milestone. The central objective of this analysis is to examine the processes by which Red Bull Racing created, consolidated, and defended a sustainable competitive advantage within one of the most technically and commercially competitive environments in global sport.

To reach this goal and to better understand the corporate analysis of Red Bull Racing, it is important to underline, more than the context in which Formula One teams operate, the corporate structure Red Bull has implemented to overcome the intense competition in the industry and the key figures who have led to the success of the racing team. For these reasons, the first chapter of the thesis, after a brief overview of the team's sporting history, will describe the key decisions and key people in Red Bull Racing's evolution, starting from the collaborations before 2004. The second chapter will describe the successful strategic corporate decisions that have guided Red Bull Racing's success, not only on the track. The focus will be on the winning strategic vision and the corporate structure implemented by Red Bull to pursue the best possible result. This chapter will unpack the perfectly balanced structure that Red Bull has built up over the years to let Red Bull Racing be a winning team. Then, in chapter 3, the analysis will focus on the team's cost and revenue drivers to better understand the structure of the industry under discussion.

Finally, in chapter 4, the analysis will move to the team's accounting evolution, reviewing financial ratios over the last 20 years to understand the stages of the team's growth. Lastly, the concluding chapter synthesises the findings of the preceding analysis and advances a definitive answer to the dissertation's central research question: what are the sources of Red Bull Racing's competitive advantage, and through which mechanisms was that advantage generated and sustained?

The analytical framework adopted throughout this dissertation is the Resource-Based View (RBV). Originally rooted in Penrose's (1959) seminal work "*The Theory of the Growth of the Firm*", which conceptualised the enterprise as a collection of productive resources whose heterogeneous deployment determines competitive outcomes, the RBV was subsequently formalised as a strategic management theory by Wernerfelt (1984) and, most influentially, by Barney (1991) in his article "*Firm Resources and Sustained Competitive Advantage*". The RBV posits that firms achieve and sustain competitive advantage not primarily through favourable industry positioning but through the ownership and deployment of internal resources and capabilities that satisfy four simultaneous conditions. They must be:

- **Valuable** = enabling the firm to exploit opportunities or neutralise threats,
- **Rare** = not widely possessed among competitors,
- **Inimitable** = difficult to replicate due to unique historical conditions, causal ambiguity, or social complexity,
- **Non-substitutable** = no strategically equivalent alternatives exist.

This configuration is commonly referred to as the VRIN framework (Barney, 1991).

The RBV is particularly suited to the analysis of Red Bull Racing for the fact that Formula One is an industry in which all competitors operate under identical sporting regulations and, since 2021, under a common financial constraint (the FIA budget cap), meaning that differential performance cannot be attributed to structural industry advantages but must derive from firm-specific resources. Moreover, the most strategically significant assets in Formula One are intangible, socially complex, and path-dependent, precisely the category of resources that the RBV identifies as the most durable sources of competitive advantage (Dierickx & Cool, 1989). Red Bull Racing represents a textbook application of the RBV's prescriptive logic; the firm seeks to own and control the resources on which its competitive position depends, rather than relying on market transactions to obtain them. Accordingly, the analysis that follows will employ the VRIN framework as the interpretive lens for evaluating Red Bull Racing's strategic decisions, organisational architecture, and financial outcomes.

From 2022, Red Bull has formalised a collaboration with Oracle¹, changing the team's name to Oracle Red Bull Racing. To simplify the narrative, we will always refer to “Red Bull Racing” (RBR), whether it concerns events before or after the collaboration with the technology company.

¹ More information about the collaboration with Oracle and RBR will be presented in the chapter 2.2.5

1 History of Red Bull Racing

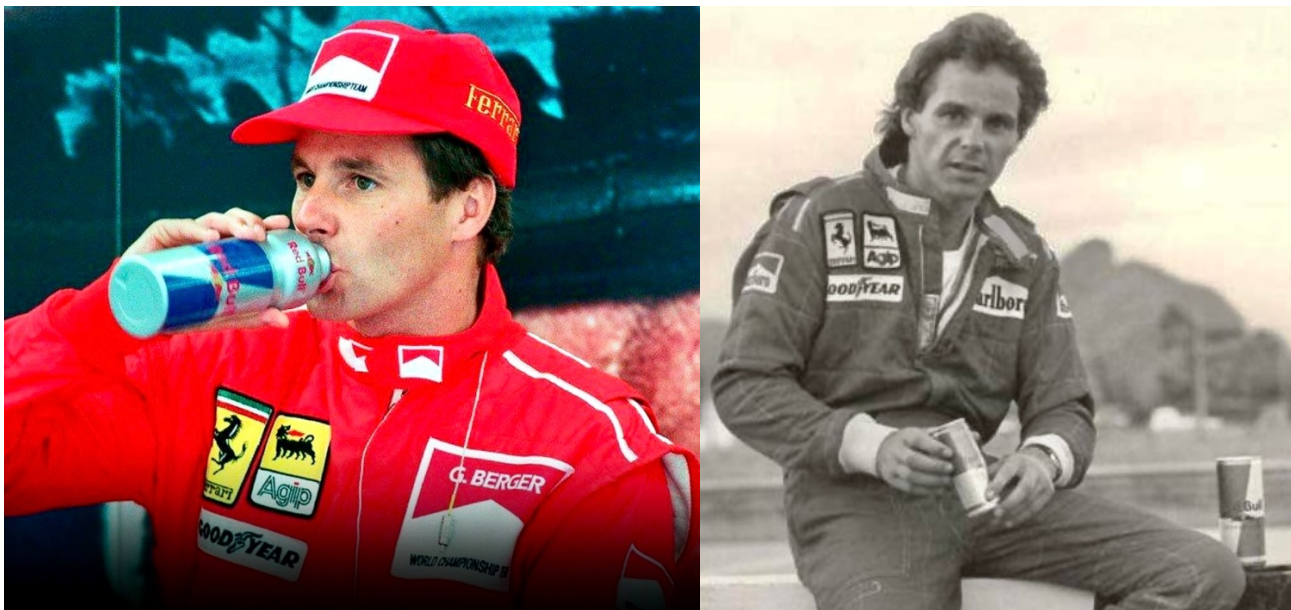
Red Bull Racing's success in Formula One is not just a sporting triumph, but one of the most interesting case studies in corporate management and financial engineering of the twenty-first century.

Since its inception in late 2004, the organisation has systematically dismantled the paradigms of established constructors, overcoming the competitor in just a few years with a huge surprise from many industry observers who considered it an impossible project for an energy drinks company with no prior motorsport manufacturing heritage. Their opinion was founded on the fact that managing a Formula One team is extraordinarily difficult because it requires balancing engineering excellence, strategic decision-making and human leadership under relentless pressure. The environment is highly competitive, with constant technical development, strict regulations, enormous financial stakes and very little margin for error. In Formula One, success depends not only on having the fastest car, but on leading an organisation capable of performing perfectly as one unit. Several established racing teams have collapsed under the weight of Formula One's extraordinary operational complexity and cost structure, making Red Bull's ascent even more remarkable. Red Bull Racing's results are related to great long-term investment management and an unprecedented ability to transform operating expenses into growth levers for the global brand Red Bull.

1.1 The Origins of the Team

Red Bull's official entry into Formula One as a team owner took place on 15th November 2004, marking a pivotal date in the history of motorsport. The acquisition of Jaguar Racing from Ford Motor Company was finalised under financial conditions that reflected the seller's desperation and the buyer's foresight. Before purchasing a team, Red Bull's involvement in Formula One was limited to sponsorship. This period of sponsorship was not just a high-budget marketing choice but a first approach to the top automotive industry that represented a critical phase in acquiring operational know-how and understanding the internal balance of power within the paddock. Each season spent as an external sponsor provided Dietrich Mateschitz with valuable insights into the dynamics between manufacturers, teams and the F1 Federation, gaining an understanding of the championship's real levers of power. The knowledge gained would prove decisive when Red Bull took direct control of a team and allowed the company to enter the sector well-prepared from the start and ready to handle the various and complicated aspects of running a Formula One team.

The two bulls' first appearance in Formula One came in 1989 through the sponsorship of Gerhard Berger, a Ferrari driver and one of the paddock's most charismatic figures of the time. Like Mateschitz, an Austrian, Berger was renowned not only for his ten career Grand Prix victories but also for his exuberant personality, irreverent sense of humour, and propensity for extreme feats, qualities that made him the perfect embodiment of Red Bull's brand values. It's worth remembering that Red Bull was a very young company at the time, founded only two years before the sponsorship, and Mateschitz didn't yet have the financial reserves to support his advertising investment. Nonetheless, the founder sealed the sponsorship deal, demonstrating from the outset the inclination for calculated risk that would characterise every subsequent strategic move. The choice of Berger was not a coincidence, the driver embodied the profile of the athlete-ambassador that Mateschitz had in mind; a "rebellious" and charismatic personality capable of embodying the brand's identity and transforming it into a lifestyle, even before becoming a beverage.



Figures 1 & 2: Ferrari driver Gerhard Berger, sponsoring Red Bull in 1993

As Berger's individual sponsorship continued to generate significant publicity, Mateschitz realised that achieving a systemic impact on Formula One required team-wide involvement. In 1995, Red Bull made a significant qualitative leap by acquiring a 60% stake in the holding company that controlled the Swiss Sauber team. That same year, the team fielded the Sauber C14, a single-seater sporting a dark blue livery with the prominent Red Bull logo.



Figure 3: Sauber C14 with Red Bull livery, 1995 season

During this period, Red Bull witnessed Sauber's growth as a consolidated mid-table force. The 2001 season represented the pinnacle of this collaboration, with the team finishing fourth in the Constructors' Championship, surpassing historic and better-funded teams like Jordan and Benetton. Despite their successes on the track, internal tensions between Mateschitz and Sauber began to emerge due to conflicting views on driver management. The breaking point came before the 2001 season, when Mateschitz, with his majority stake, aggressively pushed for the hiring of Enrique Bernoldi, a Brazilian driver who was part of Red Bull's youth development program. Meanwhile, Peter Sauber had noticed the exceptional talent of Kimi Räikkönen during private training sessions. Peter Sauber's final decision to ignore the wishes of his major shareholder and hire Räikkönen caused an irreparable rift. Mateschitz, furious at what he perceived as a disrespect for his role as an investor, began withdrawing his financial commitment and planning to exit the team's shareholding structure.

Sauber's choice proved prophetic in sporting terms since the Finn would win the World Drivers' title with Ferrari in 2007. However, in terms of shareholder management, the decision was a definitive defeat for the relationship with Mateschitz. Red Bull sold its majority stake to Credit Suisse between late 2001 and early 2002. Although the Red Bull logo remained on the sides of Sauber until 2004 due to residual contractual obligations, the strategic relationship had ended, prompting Mateschitz to seek other ways to remain in Formula One.

In 2001 and 2002, Red Bull became a significant sponsor of the Arrows team, securing a seat for its protégé Enrique Bernoldi. The Arrows A22 and subsequent A23 sported orange and black liveries with the Red Bull logo displayed.



Figures 4 & 5: The Arrows A23 and Sauber C21 on the 2002 grid, brand's presence across four cars in a single season

The results of this new venture were rather disappointing. Midway through the 2002 season, the collapse of Arrows left Bernoldi without a seat and deprived Red Bull of an important platform for visibility. This episode reinforced Mateschitz's belief that the only way to ensure a stable and controlled presence for the brand in Formula One was to acquire and fully control a team. In 2003, before finalising the purchase of Jaguar, Red Bull came close to acquiring Jordan Grand Prix. The Irish team, founded by Eddie Jordan and famous for launching Rubens Barrichello and Michael Schumacher, was experiencing financial difficulty. Negotiations stalled, however, over the issue of operational control; Jordan rejected the

contractual terms that would have limited his decision-making autonomy, leading to the collapse of the deal in early 2003.

2004 marked the definitive turning point, Ford Motor Company was dissatisfied with Jaguar Racing's results after investing approximately \$700 million over four seasons. No longer seeing a convincing business case and under a global corporate restructuring, Ford announced its intention to sell the team in September 2004. Red Bull jumped into this opportunity and the formal purchase was finalised on November 15th, 2004, for a symbolic price of one dollar. In exchange for this sum, Red Bull contractually committed to investing \$400 million over the next three racing seasons. In 2005, the RB1 was the first fully branded Red Bull chassis that faithfully replicated the aesthetics of the energy drink can. This choice wasn't just a tactic to protect the technical secrets of the 2005 project, it was a declaration of intent; Red Bull entered Formula One to redefine the rules of communication and public engagement. Since the beginning, Red Bull's F1 marketing has included extraordinary action such as displaying \$300,000 diamonds on the noses of Jaguars at the Monaco Grand Prix to promote the film "Ocean's Twelve." Christian Klien's first-lap accident, which resulted in the loss of one of the diamonds, remains one of the most famous anecdotes and is representative of the brand's "spectacular" approach.



Figures 6 & 7: On the left, Red Bull RB1 in 2005, the first Formula One chassis to carry the full Red Bull livery replicating the aesthetics of the energy drink can. On the right: The nose of the Jaguar R5 adorned with a \$300,000 diamond at the 2004 Monaco Grand Prix.

The sponsorships of the 1989–2004 period proved to be a fundamental laboratory for building one of the most successful teams in modern Formula One history. Without the experience he gained with Sauber, Mateschitz would not have understood the crucial importance of decision-making sovereignty; without the disappointments with Arrows and Jordan, he would not have identified the optimal conditions for a full acquisition. In short, the 1989–2004 journey was a strategic transition from external sponsorship to ownership that ended with strong vertical integration. Red Bull had used Formula One not as a mere

advertising vehicle but as a true school of sports management, building piece by piece the human, technical and relational infrastructure necessary to make the leap from external sponsor to world champion.

Read through the lens of the Resource-Based View, the 1989–2004 period represents a deliberate process of resource accumulation that preceded formal market entry. Penrose (1959) argued that the growth of the firm is constrained not by external market conditions but by the rate at which the firm can develop the managerial and organisational resources necessary to exploit new opportunities. Mateschitz's fifteen-year journey from individual driver sponsorship to full team ownership exemplifies this Penrosean logic; Each successive engagement generated experiential knowledge about the governance structures, political dynamics, and operational requirements of Formula One that constituted a truly valuable intangible resource stock

1.2 Key Figures

The rise of Red Bull Racing has been led by a set of key figures who have managed the team to the pinnacle of Formula One. Its leadership architecture is built around a small number of exceptional individuals, and at the centre of this structure, there is, of course, **Dietrich Mateschitz**, the Austrian co-founder of the Red Bull energy drink brand and the visionary force behind the Formula One team's creation. Mateschitz was the first to view Formula One not merely as a sporting arena, but as a global entertainment platform with high resonance, capable of elevating Red Bull into a premium consumer brand. His goal was never simply to structure a competitive racing team; he was looking far beyond it. The real strategic intent was to construct an ecosystem of sport, media and lifestyle content that would cement Red Bull's identity at the highest level of human performance for a broad number of energy drink consumers. By the time of his passing in October 2022, during RBR's most dominant era, Mateschitz left an empire of over eleven billion cans sold annually and with a robust corporate structure that has written an indelible legacy in several highly competitive sports.

Another pivotal expression of Mateschitz's unconventional leadership philosophy was his personal decision to appoint **Christian Horner** as Team Principal in January 2005. At just 31 years of age, Horner became the youngest team principal in the history of Formula One. His background was in Formula 3000, where he had achieved considerable success as a driver and team owner with Arden Motorsport. Mateschitz's decision to appoint a young figure instead of a well-known team principal was, once again, a preference for competitive agility over institutional conservatism. Since his appointment, Horner has

served as both the public face and the strategic architect of the team, overseeing the entire journey of Red Bull Racing, from a midfield contender to a dominant world championship force.

The first three years, from 2005 to 2007, were dedicated to the construction of the base layer of the team. A key figure in this process was **Adrian Newey**, who joined Red Bull Racing from McLaren in 2006. Widely regarded as the greatest Formula One car designer in the history of the sport, Newey's recruitment was not considered just as a personnel cost, but it was a direct acquisition of a critical intangible asset of unparalleled aerodynamic expertise and technical vision. His design philosophy proved decisive in shaping the championship-winning cars of the 2010–2013 dynasty as well as the near-perfect RB19 that defined the extraordinary 2023 season, during which the team claimed twenty-one victories out of twenty-two races.

Closing the leadership structure that led Red Bull Racing from its inception, there was **Helmut Marko**, the sharp-eyed Austrian motorsport advisor who serves as the head of Red Bull's driver development programme. A close personal associate of Mateschitz and a former racing driver himself, Marko founded *RSM Marko* in 1984, which by 1999 had become the operational arm of Red Bull's activities in junior motorsport categories. Upon the formalisation of the Red Bull Junior Team in 2001, the programme evolved beyond mere financial sponsorship into a rigorous “driver formation centre” that structured a young-talent pipeline for RBR. Marko's ability to identify, grow and strategically deploy emerging talent has afforded Red Bull a sustained competitive advantage in driver selection, producing “internally” world champions including Sebastian Vettel, Daniel Ricciardo and Max Verstappen; establishing the organisation as the foremost talent incubator in contemporary motorsport.

From an RBV perspective, the leadership architecture of Red Bull Racing constitutes a socially complex resource bundle that satisfies all four VRIN criteria simultaneously. Adrian Newey's aerodynamic expertise is valuable, rare, and inimitable. Similarly, Helmut Marko's driver development programme represents a non-substitutable organisational capability; the systematic identification and formation of world-class drivers through a structured pipeline is a process whose outputs (Vettel, Ricciardo, Verstappen) are visible, but whose internal mechanisms, such as the selection criteria, remain causally ambiguous to external observers (Lippman & Rumelt, 1982). It is precisely this causal ambiguity that protects the resource from imitation and sustains its competitive value over time.



Figure 8: From the left: A. Newey, C. Horner, D. Mateschitz and H. Marko in 2013

1.3 Sporting Success

Red Bull Racing rapidly evolved from a midfield team to one of the most decorated teams of the modern Formula One era. It is possible to highlight two distinct periods of dominance, each catalysed by a combination of regulatory change and technical innovation. As said, the foundations of the team's competitive identity were laid between 2006 and 2009, a strong transitional phase shaped primarily by the arrival of Adrian Newey from McLaren and his systematic redesign of the team's engineering philosophy.

The first turning point in Red Bull Racing's success was the introduction of new aerodynamic regulations in 2009. Fortunately for RBR, the regulation drastically reduced aerodynamic downforce and thereby rewarded the car-design thought and realisation by Newey's work. With Sebastian Vettel and Mark Webber as its driver pairing, the team secured second place in the Constructors' Championship during that season, signalling unambiguously the emergence of a new competitive force on the grid. The four seasons that followed, spanning from 2010 to 2013, represented what some people defined as the **First Dynasty** of Red Bull Racing. Across this period, the team secured four consecutive Constructors' Championships and four consecutive Drivers' Championships, all claimed by Sebastian Vettel, who in doing so became the youngest World Drivers' Champion in Formula One history at the age of twenty-three. The technical cornerstone of this dominance was Newey's exploitation of the exhaust-blown diffuser (a sophisticated aerodynamic concept whereby exhaust gases were channeled to energise airflow

beneath the rear diffuser, generating significant additional downforce) that created a car performing far above the competitors. The era reached its peak in the final months of the 2013 season, when Vettel was able to achieve nine consecutive race victories, establishing a new record in motorsport's modern history.

However, in 2014, the introduction of the turbo-hybrid power unit regulations changed the competitive equilibrium fundamentally, inaugurating a period of dominance by Mercedes-AMG Petronas. During this period, RBR's partnership with Renault deteriorated into a cycle of public recrimination and inconsistent performance, exposing the team's structural dependence on an external engine supplier. The situation changed when Red Bull left Renault and signed a new partnership with Honda in 2019. The new combination of Red Bull's chassis capability and Honda's increasingly competitive power proved to be pivotal for the future success of the team. Quite soon, the partnership reached its primary objective; during the 2021 season, widely regarded as one of the most debated title fights in Formula One's history, Max Verstappen and Lewis Hamilton engaged in a season-long duel, arriving at the last race of the season with the same championship points. During the Abu Dhabi Grand Prix finale, Verstappen overtook Hamilton on the final lap after a late Safety Car period, claiming his first World Championship and officially starting the beginning of the **Second Dynasty** of Red Bull Racing. The year after, the introduction of ground-effect aerodynamic regulations in 2022, resulted in Verstappen's second consecutive Drivers' Championship thanks again to the peerless Newey's work on core aerodynamic principles. The season 2023 produced an even more significant achievement since the RB19 recorded twenty-one victories from twenty-two races (a win rate of 95.45%) representing one of the highest seasonal dominance rates in the history of the World Championship in Formula One. Verstappen personally accounted for nineteen of those victories, surpassing Michael Schumacher's long-standing record of thirteen wins in a single season. Doing so, the team claimed both the Drivers' and Constructors' Championships with a margin that highlights their technical and operational superiority, playing far beyond all the other competitors. Across both dynasties, the capacity to identify and exploit regulatory transitions as competitive opportunities has been a structural constant and a real competitive advantage that led the team to glory.

2 Corporate Strategies

This chapter examines the strategic choices and organisational decisions that have shaped the evolution of Red Bull Racing since it entered motorsport in 2005. The analysis proceeds along two interconnected axes. The first concerns the process of vertical integration that Red Bull decided to pursue; this strategic choice led Red Bull to progressively internalise critical capabilities and evolve from a common racing team, reliant on external suppliers, into a fully vertically integrated Formula One manufacturer.

The second concern is corporate structure; specifically, the ability to create a network of specialised subsidiaries that constitute a deeply coordinated corporate ecosystem built around Red Bull Racing (the actual racing team). Together, these two dimensions reveal a coherent strategic vision in which competitive performance on track is treated as the product of a highly concerted effort from different parts of the organisation. Understanding how Red Bull built its organisation is, in many respects, inseparable from understanding how the team's competitive advantage was generated.

2.1 Vertical Integration

Among the strategic pillars that have defined Red Bull Racing's organisational evolution, vertical integration represents perhaps the most complex yet distinctive one. Red Bull Racing's deliberate transition from a model of external dependency towards one of sovereign capability was driven by competitive necessity and underpinned by a corporate logic rooted in the resource-based view of the firm. To understand the full significance of this strategic trajectory, it is necessary to examine both the structural vulnerabilities that made it imperative and the organisational decisions through which it was progressively realised.

From its inception as a constructor in 2005, Red Bull Racing operated as a chassis-specialist team, sourcing its power units from external suppliers, a configuration common across the independent constructor landscape of Formula One. The championship cycle of 2010–2013, achieved in partnership with Renault Sport F1, appeared at the time to validate the viability of this model. However, the introduction of the turbo-hybrid power unit regulations in 2014 exposed with considerable severity the structural fragility inherent in relying upon an external supplier for a component that had become the dominant determinant of competitive performance. Under the new regulatory framework, the power unit accounted for an estimated forty to fifty per cent of total lap time, fundamentally reordering the

competitive hierarchy in favour of those organisations with the most advanced integrated hybrid architecture.

In this context, Mercedes-AMG's power unit proved decisively superior from the outset, and Red Bull found itself not merely outpaced on the track but structurally constrained in its ability to respond. As a customer of Renault Sport F1, the team had no meaningful influence over the pace or direction of power unit development, no access to the manufacturer's internal technical roadmap, and no leverage over the prioritisation of resources within the supplier's programme. This episode illustrated with clarity a fundamental principle of competitive strategy: in an environment where a critical input has become the primary source of performance differentiation, dependence upon an external supplier for that input constitutes a strategic vulnerability of the highest order. The team's ability to compete was effectively held hostage by the development trajectory of an organisation whose commercial interests, internal priorities, and competitive incentives were not fully aligned with those of Red Bull Racing.

The relationship between RBR and Renault deteriorated publicly year after year until 2019, when Red Bull formalised negotiations for a works-level partnership with Honda Motor Company. Red Bull identified in Honda a partner whose technical trajectory, organisational commitment, and collaborative disposition offered a materially superior alternative to the deteriorating Renault relationship. Critically, the Honda partnership was structured from the outset as a collaborative technical relationship rather than a standard commercial supply arrangement, affording Red Bull's engineers far greater access to power unit data, integration processes, and development dialogue. Honda's power unit development accelerated markedly and the results were not long in coming. By 2021, the Red Bull-Honda package had achieved competitive parity with the Mercedes unit that had dominated the preceding seven seasons. The 2021 Drivers' Championship, secured by Max Verstappen at the Abu Dhabi finale, was the direct competitive vindication of this strategic reorientation.

However, the announcement in October 2020 that Honda would withdraw from Formula One at the conclusion of the season, as part of a corporate carbon neutrality strategy, demonstrated with striking clarity that even a well-functioning external partnership remained fundamentally subject to the strategic agency of the supplying organisation. Red Bull's response to this structural reality was both ambitious and historically significant. Rather than seeking an alternative external supplier, the organisation decided to internalise the power unit function entirely, establishing Red Bull Powertrains Limited. The scale of this commitment was considerable, requiring an investment of five hundred million US dollars.

The theoretical underpinning of this strategy is totally consistent with the *Resource-Based View (RBV)* thesis. Applied to the Red Bull Racing case, the strategic logic of vertical integration aligns perfectly with the VRIN framework, in which a power unit developed entirely in-house allows Red Bull Racing to satisfy each of the VRIN criteria, directly generating a competitive advantage. The following table demonstrates this assessment:

VRIN Criterion	In-House Power Unit (RBPT)
Valuable	Eliminates the performance ceiling imposed by supplier priorities; generates proprietary Intellectual Properties exploitable beyond F1
Rare	Only four entities worldwide will manufacture F1 power units under 2026 regulations (Ferrari, Mercedes, Red Bull-Ford, Audi); sovereign Power Unit capability is exceptionally scarce
Inimitable	Protected by: (i) the \$500M capital investment creating a barrier to replication; (ii) the accumulation of tacit engineering knowledge over a multi-year development cycle; (iii) causal ambiguity in the integration of Power Unit and chassis design (Lippman & Rumelt, 1982)
Non-substitutable	Under 2026 regulations, no alternative to an integrated hybrid PU exists; the capability cannot be replicated through outsourcing or strategic alliance alone

Under external supply, the Rare, Inimitable, and Non-substitutable conditions are structurally violated by the very nature of a customer relationship, in which the same resource is simultaneously available to competitors. Full VRIN compliance, and therefore sustained competitive advantage, requires hierarchical ownership of the resource. The establishment of Red Bull Powertrains is thus not merely an operational decision, but a theoretically coherent strategy aimed at expanding the vertical integration of the team and with that creating a solid competitive advantage.

2.2 Corporate Structure

Sporting performance alone is not enough to win in Formula One; for this reason, Red Bull Racing's sustained competitive superiority cannot be fully understood through the sporting lens alone. The results are equally a product of a well-designed corporate architecture that enabled the team to establish its supremacy. Red Bull has constructed a decentralised yet deeply integrated network of specialised subsidiaries, each fulfilling a distinct functional role. In this structure, Red Bull Racing is the best-known entity and stands at the centre of the structure, alongside three secondary entities: Red Bull Technology Limited, Visa Cash App Racing Bulls and Red Bull Powertrains Limited.

2.2.1 Red Bull Racing Limited

Before examining the subsidiary entities that constitute the broader organisational ecosystem, it is important to clarify the corporate identity of the racing operation itself. Red Bull Racing Limited is the registered legal entity that holds the FIA Concorde Agreement entry and competes formally as a Formula One constructor under the commercial designation Oracle Red Bull Racing. Incorporated and headquartered in Milton Keynes, United Kingdom, the company functions as the operational racing entity and is responsible for the management of race weekends, the employment of the driving line-up, the direction of sporting strategy and the formal submission of technical and financial documentation to the FIA. Red Bull Racing Limited is ultimately wholly owned by Red Bull GmbH, the Austrian parent company jointly controlled by the estate of Dietrich Mateschitz and the Yoovidhya family, ensuring that the strategic direction of the racing programme remains fully aligned with the broader corporate and brand objectives of the Red Bull organisation.

2.2.2 Red Bull Technology Limited

Red Bull Technology Limited (RBT) sits at the core of the group's engineering infrastructure. It represents the legal and operational entity that functions as the centralised design, development and manufacturing powerhouse of all Red Bull racing programmes. It was established contemporaneously with the acquisition of the Jaguar Racing operation in 2004 and in practical terms serves as the true constructor for several fundamental parts of the Formula One cars, supplying critical high-technology components to both Red Bull Racing and its sister team. The entity employs most of the group's technical

and design personnel (including Adrian Newey) and is responsible for the conception, engineering, and production of the entire chassis including its integrated components.

The existence of Red Bull Technology is rooted in a strategic organisational model designed not only to maximise sporting efficiency but also to ensure commercial scalability and the strategic rationale for the separation between the racing entry and its engineering parent has several explanations. From a regulatory perspective, this separation allows Red Bull to satisfy the FIA's constructor budget requirements while insulating the group's core research and development assets from the racing team's immediate operational volatility. Moreover, from a commercial perspective, it enables the organisation to leverage its accumulated Formula One engineering expertise through external collaboration well beyond the confines of the sport. This commercial exploitation of technical capability is operationalised specifically through *Red Bull Advanced Technologies* (RBAT), a subsidiary of RBT focused on applying Formula One-derived engineering knowledge to non-F1 commercial projects, most notably the RB17 hypercar programme. Since Red Bull Advanced Technologies operates exclusively on non-F1 work, the associated costs fall outside the scope of the FIA's financial regulations, allowing the group to monetise its intellectual capital without incurring budget cap implications. The relationship between Red Bull Technology and the racing teams is structured to optimise financial compliance under the FIA cost cap. In this sense, Red Bull Racing effectively purchases design and manufacturing services from RBT, enabling a precise segregation of engineering expenditure that facilitates both regulatory adherence and internal financial governance.

2.2.3 Visa Cash App Racing Bulls

A second structurally distinctive element of Red Bull's Formula One architecture is its ownership of a second team currently competing under the commercial designation *Visa Cash App Racing Bulls* (VCARB). The acquisition of the Minardi operation in 2005 and its subsequent rebranding, first as Scuderia Toro Rosso and then as Scuderia AlphaTauri, established a dual-team organisational model. This model allows the main team to focus on competing for championships while a secondary team serves as a training ground for engineers and drivers from the Red Bull Junior Team talent programme. Moreover, there are strategic reasons for a corporation to manage two distinct racing teams within the same competition. The first concerns driver management strategy since having two teams provides Red Bull with control over four race seats rather than two, affording greater flexibility in driver management and enabling the organisation to assess and develop junior talent in a live grand prix environment without

exposing the primary team to the performance risks associated with inexperienced drivers. Second, VCARB functions as an active engineering test bed that generates real-time race data across a wider range of competitive conditions than a single-team operation could produce. From this perspective, the second team provides an additional platform for the evaluation of technical concepts prior to their integration into the primary programme. Lastly, the dual-team structure amplifies Red Bull's commercial and institutional footprint within the FIA ecosystem, increasing not only the brand's visibility in Formula One but also the organisation's collective influence over regulatory processes and grid dynamics.

Although there are considerable advantages to managing two teams, it remains uncommon across the sport; this is due to strict regulations requiring both teams to operate independently and the high costs of maintaining this dual-team model. The technical relationship between the two teams is governed by the FIA's listed parts regulations, which require VCARB to develop its own aerodynamic surfaces independently but permit the legal acquisition of non-listed components from Red Bull Technology. This synergy model allows VCARB to benefit from RBT's engineering excellence in non-performance-differentiating areas whilst maintaining the regulatory independence required under the constructor framework. From a purely economic standpoint, this structure enables the maximisation of the return on Red Bull Technology's design investment and the reduction of VCARB's development costs.

2.2.4 Red Bull Powertrains Limited

The establishment of Red Bull Powertrains Limited (RBPT) on 16 February 2021 constitutes the most strategically significant expansion of the group's corporate architecture since its inception and can be considered the decisive moment in Red Bull's transition from a chassis-specialist constructor to a fully integrated, sovereign manufacturer. The 5,000-square-metre facility, purpose-built on the group's Milton Keynes campus, houses advanced infrastructure and a specialist technical workforce. As discussed in the preceding section on vertical integration, RBPT was created in direct response to Honda Motor Company's withdrawal from Formula One at the conclusion of the 2021 season. Accordingly, the initial operational mandate was to assume responsibility for the maintenance and operation of Honda's existing power unit architecture through the engine homologation freeze period spanning the 2022 to 2025 seasons. However, it is important to highlight that the long-term corporate purpose of RBPT is to enable Red Bull to compete in Formula One as a full works manufacturer from the 2026 regulatory cycle onwards. Once again, following the corporate strategy of vertical integration to reduce dependency on external suppliers as far as possible. Nevertheless, the path to full vertical integration is long and

demanding; in a sector as technically complex as Formula One, it requires highly specialised knowledge and expertise. To address this, in February 2023, the organisation formalised a strategic technical partnership with the Ford Motor Company, structuring the collaboration on a tiered basis. Red Bull Powertrains retains primary responsibility for the internal combustion engine and overall system integration, whilst Ford contributes domain expertise in battery cell technology and electric motor development. The first product of this collaboration, the DM01 power unit (named in honour of Dietrich Mateschitz), represents the materialisation of a strategic investment programme estimated to exceed five hundred million US dollars. The Ford partnership is significant from a corporate strategy perspective because, by selecting a partner whose core competencies in electrification and battery technology are precisely complementary to Red Bull's own strengths, the organisation has constructed a collaboration that is genuinely synergistic rather than merely additive.

2.2.5 Oracle and Digital Integration

The most recent and perhaps most conceptually innovative dimension of Red Bull Racing's corporate structure is its strategic partnership with Oracle Corporation. The significance of this partnership is signalled by the change of the team's official commercial designation to *Oracle Red Bull Racing*. In conventional title sponsorships, the commercial partner's contribution is primarily financial, with visibility limited to livery placement and branding. In this case, Oracle functions as a fundamental operational partner, with deep integration of cloud computing infrastructure and artificial intelligence capability into the team's core decision-making processes. These technologies serve as the computational backbone for the team's simulation programme; in the 2025 season, it was reported that Red Bull Racing used six billion individual race simulations per event, enabling the optimisation of pit stop windows, fuel load strategies and tyre degradation models at a level of granularity that would be computationally impossible without Oracle's enterprise-grade cloud architecture.

For the 2026 season, the partnership has been extended to encompass a proprietary AI-powered Strategy Agent, an automated system designed to collect, process and interpret real-time race inputs, surfacing actionable strategic insights for engineers on the pit wall and materially reducing the reaction-time constraints that have historically governed in-race decision-making. Beyond its application to race strategy, Oracle's Fusion Cloud Applications Suite is embedded across the team's internal operations, providing a unified data governance framework that is particularly critical in the context of the FIA's stringent financial regulations, where the precision and auditability of cost reporting have direct

competitive and regulatory implications. In aggregate, the Oracle integration reflects the systematic application of the most advanced available technology to every layer of the team.

2.3 Conclusion

The strategic trajectory examined throughout this chapter reflects a strong conviction that sustained competitive advantage in Formula One cannot be borrowed and cannot be derived from an external entity. It must be built, owned, and defended. This conviction arose in large part from the costly lessons of the turbo-hybrid era, which planted the seeds for the ambitious establishment of Red Bull Powertrains Limited. The systematic elimination of dependence on external suppliers and the progressive internalisation of every capability material to performance reshaped completely the way a Formula One team can be managed.

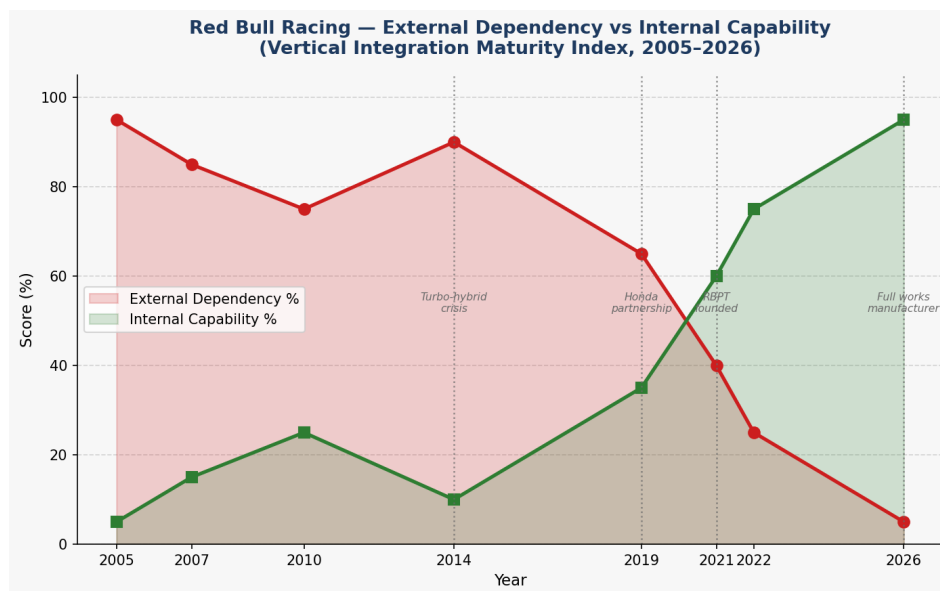


Table 2.1 – Red Bull Racing's Vertical Integration Evolution Estimation

Viewed through the Resource-Based View, Red Bull's corporate architecture represents a systematic and deliberate construction of a resource ecosystem in which each subsidiary fulfils a distinct function in the creation and protection of VRIN-compliant capabilities. Red Bull Technology Limited houses the design and manufacturing knowledge that is both rare and inimitable. Visa Cash App Racing Bulls functions as a resource generation mechanism, producing battle-tested drivers and engineers through a developmental process whose outputs are valuable. Red Bull Powertrains eliminates the single most critical point of resource dependency, transforming the power unit from a purchased commodity into a proprietary, non-

substitutable capability. Then, the Oracle partnership embeds computational infrastructure so deeply into the team's decision-making architecture that it becomes organisationally specific and therefore inimitable in isolation. Critically, these resources are not merely accumulated but they are configured as a mutually reinforcing system in which the value of each component is amplified by its interaction with the others. Barney (1991) noted that resources that are individually valuable but collectively interconnected create a higher-order barrier to imitation, because a competitor would need to replicate not merely individual assets but the entire system of complementarities simultaneously. Red Bull's corporate structure is precisely such a system in which the chassis expertise of RBT is maximised by the Power Unit integration capability of RBPT, which is in turn optimised by Oracle's simulation infrastructure, all of which is fed by the talent pipeline of the junior programme. It is this systemic complementarity, rather than any single resource in isolation, that constitutes the organisation's most durable source of sustained competitive advantage.

3 Cost & Revenue Analysis

To fully capture the business context of a Formula One constructor, it is pivotal to disaggregate the dual mechanics of value creation and value consumption through a “*Cost & Revenue*” analysis. This preliminary analysis of cost and revenue drivers is a constitutive step in establishing the causal chain between organisational choices and sustained competitive performance by looking at the revenue streams that fund competitive ambition and the cost structure that constrains and ultimately disciplines its pursuit.

The Formula One industry is an environment in which financial and sporting performance are structurally linked. Prize money is contingent on championship standing, sponsorship valuations are anchored to broadcast visibility and the regulated budget cap transforms expenditure allocation from a management preference into a strategic trade-off with direct performance consequences. Understanding how Red Bull Racing navigates this dual constraint of maximising revenues while operating within a tightly constrained cost envelope is essential to assess the drivers that underpin its competitive dominance. From the perspective of the Resource-Based View, the cost and revenue structure of a Formula One team is not merely a financial description but a map of resource allocation decisions. Revenue streams represent the economic rents generated by the firm's VRIN resources. Cost drivers, conversely, represent the investment required to maintain, develop and protect those same resources. The introduction of the FIA budget cap in 2021 transforms this relationship fundamentally, setting a regulated cost ceiling. This

influences the competitive advantage creation since it can no longer derive from the volume of resources deployed but must derive from the quality and efficiency of resource allocation. This is precisely the condition under which the Resource-Based View's explanatory power is maximised, because it is when financial resources are equalised that firm-specific intangible capabilities become the sole differentiating factor (Peteraf, 1993). The analysis that follows proceeds in two stages, starting from the examination of the principal revenue streams and the mechanisms governing their scale and stability; Then, a structured disaggregation of the primary cost drivers, with particular attention to the regulatory framework that has fundamentally reconfigured the economics of competition since 2021.

3.1 Revenue Drivers

The revenue structure of Formula One has been evolving during the modern era. Due to higher visibility of the sport and the increasing innovation created by the teams, the business model of constructor teams has changed. Nowadays, Formula One teams' revenue lies on three fundamental pillars that are the redistribution of commercial rights from Formula One Management (FOM), a wide portfolio of strategic sponsorship agreements and, of course, the "Race Prize". Even if these three areas represent the main sources of income for the teams, money flows into the team also thanks to the monetisation of engineering expertise through applied technology divisions and the effort towards sales of official merchandising and hospitality packages.

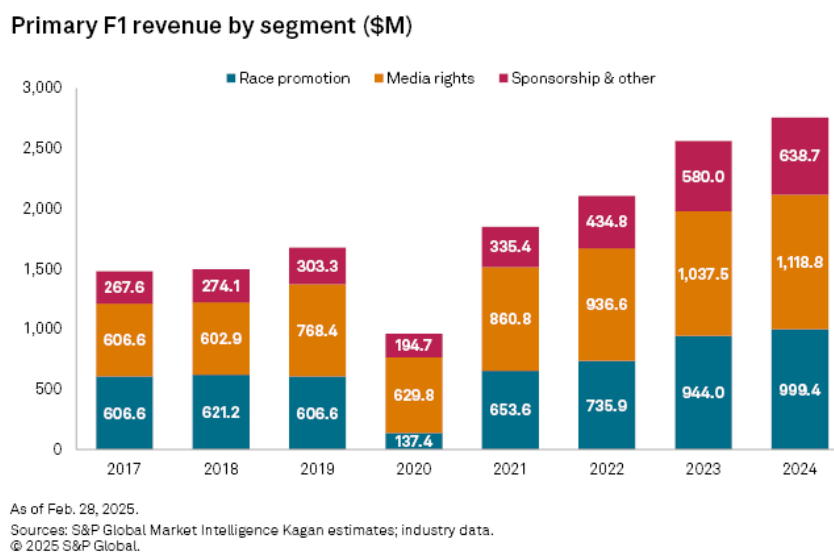


Table 3.1 – Primary Formula One revenue overview

As is notable in *Table 3.1*, over the last years, starting from the 2017 season, the revenue of Formula One participants has increased significantly (except for 2020 due to the Covid crisis). The total revenue of the sector increased constantly, moving the three principal components from 1.48 billion dollars in 2017 to 2.7 billion dollars in 2024, signalling a strong expansion of more than 85% that has not finished yet.

Formula One group financial results (\$M)

	2017	2018	2019	2020	2021	2022	2023	2024	2023-24 change (%)	2017-24 change (%)
Primary Formula 1 revenue	1,483	1,487	1,664	1,029	1,850	2,107	2,560	2,757	9.3	85.9
Other Formula 1 revenue	301	340	358	116	286	466	662	654	-1.2	117.3
Total Formula 1 revenue	1,784	1,827	2,022	1,145	2,136	2,573	3,222	3,411	5.9	91.2
Team payments	919	913	1,012	711	1,068	1,157	1,215	1,266	4.2	37.8
Other cost of Formula 1 revenue	302	360	381	263	421	593	1,041	1,066	2.4	253.0
SG&A	125	154	147	115	152	230	241	288	19.5	130.4
Total operating expenses	1,346	1,427	1,540	1,089	1,641	1,980	2,497	2,620	4.9	94.7
Adjusted OIBDA	438	400	482	56	495	593	725	791	9.1	80.6
Adjusted OIBDA margin %	24.6	21.9	23.8	4.9	23.2	23.0	22.5	23.2	-	-
Number of races	20	21	21	17	22	22	23	24		
Revenue per race (\$M)	89	87	96	67	97	117	140	142		

As of Feb. 28, 2025.

Primary F1 revenue derived from race promotion revenue, media rights fees and sponsorship fees. Other F1 revenue represents mostly hospitality and experiences.

Sources: S&P Global Market Intelligence Kagan estimates; industry data.
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Table 3.2 – Formula One numbers evolution

Following the same trend but with a weaker magnitude, Red Bull Racing recorded total revenues of £314.4 million in fiscal year 2024 (*Table 3.3*), a significant increase from £238.0 million in 2021, reflecting both the team's sustained sporting dominance and the broadening of its commercial partnerships. The following section analyses each stream that comprises Red Bull Racing's revenue portfolio.

Revenue Source	RBR 2024 (estimated)	Notes
Sponsorships	~£190M (est.)	Title sponsor Oracle ~\$100M/yr; other key partners
F1 Prize Money / FOM	~£110M (est.)	~\$140M for 2023 Constructor Championship
Merchandise & Licensing	<£10M	Gadgets, video-game licences, branded content (est.)
Total Revenue	£314.4M	Per official 2024 accounts (UK Companies House)

Table 3.3 – Red Bull Racing Revenue segment

Sources: Estimation from RBR's Financial Statement FY 2024

3.1.1 FOM Prize Money and Commercial Rights Distribution

The most structurally stable and predictable source of income for any Formula One team is the annual prize money distributed by Formula One Management under the terms of the Concorde Agreement. This agreement is the confidential commercial treaty governing the relationship between Liberty Media, the FIA, and the ten competing constructors in which the commercial rights are redistributed to the parties. In 2024, the total stream of revenue for Formula One was estimated at approximately \$3.4 billion (Formula 1, 2024) (*Table 3.4*), generated through a diversified mix of broadcast rights (32.8%), fees (29.3%), and centrally managed sponsorships (18.6%).

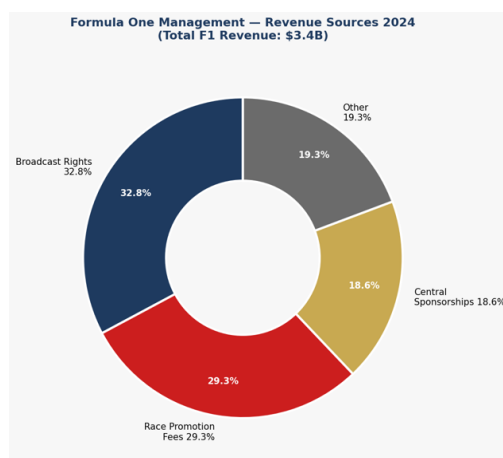


Table 3.4 – Formula One Revenue Streams division

Formula One’s aggregate revenues reached a record \$3.4 billion in 2024, driven by new broadcasting agreements, an expanded race calendar of 24 Grands Prix, and growing sponsorship volumes. As Concorde Agreement distributions are indexed to this aggregate, continued commercial expansion of the sport is structurally beneficial to all participants, with top-placed teams capturing a disproportionate share of the marginal increment. However, the distribution mechanism is not focused solely on competitive meritocracy; it’s structured to balance several aspects of the Formula One ecosystem. Three primary components define the money allocation:

- **1 – Base Payment:** A fixed equal share distributed to all teams that have competed in at least two of the preceding three seasons, typically amounting to \$35–40 million per constructor. This first and secure layer of payment is vital for a racing team, especially for the one on the lowest side of the championship, since it provides a fixed financial floor regardless of sporting results or any other condition.

- **2 – Constructors' Championship Payment:** A performance-linked allocation tied directly to the preceding season's final standing. With the World Champion constructor receiving approximately 14% and the tenth-placed team approximately 6%, with a differential between consecutive positions of approximately at 0.9% of the remaining pool. As the 2023 Constructors' Champion, Red Bull Racing's estimated prize income for that season was around \$140 million (Formula 1, 2024).
- **3 – Historical and Long-Term Performance Bonuses:** Certain teams receive heritage premiums estimated at 5–10% of the total pool. The most notable case is, of course, Ferrari, which has participated in every season since 1950. Red Bull Racing and Mercedes also benefit from bonuses linked to consecutive championship victories and sustained competitiveness over the preceding decade.

In 2024, following this reasoning, from the \$1.4 billion in revenue that was distributed across the ten teams, Red Bull Racing was able to get around 10%, around \$140M, thanks largely to the 3rd place in the Constructors' Championship.

3.1.2 Sponsorship Revenue

Sponsorship constitutes the single largest revenue category for Red Bull Racing, and its structure reflects the transformation of Formula One from a niche motorsport into a global entertainment franchise. Across the sport, teams generated an incredible estimated \$2.04 billion in sponsorship revenue in 2024, a figure that surpasses the combined sponsorship income of the NBA and MLB. The average sponsorship contract in Formula One is valued nowadays at approximately \$6 million; A figure that is increasing every year, driven by the sport's continuous global broadcast presence and its demographic appeal to high-net-worth and technically literate audiences.

Within Red Bull Racing's sponsorship portfolio, the contractual hierarchy is structured around positional value on the car's livery, with the most prominent surfaces commanding premium pricing:

- **Title Sponsorship (Oracle):** Oracle Corporation signed a five-year title sponsorship commencing in 2022, originally valued at approximately \$500 million over its term, around \$100 million per annum. A subsequent extension of this agreement, reported in 2025 and extending the partnership through 2026 and beyond, confirmed the per-annum value at over \$100 million, making it one of the most lucrative title sponsorships in the history of the sport. For Red Bull

Racing, Oracle's contribution represents approximately 20–30% of total reported revenues, providing a substantial fixed-revenue floor that materially de-risks the team's financial planning over the contract horizon. On the other side, Oracle's investment is commercially justified by the team's consistent championship-winning performance and the attendant broadcast exposure.

- **Premium Positional Sponsorships:** Secondary to title sponsorship but still high-value income for a racing team is livery-car sponsorship. Positions such as sidepods or the rear wing are typically valued between \$5 million and \$7.5 million per season. For RBR, partners in this tier include companies such as Mobil 1, Tag Heuer, PUMA and Bybit, each of them contributing incremental revenues that, in aggregate, reinforce the diversification and resilience of the commercial income base. Whilst individual contract values are not publicly disclosed, sector analysis suggests that a complete secondary sponsorship portfolio of this depth contributes to the range of \$40–60 million annually to a top-tier constructor.
- **Technical and Supply Partnerships:** Certain partners seek sponsorship in Formula One but decide to provide goods and services instead of mere financial support. Assets with essential operational value for the teams, such as fuel or IT infrastructure, are the most valuable for this exchange of brand exposure. These arrangements, while providing lower headline cash values, offer significant cost offsets that improve effective margins for the racing teams.

3.1.3 Applied Technology Income

In the modern era of Formula One, there is an increasingly important, though still secondary, revenue stream for leading constructors, which is the commercialisation of Formula One engineering intellectual property through dedicated applied technology subsidiaries. As explained in *chapter 2.2.2, Red Bull Advanced Technologies* (RBAT) has this exact scope; It provides high-performance engineering services to sectors far from the Formula One world. This type of subsidiary operates outside the FIA cost cap perimeter, providing a new source of revenue for the mother team without compromising the cost-balancing strategy. The client interested in this type of knowledge moves across completely different sectors, such as aerospace and medical devices. Red Bull is not the only racing team to exploit their engineering efficiency; this model is also pursued by Mercedes with *Mercedes Applied Science* (which set a target of £100 million in annual revenue by 2025) or McLaren with *McLaren Applied*.

Public financial data for RBAT is extremely limited, as the entity only began filing independently in 2022. During that fiscal year, RBAT declared a turnover of £6.1M and had a headcount of 70 people, with 21 in production and 49 in R&D. However, the strategic rationale behind this corporate strategy is not only about generating profit that falls outside the regulated cost cap framework, but it also enables the retention of senior engineering talent who might otherwise be attracted by more remunerative opportunities in the broader technology sector.

3.1.4 Ancillary Revenue

All the Formula One teams really care about the quality of their official merchandise and hospitality packages, but the reason falls more on the marketing side than on the actual economic perspective. These business areas, together with intellectual property licensing, are considered ancillary revenues from the racing teams. Indeed, they represent a materially smaller contribution to the income statement, estimated at below £10 million for fiscal year 2024. These streams function primarily as brand-building and stakeholder-engagement instruments rather than as a primary profit centre.

Merchandise sales cover all the official Red Bull Racing teamwear range, scale models, accessories and limited-edition items sold via the team’s direct-to-consumer digital channels and at Grand Prix circuit retail outlets. Meanwhile, the “Intellectual Property licensing” income derives principally from the authorised use of the team’s trademarks and livery in simulation software and video game titles, such as the annually released F1 franchise published by EA Sports, which maintains licensing agreements across the full constructor grid. Hospitality revenues are generated through Paddock Club packages and sponsor-facing corporate entertainment programmes at each Grand Prix. Even if these activities are costly and not economically helpful for the team, they are still well-managed and prioritised by the racing teams due to their operational significance for partner retention and sponsor activation.

3.1.5 Intercompany Contributions

A structurally distinctive feature of Red Bull Racing’s revenue model is the material intercompany contribution from Red Bull GmbH, the Austrian parent beverage entity. Red Bull GmbH uses the Formula One programme as a primary global marketing vehicle for its energy drink brand. The mother house accordingly reimburses the racing team for promotional and branding services rendered on its behalf. The precise amount of the intra-group flow is not precisely disclosed, but the quantum is for sure

substantial; For example, in 2023 Racing Bulls, the sister team of Red Bull Racing, received 84 million euros from Red Bull GmbH. This is a characteristic that is important to take into account when analysing racing teams, since their revenue quality should be measured also by looking at this structural particularity.

3.2 Cost Drivers

The cost structure of a Formula One team is no longer solely a matter of engineering ambition but must also reflect a tightly regulated financial governance. Following the introduction of the FIA Financial Regulations in 2021, the era of unconstrained expenditure came to an end, with a baseline cap of \$145 million that has fundamentally reshaped the economics of competition and corporate strategies. After a brief explanation of the FIA Budget Cap, the analysis disaggregates Red Bull Racing's principal cost drivers across six discrete categories, examining the relative magnitude and strategic implications of each in the broader corporate strategy.

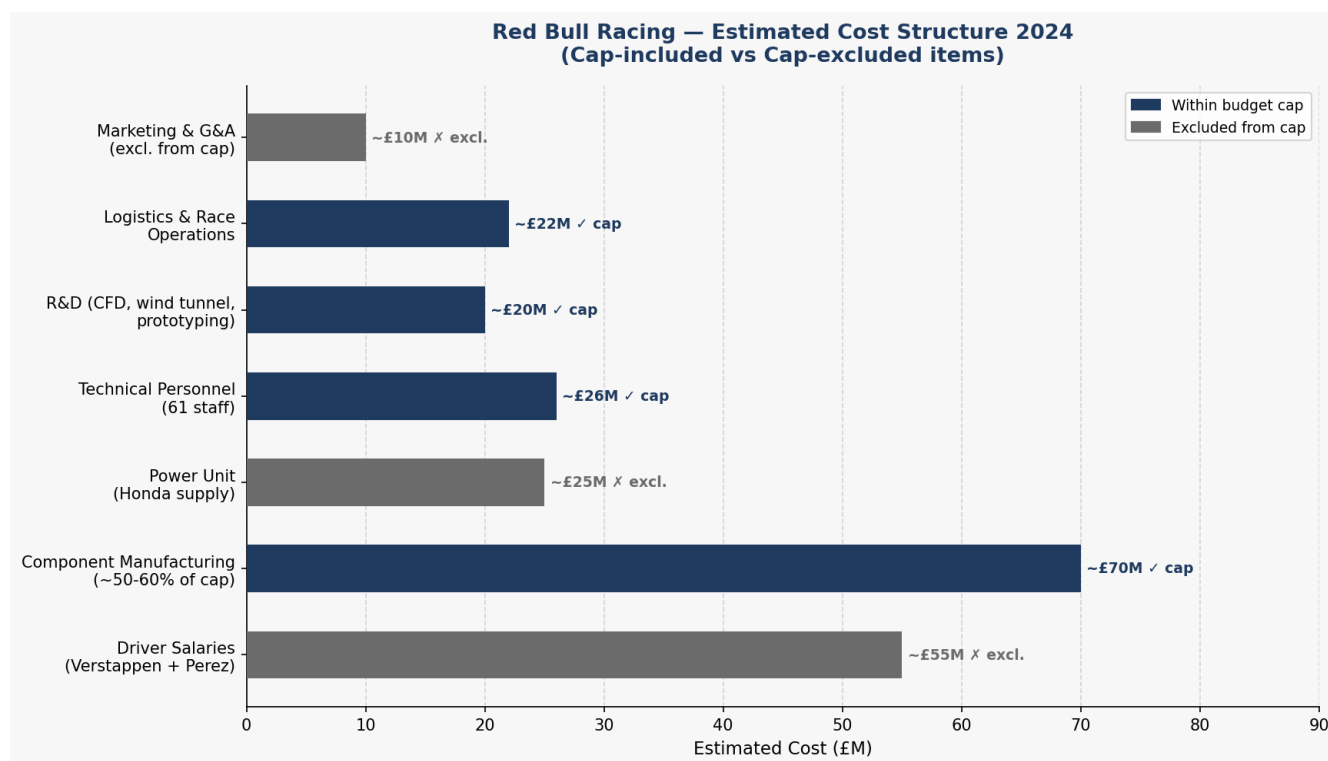


Table 3.5 – Red Bull Racing's Major Cost Categories FY2024

Sources: UK Companies House (2024 accounts); FIA Financial Regulations; industry analysis.

3.2.1 The FIA Financial Regulations

First, it is important to understand what the FIA Budget Cap is and why it became necessary in modern Formula One. The FIA Budget Cap is a set of financial regulations, formally presented under the name of “Resource Restriction Agreement”, that places an annual ceiling on how much each F1 team can spend on activities directly related to the performance of the car. The cost cap for the 2025 season is set at a base of \$135 million, calibrated for a calendar of 21 races (FIA, 2024). Given that the current Formula One calendar comprises 24 Grand Prix events, an adjustment of \$1.8 million per additional race brings the effective regulated spending limit to approximately \$140.4 million. The cap is subject to annual inflationary adjustment and is scheduled to increase substantially to \$215 million in 2026 (FIA, 2024), primarily to accommodate the significantly higher engineering costs associated with the new hybrid power unit regulations².

As stated, not every expense of the team is included in the budget cap calculation; only expenses defined as “*Relevant Costs*” are considered. Precisely, the regulated perimeter encompasses the following cost categories:

- Aerodynamic research and development (CFD analysis, wind-tunnel testing, simulation);
- All manufacturing activities related to the competition vehicle, such as expenditures directly attributable to the design, manufacture, and operation of the competing car;
- The operational costs of race weekend activities, including the majority of personnel salaries.

Also included, and sometimes underestimated, is the cost of on-track incidents; a significant accident that destroys aerodynamic components, suspension assemblies or the power unit can impose repair costs of \$1–2 million, directly reducing the budget available for performance development. This requires racing teams to adopt a conservative approach when planning the season's expenses, since such costs cannot be anticipated. However, there are also categories strategically excluded from the cap:

- **Driver Salaries:** Remuneration for race drivers is entirely excluded. The rationale behind this exclusion is due to the huge magnitude of top drivers’ remuneration packages. In the 2024 season, Max Verstappen's reported annual earnings of €40–50 million and Sergio Pérez's estimated \$26

² Within which the already discussed Red Bull's Ford partnership sits

million represent a combined outlay that would consume approximately 50% of the regulated budget were they subject to the cap.

- **Three Highest-Paid Non-Driver Employees:** By the same logic, the remuneration of the three most highly compensated non-driver employees is excluded from the budget cap. This typically encompasses the Team Principal, the Technical Director, and one other senior executive, all of whom command market compensation that would structurally distort the cap mechanism if included.
- **Marketing, Hospitality, and Public Relations:** All commercial activities such as Paddock Club operations, sponsor activations, brand events and advertising production are excluded as these are not related to car development.
- **Power Unit Costs:** Engine development, manufacture and supply are governed by a separate financial framework. For power unit manufacturers, including Red Bull Powertrains, the estimated annual cost of power unit operations is approximately \$95 million (Smith, 2023).

Having established the scope and composition of the Financial Regulations framework, it is important to understand the regulatory rationale that led the FIA to introduce the Resource Restriction Agreement into Formula One. Before 2021, the top teams (such as Mercedes, Ferrari, and Red Bull) were spending more than \$400 million per season creating a structural arms race (Sylt, 2020) that heavily undermined competitive sustainability, making it near-impossible for mid-field teams to close the performance gap regardless of their engineering quality. Williams, Haas, and similar outfits were competing on a fraction of the frontrunners' budget, rendering sporting meritocracy largely illusory. Moreover, the spending cap dramatically lowers the barrier to entry for prospective manufacturers and investors. The arrival of Audi (via Sauber) and the Ford partnership with Red Bull Powertrains are directly attributable to the spending cap that creates a more predictable cost environment.

For Red Bull Racing, the introduction of the Financial Regulations represented a genuine and binding operational constraint. Before 2021, Red Bull Racing, supported by the substantial financial backing of Red Bull GmbH, had consistently been among the highest-spending teams on the grid. The transition to a regulated financial environment, therefore, required a fundamental reorientation of the team's resource allocation strategy. The severity of this adjustment became evident in the 2021 season, when Red Bull Racing was found to have exceeded the cost cap by approximately \$2.6 million; resulting in a financial penalty of \$7 million and a mandatory 10% reduction in aerodynamic testing time (FIA, 2022), equivalent to the loss of approximately 25 wind tunnel runs over a 12-month Aerodynamic Testing

Restriction period. Given that aerodynamic development is among the most performance-critical activities in Formula One, the forfeiture of testing allocation carried direct implications for the team's on-track competitiveness in the subsequent regulatory cycle. This episode is significant and demonstrates that the Financial Regulations framework is not a symbolic or aspirational instrument, but an enforceable governance mechanism capable of imposing real and measurable trade-offs between financial compliance and sporting performance.

Having cleared the regulatory architecture of the FIA, the analysis now turns to a granular examination of the principal cost centres that define the team's expenditure profile, both within and beyond the perimeter of the cost cap framework.

3.2.2 Human Capital

The cost of human capital represents one of the most complex and strategically sensitive expenditure categories for a top-tier Formula One constructor. Red Bull Racing's official 2024 accounts record wages and salaries of £22.3 million, with employer contributions of £3.4 million and pension costs of £0.25 million, for a total staff cost of approximately £26 million across 61 employees (58 technical and operational staff, plus 3 administrative personnel). This figure covers only the personnel included within the regulated budget cap perimeter.

The introduction of the budget cap has fundamentally altered the talent market. Red Bull Racing reduced its workforce by over 150 positions following the regulatory transition, a structural adjustment that has altered the team's organisational model from one characterised by specialist depth to one that prioritises operational efficiency and cross-functional flexibility. This reduction has occurred against a backdrop of intensifying competition for engineering talent, with mid-field teams such as Aston Martin and Audi-Sauber selectively targeting senior technical personnel from the leading constructors with remuneration packages that exceed market rates. The phenomenon, widely characterised in industry commentary as "*poaching*", has elevated attrition risk and placed pressure on retention strategies that are constrained by the regulated salary envelope.

A further structural risk identified by senior figures within the sport — most notably by former Red Bull Chief Technical Officer Adrian Newey — is the progressive migration of graduate engineering talent towards technology companies and advanced manufacturing sectors that offer higher entry-level compensation and superior work-life conditions. This dynamic, if sustained, threatens the long-term

talent pipeline upon which teams depend and constitutes a systemic risk to the competitive quality of the sport's technical workforce.

3.2.3 Research & Development

The cost of developing and manufacturing the competition vehicle represents the largest category of regulated expenditure. In a racing team, the *Research and Development* (R&D) department is constantly working on aerodynamic research, structural design innovation, materials science, and production engineering to improve performance. Red Bull Racing recorded formal R&D costs of £20.07 million in its 2024 accounts; however, this figure reflects only expenditures classified under a specific accounting line and substantially understates the total investment in vehicle development when manufacturing, tooling and related overheads are included.

In practical terms, it is estimated that between 50% and 60% of the regulated budget cap is consumed by the design, simulation, and production of performance-related components. Key cost sub-drivers include Computational Fluid Dynamics (CFD) simulation and carbon-fibre manufacturing; The first relies on a high-performance computing infrastructure that represents a capital-intensive investment, while the latter involves the production of carbon-fibre-reinforced polymer (CFRP) components, including the monocoque, bodywork, suspension elements and crash structures, which require specialised manufacturing equipment and high-cost raw materials. The aggregate physical construction cost of a single Formula One chassis is estimated at \$16–20 million, exclusive of R&D amortisation.

3.2.4 Logistics

Formula One is widely regarded as the most logistically complex recurring operational challenge in professional sport. With 24 Grands Prix spread across five continents over a period of ten months, the movement of personnel, equipment, and competitive hardware constitutes a significant and structurally growing cost driver, typically representing approximately 10% of a top team's total annual expenditure.

The logistics infrastructure is structured around three modalities:

- **Air Freight:** The most time-sensitive and cost-intensive channel, used for competition vehicles, power units, control electronics, and critical spare components. A top team transports approximately 35–50 tonnes of material by air for each intercontinental race event, generating an annual air freight expenditure in the region of \$14 million.

- **Sea Freight:** Non-critical but volume-intensive equipment, including hospitality infrastructure and garage furniture, is shipped by sea, at a cost up to 50 times lower than air freight. Teams typically maintain multiple identical sets of this equipment that rotate between continents in advance of scheduled events.
- **Road Transport:** Dominant within the European race calendar, where teams deploy fleets of 15–25 specialised articulated vehicles that function simultaneously as transportation, mobile workshops, and portable data centres.

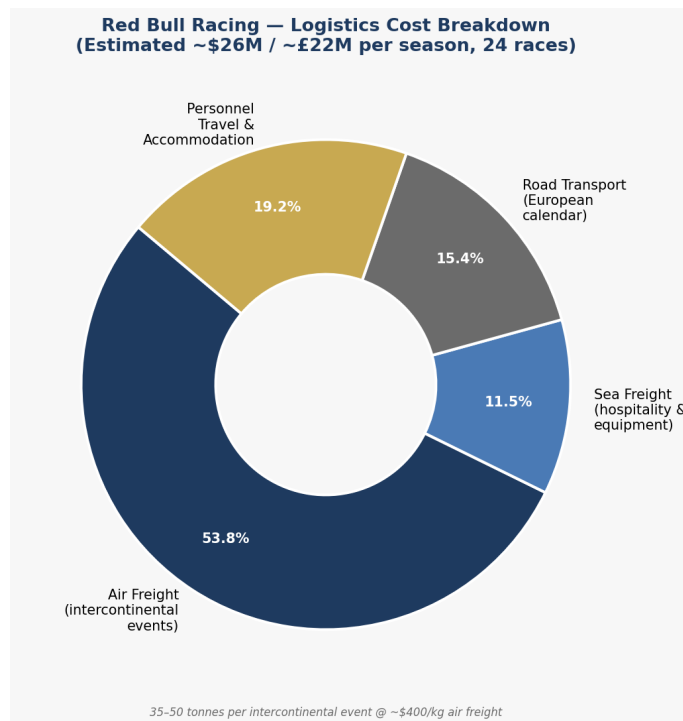


Table 3.6 – RBR's Logistic Cost Breakdown

3.3 Conclusion

The analysis of revenue and cost drivers reveals a financial model of considerable structural complexity. On the revenue side, Red Bull Racing's income base rests on three analytically distinct pillars: FOM prize distributions, a tiered sponsorship portfolio anchored by the Oracle title partnership, and the incipient commercialisation of applied engineering expertise through Red Bull Advanced Technologies. Moreover, the team always count on material intercompany contributions from Red Bull GmbH that reflect the team's role as the primary global marketing vehicle for the parent beverage brand.

On the cost side, the introduction of the FIA Financial Regulations in 2021 has imposed a qualitatively new discipline on resource allocation. The regulated budget cap does not merely constrain total expenditure; it also forces constructors to make explicit strategic trade-offs between personnel depth, development velocity and operational resilience. For Red Bull Racing, a team that entered the cap era from a position of unconstrained technical supremacy, compliance has required structural workforce reductions, heightened sensitivity to incident costs, and a reconfiguration of talent management strategy. The 2021 cap breach and its attendant \$7 million penalty demonstrated, with unusual clarity, that these constraints carry real competitive consequences.

The joint analysis suggests a financial profile marked by a very narrow margin for error, despite the advantage of being supported by a large parent corporation capable of providing financial backing when needed. It is precisely within this constrained environment that Red Bull Racing must build its own competitive advantage by extracting disproportionate competitive output from a regulated and increasingly competitive cost envelope. This finding aligns directly with the central proposition of the Resource-Based View. Barney (1991) argued that sustained competitive advantage cannot be derived from resources that are freely available on factor markets, because such resources can be acquired by any competitor willing to pay the market price. In the post-budget cap era of Formula One, financial capital itself has become a homogeneous resource, since every team operates within approximately the same expenditure ceiling; the differentiating factor is therefore not how much a team spends, but what it spends on and how effectively it converts expenditure into performance. Red Bull Racing's competitive advantage, in this reading, resides not in its revenue base but in the VRIN-compliant capabilities that enable superior resource conversion efficiency within the regulated envelope.

4. *Financial Statement Analysis*

Before entering quantitative analysis, it is essential to clarify the precise legal and accounting perimeter of the entity under examination. The Red Bull Racing team operates under the formal name “*Red Bull Racing Limited*” and is the operational entity directly responsible for managing the Formula One team. Formally, “*Red Bull Racing Limited*” is a subsidiary of Red Bull Racing Holdings Limited, itself ultimately controlled by Red Bull GmbH. Under the registration number “03120645”, the company files annual statutory accounts at Companies House³ in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP). Historically, the entity exercised the exemption available under FRS1⁴ from the obligation to prepare a standalone statement of cash flows, since consolidated cash flow information is available within the group's financial statements.

The following accounting analysis draws on six sets of Red Bull Racing’s financial statements across the years 2004, 2009, 2013, 2020, 2022, and 2024, and the relative comparing figures of the previous years (2003, 2008, 2012, 2019, 2021 and 2023). This set of financial statements has been chosen to provide a specific perspective on the team's commercial and financial evolution, each reference year corresponding to a distinct phase in the team's competitive trajectory. The 2004 accounts capture the inaugural season following the acquisition of Jaguar Racing from Ford Motor Company, a year in which the rebranded outfit finished seventh in the Constructors' Championship and was focused primarily on institutional consolidation rather than performance. By 2009, the team had matured into a frontrunning operation, finishing second in the Constructors' Championship and laying the basis for the first dominant cycle of the team. Indeed, the 2013 financial statements reflect the peak of that dominance with Red Bull Racing's fourth consecutive Constructors' Championship title, secured alongside Sebastian Vettel's fourth successive Drivers' Championship. The 2020 accounts document a period of transitional pressure for the team, finishing second in the Constructors' Championship. The 2022 season inaugurated the ground-effect regulatory era, in which Red Bull Racing reclaimed the Constructors' title and demonstrated its capacity to adapt to radical technical change; moreover, this year reflect the first dataset after the introduction of FIA spending regulations. Lastly, the 2024 financial statements represent the most recent data point available, a year in which Max Verstappen secured his fourth consecutive Drivers'

³ Companies House is the UK's official registrar of limited companies, functioning as an executive agency of the Department for Business and Trade

⁴ A subsidiary undertaking is exempt from the requirement of this FRS if 90 per cent or more of the voting rights are controlled within the group, provided that consolidated financial statements in which that subsidiary undertaking is included are publicly available.

Championship while the team finished second in the Constructors' standings, behind McLaren Racing. Together, these documents enable a structured comparative reading of how the racing team's financial position, cost structures, and revenue streams have evolved.

Notwithstanding the breadth of the sample, several limitations must be acknowledged in order to contextualise the findings of the present accounting analysis appropriately. First, the financial statements filed by Red Bull Racing Limited with Companies House reflect the legal entity of the racing team alone and do not consolidate the accounts of affiliated entities such as Red Bull Technology Limited, Red Bull Powertrains Limited, or Red Bull Advanced Technologies Limited. Therefore, a significant portion of the group's total expenditure is not captured within the figures under examination, potentially understating the true cost base of the broader Red Bull motorsport operation. Second, certain material figures, including driver remuneration, intercompany transfer pricing arrangements with Red Bull GmbH, and the precise allocation of costs between capped and non-capped expenditure under the FIA's Financial Regulations, are either excluded from public disclosures or reported at a level of aggregation that precludes granular analysis. Finally, the conversion of figures denominated in currencies other than pound sterling introduces an additional layer of imprecision, particularly when dollar-denominated sponsorship revenues or prize fund distributions are referenced. This is due to exchange rate fluctuations across the periods under review that can slightly modify the consideration output of the analysis. These constraints do not undermine the validity of the analysis but should be borne in mind when interpreting the conclusions drawn from the data.

For the purposes of this analysis, the term "turnover" is used interchangeably with "revenue", in accordance with the terminology adopted in the company's own filings. Turnover, as defined in the accounting policies across all reporting periods, represents sponsorship and promotional income, prize money, bonus payments, and contributions towards the race programme, received and receivable, net of value-added tax. It does not, therefore, represent the total financial resources available to the race team, as significant intercompany transfers from Red Bull GmbH are embedded within the cost of sales structure, partially offsetting expenditure rather than flowing through as discrete revenue streams. This structural feature introduces a degree of opacity that renders certain margin comparisons between Red Bull Racing and publicly listed competitors inherently imperfect.

4.1 Income Statement Analysis

The first step in analysing the company's financial evolution is to consolidate the data provided by the *Income Statement* over the period under review. The table below aggregates the primary income statement figures extracted directly from the audited statutory accounts for the financial years 2004, 2009, 2013, 2020, 2022, and 2024, incorporating the prior-year comparatives disclosed therein. The purpose of this consolidated overview is to provide a high-level snapshot useful to understand how the team's aggregate financial profile has developed over the past two decades. The table is a starting point of the analysis, upon which a more granular analysis of year-on-year variation can be conducted.

FY	Turnover	Cost of Sales	Gross Profit	Admin Expenses	Operating Profit	Profit Before Tax	Tax	Net Profit	Constructors' Championship Position
2003*	£ 84,055	-£ 73,955	£ 10,100	-£ 8,955	£ 1,145	£ 732	£ 435 ¹	£ 1,167	7th
2004	£ 72,057	-£ 62,759	£ 9,298	-£ 24,920 ²	-£ 15,622	-£ 15,835	-£ 21	-£ 15,856	7th
2008*	£ 123,538	-£ 116,544	£ 6,994	-£ 6,911	£ 83	£ 99	£ 371	£ 470	4th
2009	£ 132,749	-£ 125,053	£ 7,696	-£ 6,991	£ 705	£ 706	— ³	£ 706	2nd
2012*	£ 176,310	-£ 170,317	£ 5,993	-£ 5,294	£ 699	£ 700	— ³	£ 700	1st
2013	£ 197,599	-£ 190,672	£ 6,927	-£ 5,535	£ 1,392	£ 1,392	-£ 350	£ 1,042	1st
2019*	£ 245,438	-£ 237,309	£ 8,129	-£ 7,093	£ 1,036	£ 1,043	-£ 425	£ 618	3rd
2020	£ 229,754	-£ 220,516	£ 9,238	-£ 8,038	£ 1,200	£ 1,220	-£ 497	£ 723	2nd
2021*	£ 238,351	-£ 230,251	£ 8,100	-£ 6,529	£ 1,571	£ 1,652	-£ 296	£ 1,356	2nd
2022	£ 278,026	-£ 253,130	£ 24,896	-£ 22,648	£ 2,248	£ 2,272	-£ 215	£ 2,057	1st
2023*	£ 307,472	-£ 287,780	£ 19,692	-£ 16,777	£ 2,915	£ 3,050	-£ 1,754	£ 1,296	1st
2024	£ 314,409	-£ 290,733	£ 23,676	-£ 23,294	£ 382	£ 2,895 ⁴	-£ 1,214	£ 1,681	3rd

Table 4.1 – Income Statement Figures

All figures are expressed in thousands of pounds sterling (£'000).

* Prior-year comparatives as disclosed in the respective statutory accounts.

Source: RBR's Financial Statements 2004-2024

4.1.1 Year-by-Year Variation

2003 (Jaguar era): The 2003 season represents the last year of the “Jaguar era” under Ford ownership. In the last year, the team registered a turnover of £84M with a relatively healthy gross margin of 12.0%, attributable to a cost structure not yet scaled to competitive ambition. To be noted for this year is that the tax amount is positive for £435 thousand (1). Tax figures presented as positive represent a tax credit, so we have a tax benefit in that year rather than incurring a charge. The reason behind this tax credit is visible in the deferred tax note within the 2004 accounts. During the Jaguar Racing era, the company had accumulated significant deferred tax liabilities primarily associated with accelerated capital allowances on assets such as the wind tunnel and separately held deferred tax assets on accumulated trading losses. The £435k credit in 2003 represents the net recognition and partial reversal of these deferred tax positions. By 31 December 2004, the entire deferred tax position had been fully wound down to nil, which is why the table shows no equivalent credit in subsequent years. The tax credit of £435k and the operating profit of £1,145k produce a net profit of £1,167k. The 7th-place championship finish belies a business that was, at least on paper, solvent but the reality stands on the fact that Ford had already absorbed the structural investment costs above the entity level, giving the racing team enough budget to survive.

2004: The year of Red Bull acquisition. Turnover contracts to £72M as the ownership transition mid-season disrupts commercial continuity. The gross profit of £9,298k is reasonable, but administrative expenses balloon to £24,920k due to £15,842k of non-recurring exceptional impairment recorded to write down tangible assets to fair value following the change of ownership to Red Bull Racing Holdings Limited in November (2). Stripping this out, the underlying administrative expense was approximately £9,078k and the underlying operating result was marginally positive, consistent with 2003. The reported net loss of £15,856k is therefore an accounting artefact of acquisition mechanics, rather than an operational collapse. The tax charge of £21k confirms this idea, in the absence of the impairment, the company would have recorded a small taxable profit.

2008: This year can be considered a transitional year. Turnover grows to £123.5M thanks to the Red Bull GmbH sponsorship income scaling up, but the gross margin compresses to 5.7% as operational costs accelerate ahead of the team's competitive breakthrough. Operating profit is a near-negligible £83k. The tax line of £371k is again a tax credit, representing a deferred tax credit arising from the recognition of deferred tax on accelerated capital allowances. This credit reflects the building up of the team's fixed asset base (primarily the wind tunnel) where tax depreciation exceeded the accounting depreciation

charged in the P&L, generating a timing difference that gave rise to a deferred tax asset. The profit before tax of £99k, supplemented by this £371k deferred tax credit, produces a net profit of £470k. The team financial structure robustness is assured thanks to the high level of fundings from Red Bull GmbH, whose contribution rose to £79.0M this year (64% of turnover); The 4th-place championship finish is the first signal that the investment is having an impact and preannounce the beginning of competitive ascent.

2009: The breakthrough year in which Red Bull Racing secured the second position in the Constructors' Championship and affirmed itself as one of the major racing team in Formula One, demonstrating the technical and operational maturity to overcome the competition and win the championship. During this year, turnover grow to £132.7M but it is essential to highlight that the 73% of this amount, around £96.9M, is derived directly from Red Bull GmbH. The scale of intragroup funding reflects a deliberate capital allocation strategy by Red Bull GmbH, whereby sustained financial transfers served as the primary mechanism to build that winning ecosystem that would ultimately deliver championship success in subsequent seasons. Putting aside this fundamental consideration, the gross margin of 5.8% and operating profit of £705k are thin but positive. In 2009, the nil tax charge (3) have an explicit explanation in the taxation note; current tax was zero, because the company was utilising brought-forward tax losses from prior years to shelter the modest taxable profit of £706k. Simultaneously, a deferred tax origination of £366k was exactly offset by a reversal of a provision in respect of *Industrial Buildings Allowances* of £366k, leaving no net deferred tax charge. The note further discloses that a deferred tax asset of approximately £1,686k remained unrecognised at year-end since the directors considered there was insufficient certainty of future taxable profits to justify its recognition. A consideration more than comprehensible if we take into account the huge financial help provided by the parent company. Finally, the net profit of £706k shows an entity that is self-sustaining in form, but structurally and heavily reliant on parental income injection in substance.

2012: First Constructors' Championship year, Red Bull Racing reached the top of motorsport for the first time. During this winning year, the turnover reaches £176.3M, but the gross margin contracts further to 3.4%. This counterintuitive relationship between revenue growth and margin compression could suggest that revenue growth was neutralised by a proportionally greater expansion in operating costs, as the expenditure required to sustain championship-winning performance scaled up. The dynamic illustrates a structural characteristic of elite motorsport economics, wherein competitive excellence and financial efficiency operate in tension rather than in alignment. The nature and implications of this relationship are examined in greater depth in the analysis that follows. Operating profit of £699k is virtually identical to

2009 on a turnover base 33% larger, demonstrating the absence of any operational leverage to inflate the turnover. Tax is again nil (3), for the same structural reason as in 2009. The company continued to benefit from the utilisation of brought-forward losses accumulated during the financially turbulent pre-championship years, which absorbed the taxable profit without generating a current tax liability. The absence of any deferred tax movement in 2012 similarly reflects a continued decision not to recognise the deferred tax asset on remaining unrecognised losses, consistent with the conservative approach taken in 2009. The team closed the year with a net profit of £700k.

2013: With the fourth consecutive championship, this year closed the first winning era of Red Bull Racing. Turnover grows to £197.6M, but the gross margin of 3.5% remains at its nadir, with cost of sales absorbing 96.5% of every pound of revenue. The modest improvement in operating profit to £1,392k is driven by administrative cost discipline (£5,535k versus £5,294k the prior year), not gross margin recovery. For the first time since 2007, a current tax charge of £350k is recorded, confirming that the pool of brought-forward losses has been exhausted. This year concluded an incredible winning era for the company, registering a net profit of £1,042k; Nevertheless, the net margin remains low at a percentage of barely 0.5%.

2019: Third-place championship finish, confirming the highly competitive level of the racing team. Turnover of £245.4M is the highest to this point in the team's history. Despite the high turnover of this year, the operating profit remains at the same level, registering an amount of £1,036k. These values confirm that even after the commercial harvest of dominance (2010–2013) and the revenue growth, the team has not translated this improvement into structural profitability. The effective tax rate of approximately 40.7% (£425k on £1,043k pre-tax profit) is elevated, suggesting limited tax shelter availability. Likewise, the net profit does not register any big increase, on the contrary, an inflection, hitting £618k, the lowest absolute net profit figure in the post-2012 financial year, on the highest revenue base to that point.

2020: Entering the COVID-19 years, the motorsport world was also damaged by the restrictions and limitations related to the pandemic. Turnover falls £15.7M year-over-year to £229.8M, representing the only absolute revenue decline in the modern analytical period. Race cancellations and reduced hospitality revenues compress the top line of turnover. Despite this, gross profit improves in both absolute (£9,238k versus £8,129k) and percentage terms (4.0% versus 3.3%), suggesting cost of sales was reduced more proportionally than revenue; This was highly correlated to the shortening of race calendar with fewer race events and lower logistical expenditure. Operating profit of £1,200k and net profit of £723k,

signalled a resilient result in a highly disrupted year, underpinned by the interest-free intercompany liquidity facility from the group.

2021: The budget cap's inaugural year. Turnover recovers to £238.4M, and the gross margin of 3.4% is consistent with pre-2022 trends. Operating profit of £1,571k represents the strongest operating result since the pre-budget cap era and a current tax charge of £296k implies the remaining loss shelter is now fully exhausted. Net profit of the year reaches the amount of £1,356k. Second place in the Championship but with a FIA investigation about a breach of the budget cap; As explained in the previous chapter, the commissary subsequently found the team had breached the cost cap by \$2.6M in this year, which would manifest in the 2022 administrative expense line through a heavy fine.

2022: The Oracle title sponsorship commences and its impact is immediately visible on the revenue side. Gross profit leaps to £24,896k, more than triple the prior year, producing a gross margin of 8.9%, the highest since 2004 on a meaningful comparable basis. However, administrative expenses simultaneously surge to £22,648k (from £6,529k in 2021), absorbing virtually all the gross margin improvement. The principal driver is the FIA cost-cap penalty of \$7M processed in this line. Operating profit of £2,248k and net profit of £2,057k, registering the peak net profit figure in the entire dataset. However, the result flatters the underlying position; Excluding the penalty, administrative expenses would have been approximately £16.5M, and operating profit would have been approximately £8.4M, implying a far more robust underlying performance.

2023: Red Bull Racing dominance reaches its peak, being the protagonist of the most dominant season in Formula One history, 21 wins on 22 races. Yet net profit falls to £1,296k from £2,057k, on a higher turnover of £307.5M. Gross margin contracts to 6.4% as cost of sales scales with the championship deployment intensity and the tax charge spikes to £1,754k (an effective rate of 57.5% on pre-tax profit of £3,050k) reflecting a prior period adjustment. This single year most sharply illustrates the paradox, illustrated first in the 2012 analysis, in which maximum sporting achievement does not directly translate into maximum financial return at the statutory entity level but counterintuitive they seem to have a negative effect on the net profits.

2024: The most analytically complex year, in which turnover reaches its historical peak of £314.4M, yet operating profit collapses to £382k. Administrative expenses of £23,294k are the second highest on record, driven by restructuring costs associated with the Newey departure, elevated personnel overhead from the Red Bull Powertrains build-out, and general cost inflation. The reported profit before tax of £2,895k (4) is rescued entirely by a £2,377k gain on disposal of fixed assets; stripping this out, normalised

profit before tax was approximately £518k. The third-place Championship finish reduces the FOM prize allocation, compressing the revenue quality relative to 2023. Net profit of £1,681k is therefore substantially non-recurring in character.

4.1.2 Profitability Analysis

As already stated, there are fundamental premises that distinguish Red Bull Racing's figures from conventional corporate financial statements. The profitability analysis of Red Bull Racing Limited must account for this structural condition, which will systematically misread the evidence provided by the income statement. This is because Red Bull Racing is a high-level sporting company and so it doesn't fall into the category of a profit-maximising enterprise in the orthodox sense. Moreover, it is an entity whose financial results are heavily shaped by intercompany architecture and group-level strategic objectives. With this framing established, the analysis proceeds across three distinct but interconnected layers of profitability measurement, each revealing a different dimension of the entity's financial condition. The gross margin examines the relationship between revenue and direct operational cost, isolating the commercial quality of the top line from the administrative and fiscal noise that distorts the downstream metrics. The EBITDA and operating margin analysis introduces the dimension of asset ownership, demonstrating how the *Depreciation & Amortisation* (D&A) trajectory is itself a strategic variable rather than a passive accounting outcome. The net profit margin, finally, functions as the terminal residual of all interactions in the income statement, and it is here that the championship performance paradox appears clearly, revealing the counterintuitive absence of any reliable relationship between sporting dominance and financial return at the statutory entity level.

- Gross Profit Margin

Gross profit is defined as turnover less cost of sales. In the racing sector, it represents the residual revenue available to the racing team after direct racing operations expenses, including the manufacture and preparation of the car and logistical deployment across the championship calendar. Administrative overhead is excluded from this figure. The *Gross Profit Margin* represents the percentage of total revenue that the company is able to retain net of the cost of sales, or, in other words, it indicates how much the cost of sales (priority expense) affects the team's profitability. It is calculated as:

Gross profit margin	=	$\frac{\text{Gross income(revenue - direct expenses)}}{\text{Revenue}}$	x	100
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Table 4.2 – Gross Profit Margin Formula

As we already discussed in the previous paragraph, the cost of sales category in the racing team absorbs the overwhelming majority of the company's expenditure; in this structure, the resulting Gross Profit Margin is structurally thin across the entire analytical horizon. Having a look at the figures in the period analysed:

FY	Turnover	Cost of Sales	Gross Profit	Gross Margin (%)
2003*	£ 84,055.00	-£ 73,955.00	£ 10,100.00	12.02%
2004	£ 72,057.00	-£ 62,759.00	£ 9,298.00	12.90%
2008*	£ 123,538.00	-£ 116,544.00	£ 6,994.00	5.66%
2009	£ 132,749.00	-£ 125,053.00	£ 7,696.00	5.80%
2012*	£ 176,310.00	-£ 170,317.00	£ 5,993.00	3.40%
2013	£ 197,599.00	-£ 190,672.00	£ 6,927.00	3.51%
2019*	£ 245,438.00	-£ 237,309.00	£ 8,129.00	3.31%
2020	£ 229,754.00	-£ 220,516.00	£ 9,238.00	4.02%
2021*	£ 238,351.00	-£ 230,251.00	£ 8,100.00	3.40%
2022	£ 278,026.00	-£ 253,130.00	£ 24,896.00	8.95%
2023*	£ 307,472.00	-£ 287,780.00	£ 19,692.00	6.40%
2024	£ 314,409.00	-£ 290,733.00	£ 23,676.00	7.53%

Table 4.3 – Gross Margin Figures

All figures are expressed in thousands of pounds sterling (£'000).

** Prior-year comparatives as disclosed in the respective statutory accounts.*

Source: RBR's Financial Statements 2004-2024

The Gross Profit Margin series extracted from the statutory accounts of Red Bull Racing across the analytical horizon reveals a pattern that is, at first inspection, counterintuitive. At the peak of its sporting dominance, Red Bull Racing is recording its lowest gross margins; Meanwhile, the team is recording the highest values during the first difficult period of entering in a such competitive business sector.

The Gross Profit Margin in 2003 and 2004 stands at 12.02% and 12.90%, respectively, figures that are anomalously high relative to every subsequent year in the dataset. In 2003, the entity was still operating as Jaguar Racing Limited under Ford ownership. The relatively contained cost of sales of £73,955k reflects a racing operation that, whilst financially supported by Ford, had not yet undergone the scaling of operational ambition and technical investment that would characterise the Red Bull era. The cost base was, in a structural sense, the legacy of a team managed for survival rather than championship contention. In 2004, the Gross Profit Margin slightly improved to 12.90% despite a contraction in absolute turnover, from £84,055k to £72,057k. This is explained by a disproportionate reduction in cost of sales (from £73,955k to £62,759k, a fall of £11,196k against a revenue decline of £11,998k), reflecting the disruption to operational deployment caused by the mid-season ownership transition in November 2004. The team effectively operated at reduced capacity and competitive intensity for a portion of the year, compressing costs alongside revenues in a broadly proportional fashion. The 2003–2004 Gross Profit Margin figures, therefore, do not represent a sustainable commercial efficiency baseline; they are an artefact of sub-scale operation and ownership transition.

Between 2004 and 2012, the Gross Profit Margin series followed a severe compression over the years, by which the margin had fallen from 12.90% to 3.40%, a contraction of 950 basis points over eight years, concurrent with a more than doubling of absolute turnover. This counterintuitive outcome of declining Gross Profit Margin during a period of peak on-track performance follows a consistent and mechanically explicable logic. As the team scaled its technical and operational ambitions, the cost of sales expanded at a rate persistently in excess of revenue growth. Championship-winning machinery requires continuous investment in components, aerodynamic development programmes, and logistical infrastructure, all of which flow through the cost of sales line. Looking at the numbers, between 2003 and 2013, turnover grew by 135% (from £84,055k to £197,599k), while cost of sales grew by 158% (from £73,955k to £190,672k). Cost growth outpaced revenue growth by 23 percentage points over the decade, with the entirety of that differential manifesting as gross margin erosion. Two structural forces drove this divergence. First, the cost of sales line absorbed the escalating investment in aerodynamic development, which was required to maintain and extend the competitive advantage established from 2009 onwards. Second, the intercompany income contribution from Red Bull GmbH, that are classified within the

turnover figure, declined as a proportion of total revenue between 2009 and 2013, while the cost subsidies flowing through Red Bull Technology Limited remained embedded and invisible within cost of sales. The gross margin, therefore, became progressively less reflective of genuine commercial efficiency and more a function of the specific intercompany accounting architecture in operation in any given year.

Between 2019 and 2021, the Gross Profit Margin oscillated within an extremely narrow band of 3.31% to 4.02%, demonstrating that the introduction of the FIA Financial Regulations in 2021 had not produced any measurable improvement in the gross margin profile of the statutory entity. The 2020 figure of 4.02% represents the sole positive deviation within this band and is attributable to the COVID-19 disruption rather than to any structural commercial improvement. The cancellation and condensation of the 2020 race calendar reduced logistical and operational deployment costs within the cost of sales line more than proportionally to the revenue reduction, producing a temporary gross margin improvement that reversed as normal operations resumed in 2021.

The most structurally significant development in the Gross Profit Margin profile occurs in 2022, when the figure recovered to 8.9% on the back of a turnover increase of approximately £40M relative to the prior year. In absolute terms, gross profit increased from £8,100k to £24,896k, a rise of £16,796k, on a turnover increase of “only” £39,675k. For every additional pound of revenue generated in 2022 relative to 2021, approximately 42p flowed through to gross profit. Two concurrent factors explain this inflection. First, the commencement of the Oracle title sponsorship arrangement that materially increased the high-margin sponsorship component of turnover relative to lower-margin racing contributions. Second, Red Bull Racing claimed the Constructors' Championship in 2022, thereby securing the maximum allocation under the FOM prize pool distribution mechanism, which also carries a relatively higher margin profile than operational expenditure.

The subsequent trajectory in 2023 and 2024 demonstrates that the post-Oracle equilibrium is structurally higher than the pre-2022 norm. However, the cost of sales has continued to expand in absolute terms (from £253,130k in 2022 to £290,733k in 2024, a rise of £37,603k over two years), reflecting the ongoing costs of operating at the competitive frontier and, increasingly, the costs associated with the Red Bull Powertrains programme and the Ford power unit development.

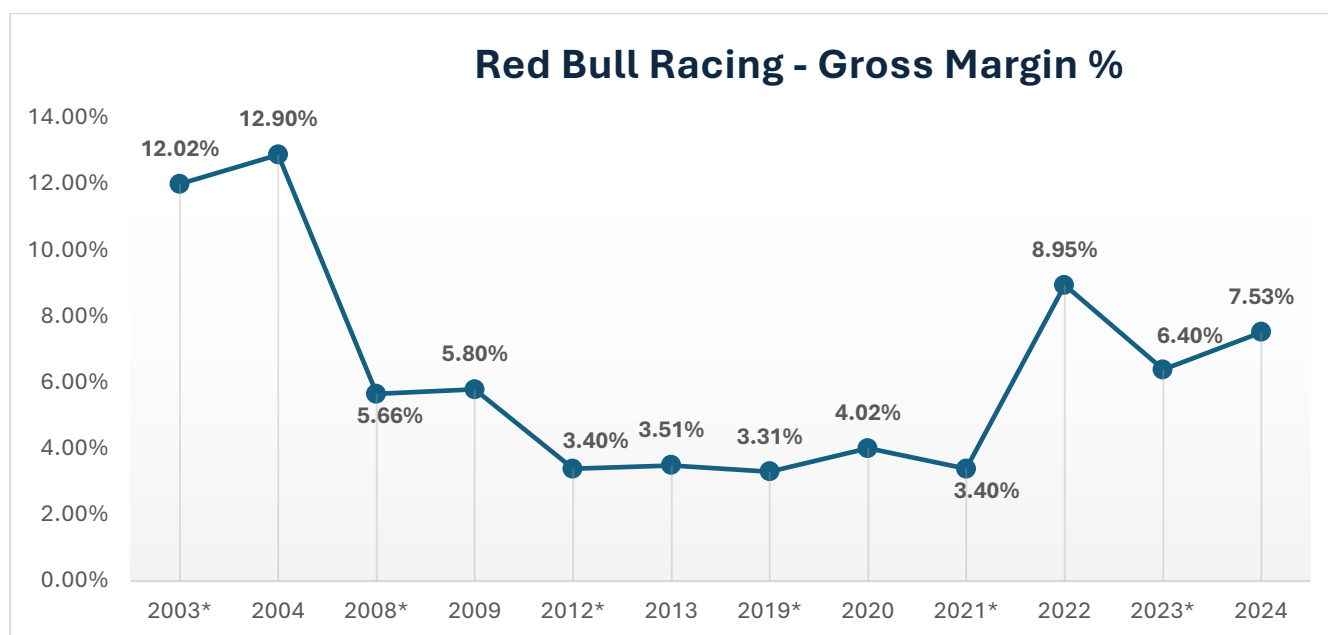


Table 4.4 - RBR's Gross Profit Margin evolution

Conclusions on Gross Profit Margin

In conclusion, it is important to state that Gross Profit Margin at Red Bull Racing is not, and has never been, a measure of commercial efficiency in the conventional sense. It is instead a residual of the interaction between several distinct independent corporate phenomena, such as the intercompany income from Red Bull GmbH, the level of intragroup service charges from Red Bull Technology Limited and the cost of sustaining the intensity of competitive deployment in Formula One.

The Gross Profit Margin series provides a cleaner and more analytically tractable window into the company's financial condition than any of the downstream profitability metrics. Since administrative expenses do not affect the gross profit line, the Gross Profit Margin isolates the underlying trading relationship between revenue and direct operational cost. On this basis, the series tells a clear story coherent with the corporate evolution of the team; We can observe sustained compression during the pre-budget cap investment phase, a brief COVID-induced anomaly and a structural step-change following the Oracle commencement.

Giving a forward outlook, the Gross Profit Margin of 7.53% in 2024 represents the second highest in the dataset on a meaningful comparable basis, sustained at a level approximately double the pre-2022 norm. Whether this level is maintainable depends critically on two variables; the first one is the renewal and retention of the Oracle title sponsorship at equivalent or higher value beyond the current contract term. The latter is the capacity of the team to manage the cost of sales growth as the Red Bull Powertrains

development programme imposes additional cost under the 2026 hybrid power unit regulations. The Gross Profit Margin is therefore both a retrospective measure of commercial achievement and a leading indicator of the financial sustainability of the team's competitive ambitions in the forthcoming seasons.

- EBITDA and Operating Margin

Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) measures a company's core operational profitability, giving a cleaner picture of cash-generative capacity.

EBITDA =	E = Earnings
Net Income	B = Before
+ Taxes	I = Interest
+ Interest Expense	T = Tax
+ Depreciation & Amortization	D = Depreciation
	A = Amortization

Table 4.5 – EBITDA composition

The company's statutory accounts do not disclose an EBITDA figure explicitly. However, depreciation charges are disclosed in the operating profit notes to the financial statements, enabling an approximate reconstruction. *Table 4.5* presents the logic behind the calculation both the reported Operating Profit (EBIT) and an estimated EBITDA figure, derived by adding back depreciation on tangible fixed assets to the reported operating profit. It should be noted that amortisation is not a material line item across most periods, and that no EBITDA adjustment is made for exceptional items unless separately indicated. The table provides also the team's Operating Margin; this expresses operating profit as a percentage of revenue, showing how efficiently a company converts turnover into profit before financing costs and taxes.

$$\text{Operating Margin (\%)} = \frac{\text{EBIT}}{\text{Revenue}}$$

Table 4.6 – Operating Margin Formula

The operating margin of Red Bull Racing Limited is, without exception across the analytical horizon, almost negligibly thin. This is one of the most structurally distinctive characteristics of Formula One team economics, highlighting the cost-consumption nature of the business model; Virtually every pound of revenue generated is redeployed into operational and developmental expenditure, with the residual operating profit functioning as a marginal balance rather than a genuine indicator of operational leverage.

FY	Turnover	Operating Profit (EBIT)	Total D&A	EBITDA	Operating Margin (%)	EBITDA Margin (%)
2003*	£ 84,055.00	£ 1,145.00	£ 3,167.00	£ 4,312.00	1.36%	5.13%
2004	£ 72,057.00	-£ 15,622.00 ¹	£ 2,415.00	-£ 13,207.00	-21.68%	-18.33%
2008*	£ 123,538.00	£ 83.00	£ 2,951.00	£ 3,034.00	0.07%	2.46%
2009	£ 132,749.00	£ 705.00	£ 2,821.00	£ 3,526.00	0.53%	2.66%
2012*	£ 176,310.00	£ 699.00	£ 778.00	£ 1,477.00	0.40%	0.84%
2013	£ 197,599.00	£ 1,392.00	£ 763.00	£ 2,155.00	0.70%	1.09%
2019*	£ 245,438.00	£ 1,036.00	£ 992.00	£ 2,028.00	0.42%	0.83%
2020	£ 229,754.00	£ 1,200.00	£ 1,018.00	£ 2,218.00	0.52%	0.97%
2021*	£ 238,351.00	£ 1,571.00	£ 1,038.00	£ 2,609.00	0.66%	1.09%
2022	£ 278,026.00	£ 2,248.00	£ 2,841.00 ²	£ 5,089.00	0.81%	1.83%
2023*	£ 307,472.00	£ 2,915.00	£ 1,394.00	£ 4,309.00	0.95%	1.40%
2024	£ 314,409.00	£ 382.00 ³	£ 1,552.00	£ 1,934.00	0.12%	0.62%

Table 4.7 – EBITDA & Operating Margin evolution

* Prior-year comparatives as disclosed in the respective statutory accounts.

Source: RBR's Financial Statements 2004-2024

Critical importance for interpretive accuracy is that the operating margin as reported within these statutory accounts materially understates the true economic EBITDA margin of the organisation. There are two main reasons: The cost of sales line absorbs substantial non-cash elements (primarily depreciation on wind tunnel infrastructure, workshop equipment, and prototype components), while the administrative expenses line in more recent periods has been inflated by extraordinary items, such as the \$7 million FIA penalty processed in the 2022 accounts. Adjusting for these elements would modestly improve the reported margin, though it would not alter the fundamental characterisation of this as a near-breakeven operating business.

Looking closely at the numbers, significant divergence emerges between EBITDA and operating profit in 2004 (1). This is attributable exclusively to the non-cash impairment of £15,716k recorded in connection with the revaluation of tangible assets to fair value following the acquisition by Red Bull Racing Holdings Limited in November 2004. Taking out this one-time accounting adjustment, the underlying operating performance of the business was marginally positive, consistent with the prior-year comparative, which recorded an operating profit of £1,145k. Indeed, the reported 2004 loss does not reflect a genuine collapse in operational performance, but rather a non-recurring accounting charge mandated by acquisition accounting principles.

By 2009, the D&A charge declines marginally to £2,821k and the EBITDA of £3,526k is the strongest post-2004 figure to that point. However, the most structurally significant development in the entire dataset occurs between 2009 and 2012 since the D&A charge collapses from £2,821k to £778k as the asset transfer programme to Red Bull Technology Limited reaches its effective completion. The direct consequence is that the EBITDA-EBIT spread, which had been providing approximately 2–3 percentage points of margin headroom throughout the 2003–2009 period, narrows to less than half a percentage point. This dynamic creates a structural paradox that is central to the entire analysis, letting the championship years of 2012 and 2013 record the lowest EBITDA margins in the dataset outside the 2004 impairment year. A business generating £197.6M of turnover in its most successful sporting season retains less than £2.2M of EBITDA. The conventional interpretation of EBITDA as a proxy for operational cash generation becomes, in this context, almost meaningless due to corporate structure strategies.

In the 2022 financial year, the *Depreciation and Amortisation* (D&A) figure registered a significant spike (2), rising from £1,038k to £2,841k. This increase is driven not by routine depreciation of tangible assets but by a £1,705k impairment charge on a newly capitalised intangible asset. The asset, classified as 'Other

intangible', was added to the balance sheet for the first time in 2022 at a cost of £2,212k and impaired by 77% within the same financial year, leaving a net carrying value of £507k. The nature of the underlying asset is not disclosed in the statutory accounts, though the timing coincides with the major 2022 technical regulation change, which may have rendered associated *Intellectual Properties* or software partially obsolete.

Lastly, the dramatic contraction in operating profit in 2024, from £2,915k in 2023 to £382k, warrants careful contextualisation (3). The 2024 financial year was characterised by a significant increase in administrative expenses (from £16.7M in 2023 to £23.0M in 2024), driven in part by elevated transition expenditure associated with Adrian Newey's departure and associated restructuring. Simultaneously, the team's on-track performance was markedly less dominant than the previous year, slipping to third position in the 2024 Constructors' Championship, which correspondingly reduced the FOM prize allocation component of turnover. Despite this operational deterioration at the EBIT level, profit before tax recovered to £2,895k principally on account of a £2,377k gain arising from the disposal of fixed assets (a non-recurring item that flatters the pre-tax result and should be excluded when assessing the team profitability). Excluding this item, the normalised profit before tax would have been approximately £518k on a turnover base of £314M, implying a normalised pre-tax margin of less than 0.2%.

The most analytically distinctive feature of the EBITDA series is the inverse relationship between business scale and the EBITDA-EBIT spread. In conventional capital-intensive businesses, EBITDA significantly exceeds EBIT because the asset base generates large depreciation charges that must be added back. The spread is therefore a proxy for asset ownership intensity, the wider it is, the more the firm's earnings are impacted by the cost of owning and consuming its own productive capital. This mechanics doesn't appear in Red Bull Racing Limited statements revealing strategic implication of the business; the progressive transfer of owned capital assets away from Red Bull Racing Limited and into Red Bull Technology Limited (RBT). Precisely, the opposite correlation has occurred, as the business scaled from £84M to £314M in turnover, the owned asset base was progressively transferred away, and the EBITDA-EBIT spread contracted from approximately 3.8 percentage points in 2003 to under 0.5 percentage points in 2013 and again in 2023–2024. The EBITDA–EBIT spread contracting as turnover triples is not a sign of an increasingly asset-light model; it is a sign of an increasingly asset-displaced model, where the accounting perimeter of the entity under analysis has been deliberately drawn to exclude the heaviest capital obligations.

This structural evolution has a direct implication for the interpretation of EBITDA as a valuation or performance metric at the statutory entity level. In the early years of the dataset, EBITDA provided a meaningful signal of the entity's cash generation before capital consumption. Starting from the first championship era and into the modern period, EBITDA and EBIT are effectively interchangeable metrics, differing by only a few hundred thousand pounds. Any analyst who relies solely on applying a standard EBITDA-based valuation multiple to the Red Bull Racing Limited statutory entity would produce a result that dramatically understates the true enterprise value of the racing operation, precisely because the asset base generating the most significant depreciation charges does not appear on this entity's balance sheet at all.

- **Net Profit Margin**

The Net Profit Margin of Red Bull Racing, observed across the full analytical horizon, is the most compressed and structurally constrained profitability index in the entire income statement dataset. The net profit margin is the terminal residual of all revenue and cost interactions, inclusive of tax.

$$\text{Net profit margin} = \frac{\text{Net income}}{\text{Total revenue}} \times 100$$

Table 4.8 – Net Profit Margin Formula

It functions as the ultimate measure of what the statutory entity retains from each pound of commercially generated income. The answer in the Red Bull Racing case, consistently and without material exception across two decades of operation, is “almost nothing”.

FY	Turnover	Net Profit	Net Profit Margin	Constructors' Championship Position
2003*	£ 84,055.00	£ 1,167.00	1.39%	7th
2004	£ 72,057.00	-£ 15,856.00	-22.00%	7th
2008*	£ 123,538.00	£ 470.00	0.38%	4th
2009	£ 132,749.00	£ 706.00	0.53%	2nd
2012*	£ 176,310.00	£ 700.00	0.40%	1st
2013	£ 197,599.00	£ 1,042.00	0.53%	1st
2019*	£ 245,438.00	£ 618.00	0.25%	3rd
2020	£ 229,754.00	£ 723.00	0.31%	2nd
2021*	£ 238,351.00	£ 1,356.00	0.57%	2nd
2022	£ 278,026.00	£ 2,057.00	0.74%	1st
2023*	£ 307,472.00	£ 1,296.00	0.42%	1st
2024	£ 314,409.00	£ 1,681.00	0.53%	3rd

Table 4.9 – Net Profit Margin Figures

** Prior-year comparatives as disclosed in the respective statutory accounts.*

Source: RBR's Financial Statements 2004-2024

Excluding the exceptional 2004 loss, that as argued above reflects a non-recurring acquisition impairment rather than underlying trading performance, the net profit margin of Red Bull Racing Limited has been consistently positive but extraordinarily compressed throughout the twenty-year analytical period. It has oscillated within a range of approximately 0.3% to 0.7%, with no year recording a net margin above 1% after Red Bull acquired the racing team. In absolute terms, net profits never went above £2,057k (2022), showing figures that are strikingly modest relative to a business generating annual turnover in the range of £130M to £314M. This near-breakeven pattern is neither accidental nor indicative of financial distress. It reflects a deliberate strategic orientation, common across the broader Formula One paddock among works-aligned teams, in which the entity consistently re-invests the totality of its commercially generated resources into technical development, personnel and infrastructure. The modesty of the reported net margin thus functions as an indirect measure of reinvestment intensity rather than operational underperformance. Indeed, the 2003 net profit margin of 1.39% is the highest positive margin in the dataset and represents the old management choice to avoid investing heavily in the future of the racing team. As established in the preceding analyses, the 2003 result was generated under Ford's ownership structure, with a cost structure calibrated to the operational scale of a mid-field competitor rather than a championship contender. Even at its unqualified peak, therefore, the entity retained less than £0.014 of every pound of turnover as net profit.

The 2004 net margin of -22.00% is, as argued throughout this analysis, wholly and exclusively attributable to the non-cash impairment charge of £15,842k recorded on the acquisition of the company by Red Bull Racing Holdings Limited in November 2004. Stripping this item from the calculation, the underlying net margin for 2004 was approximately 0.3%, a figure marginally positive and consistent with the trajectory that would follow. The headline figure of -22.00% therefore carries no analytical content regarding the trading performance of the entity and should be treated as a structural discontinuity in the series rather than a genuine data point in any trend analysis.

The 2008 net margin of 0.38% (net profit of £470k on turnover of £123.5M) represents the financial outcome of a year in which the escalating cost of technical ambition had been almost entirely offset by the growth of intercompany sponsorship income from Red Bull GmbH and third-party commercial revenues, producing an operating profit of just £83k. The modest pre-tax result of £99k was then materially enhanced by a deferred tax credit of £371k, arising from the origination of timing differences associated with the team's expanding fixed asset base. The 2008 figure thus demonstrates that even at the point of maximum competitive investment ahead of the 2009 breakthrough, the statutory entity remained

marginally profitable, a demonstration of the precision of the intercompany funding architecture in maintaining the entity at or just above the breakeven threshold.

Going on with the dataset, in 2013 Red Bull Racing claimed its fourth consecutive Constructors' Championship, achieving an unprecedented level of sporting dominance. Nonetheless, the net profit margin was 0.53%, retaining £1,042k from £197.6M of revenue. As already explained in the precedent paragraph, the explanation of this counterintuitive figure is structural rather than circumstantial. Even if on the revenue side, the first place in the Constructors' Championship secures the maximum FOM prize distribution and sustains the premium sponsorship valuations that justify the Oracle-class title deals of later years, on the cost side, sustaining championship-winning performance requires continuous escalation of the technical development programme. Indeed, the team aims at using all the possible resources available to develop innovation that can establish a new competitive dominance. The net effect, at the statutory entity level, is that the commercial harvest of sporting dominance is almost entirely consumed by the operational cost of producing it, leaving a net margin that is structurally incapable of reflecting the team's true competitive and commercial achievement.

Similarly, the second winning period of the team in 2022 and 2023, follows the same logic. The 2022 net margin of 0.74% is the highest value in the dataset during the Red Bull management period and reflects the simultaneous occurrence of the commencement of the Oracle sponsorship and the team's Constructors' Championship. The net profit of £2,057k is the largest absolute net profit figure in the dataset. Yet even at its peak, the statutory entity retained less than three-quarters of one percent of its turnover.

The 2023, the most dominant season in the sport's history, set a net margin of 0.42% on turnover of £307.5M, representing one of the most acute expressions of the championship paradox in the entire dataset. The team won 21 of 22 races, yet net profit fell from £2,057k to £1,296k, and the net margin contracted by 32 basis points. Championship victory, in net profit margin terms, is worthless.

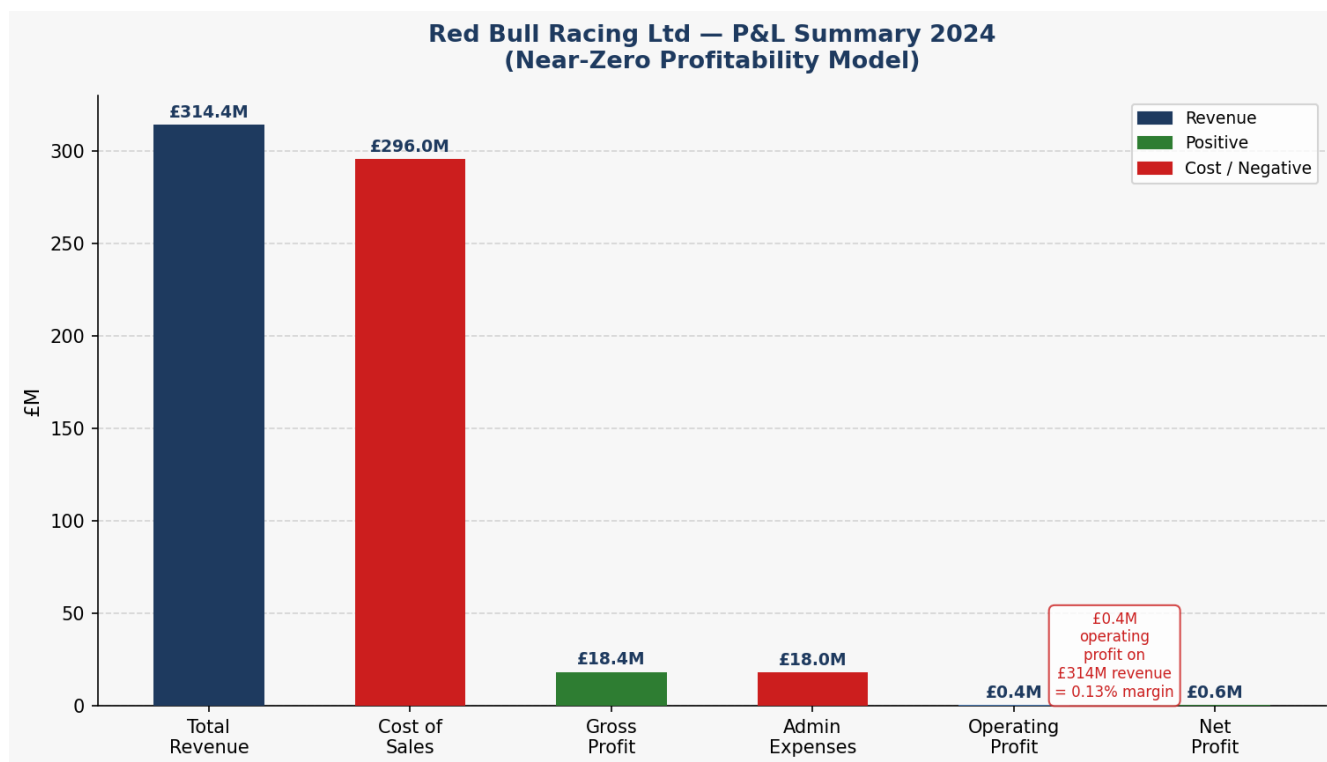


Table 4.10 – RBR's Profit and Loss Summary
Source: RBR's Financial Statement FY 2024

Conclusions on Net Profit Margin

Across the years in which Red Bull Racing finished first in the Constructors' Championship (2012, 2013, 2022, 2023), the average net profit margin was 0.52%. Across the years in which the team finished second (2009, 2020, 2021), the average was 0.47%. Excluding the 2004 impairment distortion, across the years in which the team finished third or lower (2003, 2004, 2019, 2024), the average was 0.58%. The differences between these averages are not statistically meaningful and no direct relationship between championship position and net margin is discernible.

This finding is analytically significant because it contradicts the intuitive hypothesis that higher championship positions generate materially higher net margins through enhanced FOM prize distributions and premium sponsorship valuations. The reason the relationship is obscured at the net profit margin level, is that it is visible at the revenue and gross profit level. Both the cost base scaling proportionally (or even more) with competitive ambition and track success and the non-recurring items (impairment, FIA penalties, asset disposal gains) heaviness, introduce year-specific noise that dominates the underlying signal. Championship position influences revenue; it does not, within this structural framework, reliably influence net margin.

In conclusion, the net profit margin series, read across the full analytical horizon, highlights that Red Bull Racing aims for a net profit margin bounded within a range of approximately 0.25% to 0.75%, revealing a financial constraint that is not a function of commercial underperformance but of the deliberate financial architecture of the Red Bull group. The relationship between net profit margin and sporting performance is non-linear, time-lagged and heavily mediated by corporate strategies. The commercial value of championship success is visible and measurable at the gross profit level; by the time it reaches the net profit line, it has been substantially absorbed by the operational, administrative, and fiscal cost structure of the entity.

Whether the net margin can be set to the 0.5%–0.75% range that characterised the post-Oracle era will depend not on sporting results alone, but on the group's capacity to perfectly balance the intercompany financial architecture.

4.1.3 Conclusion

Through the analysis of the income statement of Red Bull Racing across the full twenty-year horizon, counterintuitive findings appear clear; there exists no statistically meaningful relationship between the team's championship performance and its net profitability. As the net profit margin analysis highlights, the profit of the team across the four Constructors' Championship years captured in the dataset is indistinguishable from the average values recorded in the remaining years of the analytical period. The most dominant season in Formula One history, 2023, produced a net profit lower in absolute terms than the year that preceded it. The relationship between winning and earning, at the statutory entity level, is not merely weak, it is completely absent.

This finding demands an interpretation that moves away from the static numbers in the financial statement. Red Bull Racing is not experiencing financial underperformance and its business model is not failing to convert sporting success into financial return. It is a business model that is structurally and deliberately configured not to do so. The near-zero net margin is not the residual of a cost structure that has escaped managerial control; it is the intended output of a corporate financial architecture calibrated to a specific and coherent strategic objective: the systematic maximisation of reinvestment into the technical and human resources upon which competitive dominance depends. In this logic, the interest-free, demand-repayable nature of all intercompany balances constitutes a structural safety net that never appears in the reported income statement. The company's ability to sustain operations in years of thinner

revenue is underwritten by this contingent liquidity facility, without which the reported profitability in those years would have been considerably more precarious.

This strategic orientation is visible at every layer of the income statement. At the gross profit level, the cost of sales has expanded across the analytical horizon at a rate persistently in excess of revenue growth, reflecting continuous escalation of the technical development programme. At the net profit level, the residual after tax has been bounded within a settled range regardless of whether the team finished first, second, or third in the Constructors' Championship, confirming that the architecture is maintained consistently across performance cycles rather than being an incidental outcome of any particular season.

The theoretical implication of this finding connects directly to the Resource-Based View and reveals a dimension of the framework that is rarely examined in the literature. The RBV implicitly assumes that sustained competitive advantage translates into superior financial returns, so that firms possessing VRIN resources will capture above-normal economic rents that will be visible in their profitability metrics (Barney, 1991; Peteraf, 1993). The Red Bull Racing case demonstrates a boundary condition to this assumption; In organisations where the competitive output serves a brand-building function within a larger corporate group, and where the entity is deliberately configured as a reinvestment vehicle rather than a profit-extraction mechanism, VRIN resources generate rents that are systematically recycled back into the capability base rather than captured as reported profit. The near-zero net margin is not evidence of the absence of economic rents; it is evidence of their deliberate reinvestment into the maintenance and renewal of the very resources that generate them. In Penrose's (1959) terms, the firm is continuously converting its financial surplus into new productive services, in this specific case upgrading engineering capabilities, thereby compounding its resource advantage over time rather than distributing it to shareholders. The income statement, read through this RBV lens, reveals not financial underperformance but a strategy of competitive compounding in which today's rents finance tomorrow's resource superiority.

This conclusion carries a significant implication for any analytical framework that attempts to evaluate Red Bull Racing's success exclusively through conventional financial metrics. The income statement, read in isolation, presents the portrait of a business that barely breaks even across two decades of operation, including four world championship cycles. Read in the context of the group's broader financial architecture, the intercompany transfer pricing arrangements, and the deliberate separation of asset ownership from operational deployment, the same income statement reveals something considerably

more sophisticated. The modesty of the net margin is, in the final analysis, the financial signature of a long-term strategic commitment to excellence.

4.2 Balance Sheet Analysis

4.2.1 Overview

An F1 team's statutory balance sheet differs materially from that of a conventional manufacturing business in several structurally important respects. In most asset-intensive industries, the balance sheet is anchored by substantial non-current assets so items like property, plant and equipment or long-term financial investments are heavily weighted in the balance sheet. These items are usually offset by a correspondingly complex liability stack comprising long-term bank debt, debentures, deferred tax liabilities and provisions. However, as established through the preceding financial statements analysis, Red Bull Racing does not conform to this conventional architecture; by virtue of its operational model as a motorsport racing entity, the company exhibits none of these characteristics at a material scale. Instead, the balance sheet is characterised by an extraordinarily thin fixed-asset base, a near-total absence of external debt at any point across the two decades examined. Moreover, the working capital structure is dominated by intragroup and commercial counterparty flows. Again, these features could be misunderstood as symptoms of financial fragility, but also through the analysis performed in this chapter we will understand that this is a deliberate and rational corporate architecture in which the capital-intensive functions of the team (such as wind tunnel operations, composite manufacturing, simulator infrastructure and power unit development) are legally housed in sister entities, leaving the racing company itself as a lean commercial and operational vehicle.

The consolidated balance sheet data across the six filing years are presented in *Table 4.11* below.

Red Bull Racing Ltd - Balance Sheet Summary (GBP '000)												
	2003	2004	2008	2009	2012	2013	2019	2020	2021	2022	2023	2024
NON-CURRENT ASSETS												
Intangible assets	-	-	-	-	-	-	-	-	-	£ 507	£ 2,493	-
Tangible fixed assets	£ 15,931	£ 5,255	£ 18,467	£ 15,841	£ 8,248	£ 9,221	£ 9,235	£ 10,465	£ 10,290	£ 4,655	£ 4,085	£ 3,091
Total Non-Current Assets	£ 15,931	£ 5,255	£ 18,467	£ 15,841	£ 8,248	£ 9,221	£ 9,235	£ 10,465	£ 10,290	£ 5,162	£ 6,578	£ 3,091
CURRENT ASSETS												
Stocks	£ 4,100	-	-	-	-	-	£ 320	£ 334	-	-	-	-
Trade and other debtors	£ 14,251	£ 3,342	£ 14,033	£ 7,231	£ 14,017	£ 16,551	£ 39,870	£ 14,039	£ 41,416	£ 90,444	£ 93,851	£ 78,947
Cash at bank and in hand	£ 2,264	£ 59	£ 68	£ 182	£ 144	£ 187	£ 2,724	£ 604	£ 328	£ 239	£ 380	£ 978
Total Current Assets	£ 20,615	£ 3,401	£ 14,101	£ 7,413	£ 14,161	£ 16,738	£ 42,914	£ 14,977	£ 41,744	£ 90,683	£ 94,201	£ 79,925
TOTAL ASSET	£ 36,546	£ 8,656	£ 32,568	£ 23,254	£ 22,409	£ 25,959	£ 52,149	£ 25,442	£ 52,034	£ 95,845	£ 100,779	£ 83,016
CURRENT LIABILITIES												
Creditors, amounts due within one year	-£ 25,783	-£ 8,471	-£ 30,526	-£ 20,506	-£ 18,132	-£ 20,640	-£ 45,649	-£ 18,219	-£ 43,455	-£ 91,709	-£ 95,347	-£ 75,903
Net Current Assets / (Liabilities)	-£ 5,168	-£ 5,070	-£ 16,425	-£ 13,093	-£ 3,971	-£ 3,902	-£ 2,735	-£ 3,242	-£ 1,711	-£ 1,026	-£ 1,146	£ 4,022
NON-CURRENT LIABILITIES												
Provisions for liabilities and charges	-£ 948	-	-£ 1,587	-£ 1,587	-	-	-	-	-	-	-	-
Long-term bank debt	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	-£ 26,731	-£ 8,471	-£ 32,113	-£ 22,093	-£ 18,132	-£ 20,640	-£ 45,649	-£ 18,219	-£ 43,455	-£ 91,709	-£ 95,347	-£ 75,903
NET ASSETS (TOT. ASS.- TOT. LIA.)	£ 9,815	£ 185	£ 455	£ 1,161	£ 4,277	£ 5,319	£ 6,500	£ 7,223	£ 8,579	£ 4,136	£ 5,432	£ 7,113
CAPITAL AND RESERVES												
Called-up share capital	£ 1,000	£ 1,000	£ 1,000	£ 1,000	£ 1,000	£ 1,000	£ 1,000	£ 1,000	£ 1,000	£ 1,000	£ 1,000	£ 1,000
Revaluation reserve	-	-	-	-	£ 1,100	£ 1,100	£ 3,100	£ 3,100	£ 3,100	-	-	-
Profit and loss reserves	£ 8,815	£ 815	£ 545	£ 161	£ 2,177	£ 3,219	£ 2,400	£ 3,123	£ 4,479	£ 3,136	£ 4,432	£ 6,113
Total Equity (Shareholders' Funds)	£ 9,815	£ 185	£ 455	£ 1,161	£ 4,277	£ 5,319	£ 6,500	£ 7,223	£ 8,579	£ 4,136	£ 5,432	£ 7,113
MEMO: KEY P AND L METRICS												
Turnover	£ 84,056	£ 72,057	£ 123,538	£ 132,749	£ 176,310	£ 197,599	£ 245,438	£ 229,754	£ 238,351	£ 278,026	£ 307,472	£ 314,409
Operating profit / (loss)	£ 1,145	-£ 15,622	£ 83	£ 705	£ 699	£ 1,392	£ 1,036	£ 1,200	£ 1,571	£ 2,248	£ 2,915	£ 382
Profit / (loss) for financial year	£ 1,167	-£ 15,856	£ 470	£ 706	£ 700	£ 1,042	£ 618	£ 723	£ 1,356	£ 2,057	£ 1,296	£ 1,681

Table 4.11 – Balance Sheet Summary and Key P&L Metrics (2004–2024)
All figures are expressed in thousands of pounds sterling (£'000).
Source: RBR's Financial Statements 2004-2024

1. Non-Current Assets: Tangible Fixed Assets

The tangible asset base of Red Bull Racing has followed a declining trajectory over the twenty-year period under review, reaching a residual carrying value of £3.09 million in 2024 against a peak of £18.74 million in 2008. The composition of these assets, as disclosed in the respective notes to the accounts, encompasses leasehold improvements at the Milton Keynes facility, motor vehicles, office and workshop equipment, and heavily significantly for the earlier periods a freehold land and buildings. In 2009, the breakdown of gross tangible assets at cost (£39.5 million) reveals a substantial freehold property base of £20.1 million, largely representing the team's premises at the Red Bull Technology Campus, Tilbrook. By 2022, tangible assets had contracted sharply to £4.66 million net book value, reflecting a combination of accumulated depreciation, the disposal of certain assets, and the progressive reattribution of capital-intensive infrastructure to Red Bull Technology Limited.

This structural migration of fixed assets upward within the group is a strong signal of the corporate reorganisation that accompanied the team's transition to a vertically integrated constructor. As Red Bull Technology absorbed the wind tunnel, manufacturing halls, and advanced computing infrastructure, the racing company's own fixed asset base decreased correspondingly. The consequence for the standalone balance sheet is a diminishing capital intensity ratio. By 2024, tangible fixed assets represent less than one percent of annual turnover, a ratio that would be unrecognisable in any comparably sized manufacturing enterprise but is entirely consistent with the team's role within a larger corporate group.

2. Intangible assets:

The appearance of intangible assets on the balance sheet is confined entirely to the 2022 and 2023 years. In 2022, a carrying value of £507,000 is disclosed under Note 13; this item likely reflects software assets or digital rights acquired in connection with the Oracle title sponsorship partnership, which commenced in February 2022. The nil intangible asset figure in the 2024 balance sheet confirms the write-off of this item. The absence of intangible assets in all other reporting years is analytically significant and it confirms that neither goodwill (which would arise only in an acquisition context) nor capitalised development expenditure (which would require meeting the stringent recognition criteria of *FRS 102 Section 18*⁵) has been recognised on the face of the company's accounts at any stage. The team's most strategically valuable intangibles are represented by the aerodynamic design knowledge, the proprietary

⁵ “An intangible asset is only recognised if it is probable that its expected future economic benefits will flow to the owner, and if its cost or value can be measured reliably.”

manufacturing processes, the talent pipeline of the Red Bull Junior Team and the institutional relationships with FOM and the FIA and all of these items are entirely unrecognised on the balance sheet, consistent with accounting standards that prohibit the capitalisation of internally generated intangible assets not meeting the criteria of an identifiable asset separable from the business as a whole.

This observation carries profound implications for the application of the Resource-Based View to financial statement analysis. The VRIN framework identifies intangible, socially complex, and historically path-dependent resources as the most durable sources of competitive advantage precisely because they resist codification and market transaction (Dierickx & Cool, 1989). Yet it is this same resistance to codification that renders them invisible under accounting standards that require identifiability, separability, and reliable measurement as preconditions for balance sheet recognition. This configuration leads to a systematic paradox in which the resources that matter most for competitive advantage are precisely those that accounting standards are structurally incapable of capturing. Assets like the aerodynamic innovation, the unique cultural capital embedded in the team's working practices, the systemic coherence of the Newey-era design methodology are not highlighted in the balance sheet even if these represent the true levers of the racing team. In the Red Bull Racing case, the balance sheet reports net assets of £7.11 million in 2024 for an organisation whose enterprise value is estimated to exceed \$4 billion (divergence of approximately 500:1 between book value and economic value) (Forbes, 2024). This gap indirectly represents the quantitative economic value of the VRIN resources that constitute the true asset base of the firm but exist entirely outside the domain of financial accounting.

2. Current Assets:

The current asset position of Red Bull Racing exhibits two distinct structural regimes across the period. In the early years (2003–2013), current assets are modest, comprising primarily trade debtors and minimal cash balances. From 2019 onwards, however, the debtor balance undergoes a huge step-change, reaching £93.8 million in 2023. This transformation warrants careful analytical interpretation:

- Trade and other debtors.

In 2004, debtors totalled £3.34 million representing a figure consistent with the team's relatively modest commercial footprint in its inaugural season under Red Bull ownership. By 2009, debtors had risen to £7.23 million, predominantly comprising prepayments and accrued income (£7.13 million) reflecting the deferral of sponsorship income recognition across the racing season. The 2013 position (£16.55 million)

reflects the substantially enlarged commercial portfolio of a world championship-winning team, with sponsor receivables and FOM prize money accruals constituting the predominant components.

The step-change started from 2019, must be contextualised against the structural change in the team's commercial arrangements. This change is driven by the team's growing commercial portfolio and the signing of long-term sponsorship agreements. Sponsorship such as the Oracle one, as title sponsor in February 2022, representing an annual commitment of approximately \$100 million, fundamentally altered the scale of sponsorship receivables carried on the balance sheet at year-end. Large corporate sponsorship contracts, particularly those involving quarterly or milestone-linked payment schedules, generate substantial accrued income balances when performance obligations have been partially or fully discharged but cash settlement remains outstanding. The near-symmetrical magnitude of the creditor balance in 2022 (£91.71 million) (discussed further in *Section n.3* below) strongly suggests that a significant portion of both the debtor and creditor balances reflects pass-through intercompany flows within the Red Bull Technology group, consistent with the commercial structure under which Red Bull Racing Ltd acts as the primary contracting entity for sponsorship income subsequently distributed to group engineering entities.

By 2024, the debtor balance contracts to £78.95 million, reflecting modest normalisation in the timing of sponsor receipts and prize money settlements, while remaining structurally elevated relative to the pre-Oracle period. Cash at bank remains negligible throughout the entire period, ranging from £59,000 in 2004 to £978,000 in 2024, confirming that the company does not accumulate liquidity on its own balance sheet, with surplus funds swept upward to the parent entity through intercompany mechanisms.

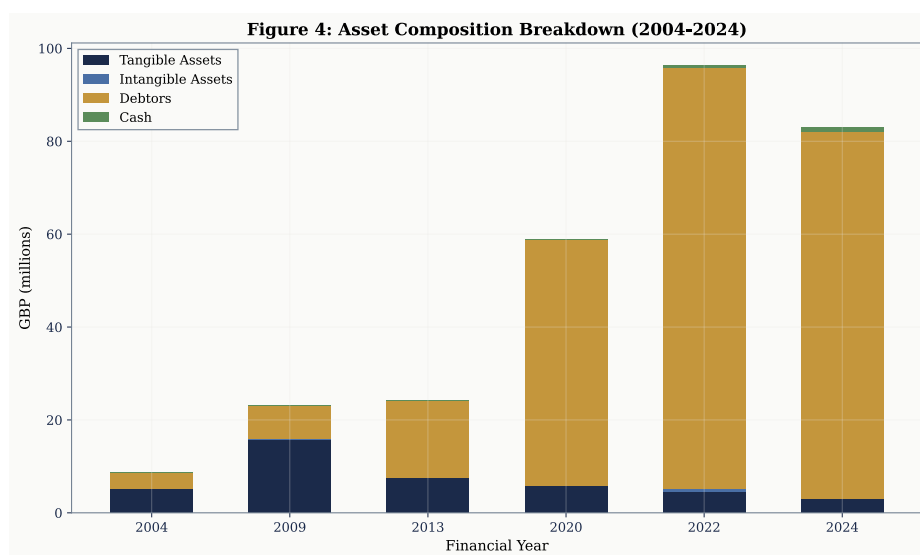


Table 4.12 – RBR's Asset Composition Breakdown
Source: RBR's Financial Statements 2004-2024

3. Current Liabilities:

The current liability position mirrors the current asset dynamics across the whole period. In 2004, creditors due within one year amounted to £8.47 million, of which the principal components would have been trade creditors to suppliers and intercompany amounts owed to group undertakings so funds from Red Bull GmbH to sustain operational shortfalls during the team's pre-commercial maturity phase. Moving on to the other years in the examination, the same structure is confirmed. As explicitly explained in Note 10 of the 2009 accounts of total creditors of £20.51 million, around 86% (£17.72 million) is owed to group undertakings, with trade creditors and accruals accounting for the remainder. This intercompany creditor balance functioned as the de facto financing mechanism for the team during a period in which external revenues were insufficient to fully cover the cost base.

The post-2022 creditor positions (£91.71 million, £95.34 million and £75.90 million respectively) represent a structural inflection driven by the Oracle partnership and the associated transformation in commercial scale. The creditor balance in 2022 nearly perfectly offsets the debtor balance (£90~ million), a match that is analytically consistent with the recognition of deferred income from large sponsorship contracts alongside the concurrent recognition of amounts payable to group entities for engineering services and power unit provision. This gross presentation of intercompany receivables and payables, rather than net presentation, is permissible under FRS 102 where the right of offset does not meet the criteria for legal enforceability. The accounting treatment inflates the apparent scale of the balance sheet without changing the underlying economic position. Adjusted for such intercompany gross-up, the economic working capital position of the company in 2022 would approximate the near-zero net current liability of £1.03 million reported in the statutory accounts.

A particularly noteworthy aspect of the 2004 liabilities is the inclusion of 'exceptional costs' of £15.84 million in the profit and loss account, which relate largely to provisions for onerous contracts and asset write-downs associated with the transition from Jaguar Racing to Red Bull Racing. This is corroborated by the significant reduction in tangible assets from £15.93 million in 2003 to £5.26 million in 2004, reflecting asset disposals and impairment charges in connection with the transfer of ownership and the rationalisation of the inherited asset base.

4. Non-Current Liabilities:

A defining structural characteristic of Red Bull Racing's balance sheet is the complete absence of external long-term debt at any point across the two decades examined. No bank loans, debentures, loan notes, or finance lease obligations appear in the non-current liability section of the accounts in any of the examined years. The only non-current liability disclosed is a provisions balance of £1.59 million in both 2008 and 2009 (Note 11 of the 2009 accounts), which represents a dilapidation provision for restoring leasehold properties. Specifically, deferred taxation in respect of industrial buildings allowances is extinguished by 2013.

The absence of bank debt is analytically significant on several dimensions. First, it confirms that Red Bull Racing is financed entirely through equity and intercompany provisions. The primary source of external financing is, in effect, Red Bull GmbH, which provides operational support through intercompany mechanisms. Second, the absence of external gearing eliminates interest rate risk and covenant risk from the company's financial profile, contributing to the auditors' ability to issue unqualified going concern opinions in all years examined. Third, from a financial distress perspective, the nil-debt structure implies that the team's solvency is contingent not on servicing external creditors but on maintaining the commercial relationship with its ultimate parent; creating a concentration risk of a different character, but one that has demonstrably proven robust across two decades of operation.

5. Equity:

The equity position of Red Bull Racing is characterised throughout the period by a nominal and invariant share capital of £1.0 million, reflecting the original capitalisation of the company upon acquisition and never subsequently augmented through additional share issuances. This fixed share capital base serves as a reminder that the company's financing is not equity-market based but it is a privately held subsidiary, and capital allocation decisions are made entirely within the Red Bull group.

The trajectory of retained reserves traces the team's commercial and competitive evolution with considerable precision. In 2004, the profit and loss reserve stood at a deficit of £815,000, reflecting the accumulated losses of the newly acquired entity following the recognition of exceptional restructuring costs of £15.84 million during the inaugural year. By 2009, the reserve had recovered to a modest positive balance of £161,000, reflecting five years of modest but positive profitability as the team's commercial revenues scaled under the Red Bull ownership model and the championship-winning car concept began to materialise under Adrian Newey's technical direction.

The 2013 reserve of £3.22 million reflects the sustained profitability of the dominant 2010–2013 championship era, during which FOM prize money distributions reached their highest levels. The 2020 reserve of £3.12 million illustrates an important countervailing force; Despite substantial growth in turnover over the 2013–2020 period (from £197.6 million to £229.8 million), the retained earnings position advanced only marginally, reflecting cost escalation, particularly in power unit and personnel, that substantially absorbed incremental revenue gains.

The 2022 balance of £3.14 million reflects the commercial transformative impact of the Oracle partnership and the associated prize money from consecutive constructors' championships. Notwithstanding this growth, the absolute magnitude of retained earnings remains negligible in relation to annual turnover. Another extraordinary figure by any conventional measure, and one that confirms the fundamental economic reality of Red Bull Racing Ltd as an asset-light commercial and operational entity embedded within a larger capital-intensive group.

4.2.2 Longitudinal Ratio Analysis

The foregoing analysis of Red Bull Racing Limited's balance sheet involves the calculation and interpretation of the balance sheet ratios. The goal is to interrogate three interrelated dimensions of the team's financial structure, getting specific information about its short-term liquidity, the architecture through which it is financed and the intensity with which it deploys balance-sheet capital to generate revenue. The ratios are selected for their capacity to illuminate the distinctive economic character of an entity that, as the preceding chapters have shown, operates not as a freestanding commercial enterprise but as a deliberately configured component of the wider Red Bull group. This distinction is methodologically consequential. Applied naively and measured against the benchmarks appropriate to a standalone manufacturer, almost every ratio examined below would return a misleading verdict. The analytical task is therefore twofold and involves computing the ratios faithfully and then reinterpreting them taking into account the group structure.

1. Liquidity: Current Ratio

£'000 unless stated	2003	2004	2008	2009	2012	2013	2019	2020	2021	2022	2023	2024
CURRENT ASSETS												
Total current assets	20,615	3,401	14,101	7,413	14,161	16,738	42,914	14,977	41,744	90,683	94,201	79,925
CURRENT LIABILITIES												
Creditors: amounts falling due within one year	25,783	8,471	30,526	20,506	18,132	20,640	45,649	18,219	43,455	91,709	95,347	75,903
CURRENT RATIO (x)	0.8	0.4	0.46	0.36	0.78	0.81	0.94	0.82	0.96	0.99	0.99	1.05

Table 4.13 – RBR's Current Ratio Evolution
Source: RBR's Financial Statements 2004-2024

The current ratio (current assets divided by current liabilities) reveals a persistent structural liquidity deficit across most of the period examined. In the earliest Red Bull years, ratios of 0.40 (2004) and 0.36 (2009) would, in a standalone context, indicate material short-term solvency risk. However, these ratios must be interpreted considering the already stated intercompany context and considering that the dominant creditor in both years is the amount owed to group undertakings, mostly internal financing provided by Red Bull GmbH. In this view, the going concern is respected thanks to the confirmed support from the parent companies rather than external trade creditors.

The series exhibits a progressive improvement from 0.40 in 2004 to 1.05 in 2024. The crossing of the 1.0 threshold in 2024 is the first occasion in the company's history at which current assets exceed current liabilities, representing a meaningful milestone in the team's financial maturation. This improvement is attributable primarily to the Oracle title sponsorship commencement in 2022, which generated substantial accrued income balances at year-end, and is not indicative of a fundamental change in the team's liquidity management philosophy. The entity continues to operate without a meaningful cash buffer (£978k in 2024), confirming that surplus liquidity is swept upward to the parent through intercompany mechanisms.

Financing Architecture

£'000 unless stated	2003	2004	2008	2009	2012	2013	2019	2020	2021	2022	2023	2024
GROUP FINANCING												
Amounts owed to group undertakings	16,089	2,177	26,754	17,724	622	5,763	15,053	3,643	4,445	6,880	N/D	2,328
TOTAL CURRENT LIABILITIES												
Creditors: amounts falling due within one year	25,783	8,471	30,526	20,506	18,132	20,640	45,649	18,219	43,455	91,709	95,347	75,903
INTERCOMPANY DEPENDENCY (%)	62.4	25.7	87.6	86.4	3.4	27.9	33	20	10.2	7.5	N/D	3.1

*Table 4.14 – RBR's Intercompany Dependency Ratio
Source: RBR's Financial Statements 2004-2024*

Following the analysis of the Current Ratio, the intercompany dependency ratio can provide the right information to capture the full picture of the real support to the team from Red Bull GmbH. The intercompany ratio measures the amounts owed to group undertakings as a proportion of total current liabilities and it is perhaps the most revealing metric in the entire dataset for understanding the team's financial architecture. In 2008 and 2009, the ratio exceeded 86%, confirming that the overwhelming majority of the entity's short-term financing was provided internally by the Red Bull group rather than by external creditors. During this period, the racing team was structurally dependent on its parent for operational liquidity. The subsequent decline from 86% (2009) to 7.5% (2022) traces the team's commercial maturation. As external sponsorship revenues grew and FOM prize distributions increased, the team's reliance on direct parental funding diminished correspondingly. By 2022, the dominant creditor component had shifted from intercompany balances to accruals and deferred income (£72.8M of £91.7M total creditors), reflecting the recognition of deferred sponsorship income from Oracle and other commercial partners rather than direct group funding. This transformation from parent-funded to commercially self-sustaining is one of the most significant structural achievements of the twenty-year period, even though the parent's implicit support remains available as a contingent backstop.

External Support

Moreover, a defining structural characteristic confirmed across every year in the dataset is the complete absence of external long-term debt. No bank loans, debentures, loan notes, or finance lease obligations appear at any point. This nil-gearing position eliminates interest rate risk, covenant risk, and creditor governance constraints from the company's financial profile. The entity's solvency is contingent not on servicing external creditors but exclusively on maintaining the commercial relationship with its

ultimate parent, creating a concentration risk of a different character, but one that has demonstrably proven robust across two decades of operation and multiple competitive cycles.

Asset Intensity: Net Assets Relative to Turnover

£'000 unless stated	2003	2004	2008	2009	2012	2013	2019	2020	2021	2022	2023	2024
CAPITAL EMPLOYED												
Net assets (total equity)	9,815	185	455	1,161	4,277	5,319	6,500	7,223	8,579	4,136	5,432	7,113
SCALE OF BUSINESS												
Turnover	84,055	72,057	123,538	132,749	176,310	197,599	245,438	229,754	238,351	278,026	307,472	314,409
ASSET INTENSITY (%)	11.68	0.26	0.37	0.87	2.43	2.69	2.65	3.14	3.6	1.49	1.77	2.26

Table 4.15 – RBR's Asset Intensity Ratio
Source: RBR's Financial Statements 2004-2024

As could be easily interpreted from the previous analysis on assets recognised in the Red Bull Racing statement, the asset intensity ratio remained extraordinarily low across the entire period. In a conventional capital-intensive manufacturing business, this ratio would typically exceed 30–50%; for RBR, this ratio ranges from 0.26% in 2004 to a peak of 3.60% in 2021, before declining. The persistent sub-4% level confirms that the team generates an exceptional level of revenue per pound of balance-sheet capital employed. The economic explanation is not operational efficiency per se, but rather again the systematic externalisation of capital investment to group entities, primarily to Red Bull Technology Limited.

The 2003 figure of 11.68% is anomalously high and reflects the Jaguar-era balance sheet, which still carried the freehold property and manufacturing assets that would subsequently be transferred to Red Bull Technology. The collapse to 0.26% in 2004 reflects both the impairment of those assets and the beginning of the corporate reorganisation. The modest recovery to the 2–3% range from 2012 onwards represents the stabilised equilibrium of the asset-light model under Red Bull's ownership architecture.

Tangible Asset Turnover

£'000 unless stated	2003	2004	2008	2009	2012	2013	2019	2020	2021	2022	2023	2024
SCALE OF BUSINESS												
Turnover	84,055	72,057	123,538	132,749	176,310	197,599	245,438	229,754	238,351	278,026	307,472	314,409
OWNED ASSET BASE												
Tangible fixed assets	15,931	5,255	18,467	15,841	8,248	9,221	9,235	10,465	10,290	4,655	4,085	3,091
TANGIBLE ASSET TURNOVER (x)	5.3	13.7	6.7	8.4	21.4	21.4	26.6	22	23.2	59.7	75.3	102

Table 4.16 – RBR's Tangible Asset Turnover Evolution

Source: RBR's Financial Statements 2004-2024

Measuring revenue generated per pound of owned tangible fixed assets provides the most vivid quantitative expression of the progressive externalisation of capital investment to Red Bull Technology Limited. The tangible asset turnover ratio is the most important ratio to conduct this analysis. The series of values of the ratio accelerates from 5.3x in 2003 to 101.7x in 2024, representing a twenty-fold increase in revenue generated per pound of owned assets.

This trajectory is not a direct measure of improving asset productivity in the conventional sense but it is the consequence of the corporate reorganisation strategy described in Chapter 2, under which capital-intensive infrastructure (wind tunnel, manufacturing halls, freehold property) was transferred from Red Bull Racing to Red Bull Technology between 2004 and 2022.

The 2024 figure of 101.7x means that for every pound of tangible fixed assets remaining on its balance sheet, Red Bull Racing generates over £100 of annual revenue. This ratio is analytically consistent with the team's configured role as a lean commercial and operational entity, while the capital-intensive productive functions operate within the sister entities. Any interpretation of this figure as evidence of exceptional operational efficiency must be qualified by the recognition that the assets generating the team's competitive output simply do not reside on this entity's balance sheet.

4.2.3 Conclusion

Several overarching structural conclusions emerge from the longitudinal balance sheet analysis.

First, the balance sheet of Red Bull Racing Ltd is best understood not as the financial statement of a self-contained enterprise but as a window onto a deliberately engineered component of a larger economic structure. The racing company serves as the commercial and operational nexus of the Red Bull Motorsport Group, contracting with sponsors, receiving FOM distributions, employing race-facing personnel, and managing the logistics of a 24-race global programme. The capital-intensive assets and

intellectual property that underpin the team's competitive advantage are located elsewhere in the corporate architecture, rendering the standalone balance sheet structurally uninformative with respect to the true resource base from which competitive performance is generated.

Second, the absence of external debt across the entire two-decade period is a structural choice with significant strategic implications. By financing operations exclusively through intercompany mechanisms and commercial revenues, Red Bull Racing Ltd avoids the governance constraints, covenant obligations, and financial flexibility restrictions that external leverage would impose. This structure is made possible by the financial strength of Red Bull GmbH as the ultimate parent, whose willingness to provide implicit and explicit financial support is confirmed by the parental letter of comfort referenced in the 2020 auditor's report. The going concern dependency on parental support is a structural vulnerability that would, in a standalone context, warrant significant credit risk discounting.

Third, and most fundamentally, the balance sheet analysis reinforces the conclusion that the competitive and economic value of Red Bull Racing cannot be assessed through conventional financial statement analysis applied at the entity level. The team's principal strategic assets (its aerodynamic design capability, its talent ecosystem, its commercial brand equity, and its institutional relationships) are unrecognised on the balance sheet under standard accounting conventions that prohibit the capitalisation of internally generated intangibles. A comprehensive assessment of the firm's resource endowment requires supplementing the accounting analysis with strategic management frameworks, specifically the Resource-Based View and the VRIN criteria, that operate independently of accounting recognition constraints. This limitation is not a failure of the financial statements, which achieve their statutory purpose of presenting a true and fair view of the company's financial position; it is rather an inherent consequence of applying transaction-based historical cost accounting to an entity whose competitive value is rooted in knowledge, culture, and human capital that no accounting standard was designed to capture.

Summary of Findings

The analysis conducted across the preceding chapters demonstrates that the Resource-Based View provides a coherent and analytically powerful explanatory framework for understanding Red Bull Racing's sustained competitive advantage. Taken together, the findings of this dissertation provide a definitive answer to the central research question advanced in the Introduction: What are the sources of Red Bull Racing's competitive advantage, and through which mechanisms were that advantage generated and sustained? The application of the VRIN framework to the statutory and strategic record of Red Bull Racing Limited reveals a deliberately configured ecosystem in which competitive superiority derives not from any single asset but from a system of mutually reinforcing capabilities operating at every level of the organisation that satisfy the conditions of value, rarity, inimitability, and non-substitutability simultaneously.

At the human capital level, examined in Chapter 1, the leadership configuration of Adrian Newey, Christian Horner and Helmut Marko constitutes a socially complex resource bundle whose inimitability is protected by tacit knowledge and a unique historical path-dependency that no competitor has been able to replicate. At the organisational level, Chapter 2 demonstrated that the corporate structure comprising Red Bull Technology Limited, Red Bull Powertrains Limited, Visa Cash App Racing Bulls and the Oracle integration represents a deliberately constructed resource ecosystem in which each subsidiary fulfils a distinct function in the creation, protection, or renewal of VRIN-compliant capabilities. The progressive internalisation of critical capabilities, which culminate in the establishment of Red Bull Powertrains, exemplifies the corporate strategy that aims for full vertical integration and follows the RBV's prescriptive logic that sustained competitive advantage requires hierarchical ownership of the resources upon which competitive position depends (Barney, 1991).

At the cost and revenue level, Chapter 3 provide a full overview of the RBR's business and established that the introduction of the FIA financial regulations in 2021 fundamentally transformed the competitive environment; with financial resources equalised across competitors by a regulated cost ceiling, firm-specific intangible capabilities became the sole differentiating factor, condition that perfectly match with the Resource-Based View's explanatory in which power is maximised, as Peteraf (1993) observed. At the financial level, Chapter 4 demonstrated that the persistently near-zero net profit margin recorded by Red Bull Racing Limited across both championship-winning and non-championship years (averaging between 0.25% and 0.75% across the twenty-year analytical window) is not a symptom of commercial underperformance. It is the financial signature of a reinvestment-maximising entity; In Penrosian terms,

the firm continuously converts its financial surplus into new productive services, compounding its resource advantage over time rather than distributing it to shareholders. The interest-free, demand-repayable intercompany financing structure provided by Red Bull GmbH functions as an invisible safety net enabling this permanent near-breakeven operation, while the displacement of capital-intensive productive assets to Red Bull Technology Limited renders the RBR Limited balance sheet structurally uninformative about the firm's true competitive position if looking at it only from financial statement values.

The Red Bull Racing case also requires a refinement of the Resource-Based View's implicit assumption regarding the relationship between sustained competitive advantage and entity-level financial performance. Barney (1991) defined sustained competitive advantage as the implementation of a value-creating strategy not simultaneously being implemented by any current or potential competitor. The conventional corollary of this definition is that such an advantage should manifest as superior profitability. This dissertation demonstrates that in corporate structures where the competitive entity operates as a subsidiary within a larger group, and where the overarching strategic objective is brand value creation rather than entity-level profit extraction, VRIN resources can generate sustained competitive advantage that is entirely invisible to conventional profitability metrics. The reason why the estimated enterprise valuation is now exceeding four billion dollars, from the 1 dollar acquisition price of 2004, is that real and strong rents are present, but they are almost fully captured at the group level rather than at the statutory entity level and reinvested rather than distributed. The 500:1 divergence between Red Bull Racing's book value of £7.1 million and its estimated enterprise value quantifies, with striking precision, the gap between what accounting standards are structurally capable of recognising and the true strategic value of the VRIN resources upon which the firm's competitive position rests. This finding carries a methodological implication for future research applying the RBV to multi-entity corporate structures in high-competitive sector such as Formula One; profitability at the statutory entity level is neither a necessary nor a sufficient indicator of the presence of sustained competitive advantage in the highlighted environment. A competitor seeking to replicate Red Bull Racing's position would need to reproduce not individual assets but the entire system of complementarities simultaneously (Barney, 1991), a condition that renders the advantage structurally self-sustaining. The modesty of the net profit margin, far from signalling financial weakness, is the financial signature of a long-term strategic commitment to competitive compounding, in which today's rents finance tomorrow's resource superiority.

Summarising the conclusion, the five principal findings of this dissertation are:

1. The championship-profitability paradox,
2. The near-zero margin as a deliberate financial strategy,
3. The asset-displaced architecture as a competitive instrument,
4. The invisibility of VRIN resources to conventional accounting,
5. The systemic complementarity that constitutes the highest-order barrier to imitation

Taken together, these findings converge on a peculiar interpretive thesis: Red Bull Racing's sustained dominance is the outcome of a consciously constructed strategic system in which excellence in resource deployment consistently takes precedence over the extraction of financial return. The case of Red Bull Racing Limited stands as a rare and instructive example of an organisation that has resolved the inherent tension between competitive ambition and financial discipline not by sacrificing one to the other, but by architecting a corporate structure in which reinvestment in excellence is itself the financial strategy.

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