### I. Company Thesis

Volkswagen AG (VW), headquartered in Wolfsburg, Lower Saxony, Germany, is a storied automobile manufacturer with a rich history dating back to its founding in 1937 by the German Labour Front. The company was initially part of the Peoples Car project, aimed at making cars affordable for the average German family. Post-World War II, Volkswagen was revived by British Army officer Ivan Hirst and has since evolved into a global automotive powerhouse, known for iconic models like the Beetle and the Golf.

Volkswagen serves as the flagship brand of the Volkswagen Group, which also includes prestigious names like Audi, Porsche, Bentley, and Lamborghini. The Group has consistently been one of the largest automotive manufacturers globally, achieving the highest worldwide sales in 2016 and 2017. Volkswagens largest market is China, accounting for 40 of its sales and profits, underscoring the brands global reach and influence.

The company has demonstrated resilience and adaptability through various historical challenges, including the diesel emissions scandal and the recent shift towards electric vehicles (EVs). Volkswagens commitment to innovation is evident in its ambitious plans to launch at least 30 EV models by 2025 and to have electric versions of all its vehicle models by 2030. This strategic pivot is supported by significant investments, including a 20 billion commitment to EV development and a 50 billion investment in battery acquisition.

Volkswagens approach to sustainability and technological advancement is further highlighted by its partnerships with companies like QuantumScape for solid-state batteries and its investment in Californian EV start-up Rivian. These collaborations aim to accelerate the companys software transformation and enhance its EV architecture, positioning Volkswagen as a leader in the next generation of automotive technology.

Despite facing intense competition and market challenges, Volkswagens robust product portfolio, strategic investments, and commitment to innovation make it a compelling investment. The companys ability to balance its rich heritage with forward-looking initiatives ensures it remains a significant player in the global automotive industry.

### II. Company Basics

* CEO (Tenure) Oliver Blume (since September 2022)
* Market Cap 63.8 billion
* Multiples (Current year)
* 4x PE
* 0.5x PB
* 0.3x PS
* 7.6 forward dividend yield
* 1, 3-Year, 5-Year Return (Ann. Through 2023) -50 over the past 18 months, specific annualized returns for 1, 3, and 5 years not provided.

#### Business Mix (of 2023 Sales)

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

#### Geographic Mix (of Sales)

* China (40)
* Europe (TBD)
* North America (TBD)
* Rest of World (TBD)

Volkswagen AG, headquartered in Wolfsburg, Germany, is a leading global automobile manufacturer. The company operates under multiple brands, including Volkswagen, Audi, Porsche, Bentley, Lamborghini, SEAT, and Škoda. The largest market for Volkswagen is China, which accounts for 40 of its sales and profits. The company is currently led by CEO Oliver Blume, who took over the role in September 2022. Volkswagens market capitalization stands at 63.8 billion. The company has faced challenges, including a significant drop in its share price over the past 18 months, but continues to focus on innovation and sustainability, particularly in the electric vehicle (EV) sector.

### III. Investment Highlights

#### Valuation and Financial Performance

Volkswagen AG (VW) is currently trading at attractive valuation multiples, with a Price-to-Earnings (PE) ratio of 4x, Price-to-Book (PB) ratio of 0.5x, and Price-to-Sales (PS) ratio of 0.3x. The company also offers a forward dividend yield of 7.6, making it an appealing option for income-focused investors.

Despite a challenging market environment, VW has demonstrated robust financial performance. The company reported a 16 increase in sales revenue to 235 billion for the first nine months of 2023, driven by strong growth in Europe and North America. However, it faced a 1 decline in Chinese car deliveries, leading to a revised global delivery target of about 9 million vehicles for 2023.

#### Electric Vehicle (EV) Strategy

Volkswagen is making significant strides in the electric vehicle market. The company aims to launch at least 30 EV models by 2025 and plans to have electric versions of all its vehicle models by 2030. Recent product upgrades, such as the Volkswagen ID.4 and ID.5, which now feature a new electric drive with up to 210-kilowatt power and 556 kilometers of range, underscore VWs commitment to enhancing its EV offerings. The ID.7 recently won the prestigious German Car of the Year award, further validating VWs progress in the EV sector.

#### Strategic Partnerships and Investments

Volkswagen has entered into strategic partnerships to bolster its EV and software capabilities. The company recently announced a 700 million investment in Chinese EV start-up Xpeng, acquiring a 5 stake. This partnership aims to develop two VW-branded electric vehicles for the Chinese market, expected to launch in 2026. Additionally, VWs collaboration with Rivian, involving a 5 billion investment, aims to accelerate software transformation and enhance EV architecture. These partnerships are expected to provide VW with a competitive edge in the rapidly evolving automotive landscape.

#### Operational Efficiency and Cost Management

Volkswagen is actively working on improving operational efficiency and cost management. The company has launched a comprehensive performance program targeting 10 billion in savings over the next three years. This program includes measures to enhance productivity, reduce fixed costs, and optimize material costs. VW is also focusing on reducing group overhead costs, achieving a 140 basis point improvement in the overhead cost ratio year-to-date.

#### Challenges and Market Dynamics

Despite its strong financial performance and strategic initiatives, Volkswagen faces several challenges. The company has experienced a decline in its market share in China, particularly in the EV segment, where it holds only a 4 share compared to 19 in combustion engine vehicles. Additionally, VWs order intake for BEVs in Europe has been below expectations, reflecting a general reluctance among consumers to adopt battery-powered vehicles. The company is addressing these challenges by enhancing its product offerings and implementing targeted marketing strategies.

#### Sustainability and Innovation

Volkswagen is committed to sustainability and innovation, investing 20 billion in EV development and 50 billion in battery acquisition. The company is also exploring advanced technologies, such as solid-state batteries through its partnership with QuantumScape. VWs focus on sustainability is further highlighted by its plans to commission an independent audit of its Xinjiang factory to ensure compliance with human rights standards.

#### Leadership and Governance

Under the leadership of CEO Oliver Blume, who took over in September 2022, Volkswagen is undergoing significant restructuring to enhance its competitiveness. The company is giving more independence to its various brands, including Audi and Porsche, to boost margins during the transition to electric vehicles. VW is also addressing governance issues, as highlighted by recent criticisms and the need for an independent audit of its Xinjiang operations.

In summary, Volkswagen AG presents a compelling investment opportunity, supported by attractive valuation multiples, robust financial performance, strategic partnerships, and a strong commitment to sustainability and innovation. However, investors should remain mindful of the challenges in the Chinese market and the broader EV adoption landscape.