# I. Company Thesis

Volkswagen AG (VW), headquartered in Wolfsburg, Germany, is a storied automobile manufacturer with a history dating back to 1937. Founded by the German Labour Front under the Nazi Party, Volkswagen was initially conceived as a peoples car project to make automobiles accessible to the average German family. The companys revival post-World War II was spearheaded by British Army officer Ivan Hirst, who transformed it into a global automotive powerhouse.

Volkswagen is renowned for iconic models such as the Beetle and serves as the flagship brand of the Volkswagen Group, which includes prestigious names like Audi, Porsche, and Lamborghini. Volkswagens journey from its early days to becoming the largest automotive manufacturer by worldwide sales in 2016 and 2017 is marked by significant milestones and strategic pivots. The companys largest market is China, accounting for 40 of its sales and profits, underscoring its global reach and influence.

Volkswagens name, derived from the German words Volk (people) and Wagen (car), reflects its mission to provide reliable and affordable vehicles to the masses. Throughout its history, Volkswagen has demonstrated resilience and adaptability. The company has navigated through various challenges, including the diesel emissions scandal, which necessitated a strategic overhaul and a renewed focus on sustainability and innovation.

Volkswagens commitment to electric vehicles (EVs) is a testament to its forward-thinking approach. By 2025, the company aims to launch at least 30 EV models, with a target of 20-25 of its annual sales volume consisting of EVs. This ambitious plan is supported by significant investments in battery technology and autonomous driving capabilities.

Volkswagens strategic partnerships and acquisitions have further bolstered its market position. The recent investment of up to 5 billion in Californian EV start-up Rivian exemplifies Volkswagens strategy to accelerate its software transformation and enhance its EV architecture. Additionally, the collaboration with Chinese EV maker Xpeng aims to develop a new generation of EVs, reflecting Volkswagens commitment to innovation and market expansion.

Under the leadership of CEO Oliver Blume, Volkswagen is focused on leveraging its heritage while embracing future technologies. The companys emphasis on design, quality, and customer experience is evident in its latest models and technological advancements. Volkswagens robust financial performance, with a net profit of 17.9 billion in 2023, and its strong balance sheet, position it well to navigate the evolving automotive landscape.

In summary, Volkswagens rich history, strategic foresight, and commitment to innovation make it a compelling investment. The companys ability to adapt to market dynamics, coupled with its ambitious plans for electrification and digitalization, underscores its potential for sustained growth and value creation.

# II. Company Basics

* CEO (Tenure) Oliver Blume (since 2022)
* Market Cap Not specified in the provided text
* Multiples (Current year) Not specified in the provided text
* 1, 3-Year, 5-Year Return (Ann. Through 2024) Not specified in the provided text
* Business Mix ( of 2023 Sales) Not specified in the provided text
* Geographic Mix ( of Sales) China (40 of sales and profits)

Volkswagen AG, headquartered in Wolfsburg, Germany, is a leading global automobile manufacturer. The company is known for its flagship brand, Volkswagen, and includes prestigious names such as Audi, Porsche, and Lamborghini under its umbrella. Volkswagens largest market is China, which accounts for 40 of its sales and profits. The company has a robust financial performance, with a net profit of 17.9 billion in 2023.

# III. Investment Highlights

## Valuation and Financial Performance

Volkswagen AG (VW) has demonstrated robust financial performance despite facing challenges in the global automotive market. The company reported a net profit of 17.9 billion in 2023, showcasing its ability to generate substantial earnings. This strong financial footing is further supported by a solid balance sheet, with automotive net liquidity standing at 36.7 billion as of September 2023. The companys commitment to maintaining a healthy financial position is evident in its cash flow management, achieving a net cash flow of 4.9 billion in the first nine months of 2023.

## Strategic Partnerships and Investments

Volkswagens strategic investments and partnerships are pivotal in enhancing its market position and technological capabilities. The recent investment of up to 5 billion in Californian EV start-up Rivian aims to accelerate Volkswagens software transformation and improve its EV architecture. Additionally, the collaboration with Chinese EV maker Xpeng is set to develop a new generation of EVs, reflecting Volkswagens commitment to innovation and market expansion. These partnerships are expected to provide Volkswagen with immediate access to advanced EV technologies and software, positioning the company competitively in the rapidly evolving automotive landscape.

## Product and Market Expansion

Volkswagen continues to expand its product portfolio with significant upgrades and new model launches. The company has introduced major product upgrades to its ID.4 and ID.5 models, enhancing their competitiveness with improved infotainment systems and increased range. The launch of the all-new ID.7, which recently won the prestigious German Car of the Year award, further underscores Volkswagens focus on quality and innovation. The companys strategic focus on electric vehicles (EVs) is evident in its ambitious plan to launch at least 30 EV models by 2025, aiming for 20-25 of its annual sales volume to consist of EVs.

## Geographic Diversification

Volkswagens largest market is China, accounting for 40 of its sales and profits. Despite a slight decline in Chinese market deliveries, Volkswagen remains committed to strengthening its position in this crucial market. The companys strategy includes the introduction of locally developed electric and electronic architectures and the implementation of LFP battery technology to reduce costs. Additionally, Volkswagens focus on the North American market is evident with the establishment of Scout Motors and the construction of a battery plant in Canada, aimed at catering to the growing demand for EVs in the region.

## Leadership and Governance

Under the leadership of CEO Oliver Blume, who took over in 2022, Volkswagen is focused on leveraging its rich heritage while embracing future technologies. Blumes strategic vision includes enhancing the companys design quality, improving operational efficiency, and fostering innovation through strategic partnerships. The companys emphasis on a value over volume strategy is aimed at boosting margins and ensuring sustainable growth during the transition to electric vehicles.

## Challenges and Risk Management

Volkswagen faces several challenges, including intense competition in the EV market, particularly from Chinese manufacturers, and the need to navigate complex regulatory environments. The companys strategic response includes a comprehensive performance program aimed at achieving significant cost reductions and improving competitiveness. Additionally, Volkswagens commitment to conducting an independent audit of its Xinjiang plant reflects its proactive approach to addressing human rights concerns and maintaining its reputation.

In summary, Volkswagens strong financial performance, strategic investments, and focus on innovation position it well for sustained growth. The companys ability to adapt to market dynamics, coupled with its ambitious plans for electrification and digitalization, underscores its potential for value creation in the evolving automotive industry.