# I. Company Thesis

Volkswagen AG (VW), headquartered in Wolfsburg, Germany, is a storied automobile manufacturer with a rich history dating back to its founding in 1937 by the German Labour Front. Initially established to produce the peoples car, the company gained prominence post-World War II under the stewardship of British Army officer Ivan Hirst. The iconic Volkswagen Beetle, with its distinctive design and air-cooled engine, became a symbol of automotive innovation and mass appeal, cementing VWs reputation globally.

Over the decades, Volkswagen has evolved into a global automotive powerhouse, serving as the flagship brand of the Volkswagen Group, which includes prestigious names such as Audi, Porsche, Bentley, and Lamborghini. By 2016 and 2017, Volkswagen Group had become the largest automotive manufacturer by worldwide sales, a testament to its expansive reach and robust portfolio.

Volkswagens largest market is China, accounting for 40 of its sales and profits. This significant presence underscores the companys strategic focus on high-growth regions and its ability to adapt to diverse market demands. Despite facing challenges, including the infamous Dieselgate scandal, Volkswagen has demonstrated resilience and a commitment to transformation, particularly in the realm of electric vehicles (EVs).

In recent years, Volkswagen has embarked on an ambitious journey towards electrification and digitalization. The company aims to launch at least 30 EV models by 2025, with a target of 20-25 of its total yearly sales volume being electric vehicles. This strategic pivot is underscored by substantial investments, including a 20 billion commitment to EV development and a 50 billion investment in battery acquisition.

Volkswagens approach to innovation is exemplified by its advancements in software and autonomous driving technologies. The introduction of the E3 1.2 software generation in the Audi Q6 e-tron and the development of fully autonomous vehicle prototypes like Sedric highlight VWs forward-thinking mindset. Additionally, the companys partnerships with tech firms such as QuantumScape for solid-state batteries and Rivian for EV architecture further bolster its technological edge.

The companys leadership, under CEO Oliver Blume, has been instrumental in driving this transformation. Blumes strategic vision emphasizes a balance between maintaining Volkswagens heritage and embracing future technologies. This dual focus is evident in initiatives like the revival of the Scout brand as an EV and the development of the ID. Buzz electric minivan, blending nostalgia with innovation.

Volkswagens commitment to sustainability is also noteworthy. The company has set ambitious decarbonization targets and is actively working towards reducing its carbon footprint across its operations. The establishment of PowerCo for battery production and the integration of renewable energy sources into its manufacturing processes are key steps in this direction.

In summary, Volkswagens rich history, expansive global footprint, and strategic focus on electrification and digitalization position it as a compelling investment opportunity. The companys ability to navigate challenges, coupled with its innovative spirit and commitment to sustainability, underscores its potential for long-term growth and value creation.

# II. Company Basics

CEO (Tenure)

Oliver Blume (since 2022)

Market Cap

TBD Bn

Multiples (Current year)

* TBDx PE (TBD x 1-yr. fwd.)
* TBD x PB
* TBD x PTB
* TBD x PS
* TBD 12-mo. dividend yield

1, 3-Year, 5-Year Return (Ann. Through 42624)

* TBD, TBD, TBD

TBD from 52-week high and TBD from ATH

Business Mix (2023 Sales)

* Volkswagen Passenger Cars (TBD)
* Audi (TBD)
* Porsche (TBD)
* Bentley (TBD)
* Lamborghini (TBD)
* SEAT (TBD)
* Škoda (TBD)
* Volkswagen Commercial Vehicles (TBD)
* Scania (TBD)
* MAN (TBD)

Geographic Mix (Sales)

* China (40)
* Europe (TBD)
* Americas (TBD)
* Rest of World (TBD)

Volkswagen AG, headquartered in Wolfsburg, Germany, is a leading global automobile manufacturer. The company operates through various prestigious brands, including Audi, Porsche, Bentley, and Lamborghini, under the Volkswagen Group umbrella. The current CEO, Oliver Blume, has been at the helm since 2022, steering the company through its ambitious electrification and digitalization strategies. Volkswagens largest market is China, contributing to 40 of its sales and profits, highlighting its strategic focus on high-growth regions. The company is also significantly invested in electric vehicle development, aiming to launch at least 30 EV models by 2025.

# III. Investment Highlights

## Valuation

Volkswagen AG (VW) is currently trading at a significant discount compared to its peers, with its stock price reflecting a valuation that suggests the company is struggling more than it actually is. The companys forward PE ratio is notably lower than that of competitors like Toyota and Stellantis. Despite a robust net profit of 17.9 billion in 2023, VWs market valuation remains suppressed, partly due to investor concerns over its transition to electric vehicles (EVs) and its heavy reliance on the Chinese market. However, the companys strong dividend yield of 7.6 offers a compelling return for investors even if the stock price remains flat.

## Leadership

Under the leadership of CEO Oliver Blume, who took the helm in 2022, VW has embarked on a transformative journey focusing on electrification and digitalization. Blumes strategic vision includes significant investments in EV technology and software development, aimed at positioning VW as a leader in the next generation of automotive innovation. His approach balances maintaining VWs rich heritage while aggressively pursuing future technologies, as evidenced by initiatives like the revival of the Scout brand as an EV and the development of the ID. Buzz electric minivan.

## Strategic Partnerships

Volkswagen has formed several strategic partnerships to bolster its technological capabilities and market reach. The recent 5 billion investment in Rivian aims to accelerate VWs software transformation and gain immediate access to Rivians EV architecture. This partnership is expected to enhance VWs competitiveness in the U.S. market, where it has historically lagged behind rivals like Tesla and BYD. Additionally, VWs collaboration with QuantumScape for solid-state batteries underscores its commitment to leading-edge battery technology, which is crucial for the future of EVs.

## Market Position and Expansion

Volkswagens largest market is China, accounting for 40 of its sales and profits. Despite recent challenges in this market, including a 1 drop in deliveries in the first half of 2023, VW is taking proactive steps to regain its footing. The company has invested 700 million in Chinese EV maker Xpeng to develop new models tailored to Chinese consumers. This move is part of a broader strategy to increase its market share in the rapidly growing EV segment in China. Moreover, VWs decision to hold its next capital markets day in Beijing highlights its focus on addressing investor concerns about its Chinese operations.

## Product Innovation

Volkswagen continues to innovate with a strong pipeline of new products. The introduction of the E3 1.2 software generation in the Audi Q6 e-tron and the launch of the ID.7, which recently won the German Car of the Year award, demonstrate VWs commitment to high-quality, technologically advanced vehicles. The companys focus on software and autonomous driving technologies is expected to drive future growth, with significant advancements anticipated in the coming years.

## Financial Performance

Volkswagens financial performance remains robust, with a sales revenue of 235 billion in the first nine months of 2023, up 16 year-over-year. The company achieved an operating result of 16.2 billion, corresponding to a margin of 6.9. Despite a challenging environment, VWs underlying operating margin, excluding valuation effects, stood at 8, almost on par with the prior years level. The companys automotive net liquidity of 36.7 billion as of September 2023 provides a solid financial foundation for ongoing investments and strategic initiatives.

## Challenges and Mitigation

While VW faces significant challenges, including the transition to EVs and competition in the Chinese market, the company is actively addressing these issues. The performance program for the Volkswagen brand aims to achieve a 6.5 margin by 2026, with a focus on cost reduction and efficiency improvements. Additionally, VWs strategic investments and partnerships are designed to enhance its competitive position and drive long-term growth.

In summary, Volkswagen AG presents a compelling investment opportunity, supported by strong leadership, strategic partnerships, robust financial performance, and a clear focus on innovation and market expansion. The companys proactive approach to addressing challenges and its commitment to sustainability further underscore its potential for long-term value creation.