### I. Company Thesis

Volkswagen AG (VW) stands as a paragon of resilience and innovation in the global automotive industry. Founded in 1937 by the German Labour Front, Volkswagens origins are deeply rooted in the vision of creating a peoples car (Volkswagen in German). The company was revived post-World War II by British Army officer Ivan Hirst, transforming it into a global automotive powerhouse.

The iconic Beetle, with its distinctive design and air-cooled, rear-mounted engine, became a symbol of the brands ingenuity and mass appeal. Volkswagens journey from its early days to becoming the flagship brand of the Volkswagen Group is marked by strategic expansions and a commitment to quality. The Volkswagen Group, which includes prestigious brands such as Audi, Porsche, Lamborghini, Bentley, and Bugatti, was the largest automotive manufacturer by worldwide sales in 2016 and 2017. This diverse portfolio underscores Volkswagens ability to cater to a wide range of market segments, from luxury sports cars to reliable family vehicles.

China, including Hong Kong and Macau, represents Volkswagens largest market, contributing to 40 of its sales and profits. This significant market presence highlights the brands global reach and adaptability to different consumer preferences. The companys strategic investments and partnerships in China, such as the recent collaboration with Xpeng, aim to bolster its position in the rapidly growing electric vehicle (EV) segment.

Volkswagens commitment to innovation is evident in its ambitious plans for electric mobility. By 2025, the company aims to launch at least 30 EV models, with a goal of having 20 to 25 percent of its total yearly sales volume consist of EVs. This forward-thinking approach is further exemplified by the development of the ID. series, which includes the award-winning ID.7. The companys investment in EV infrastructure, such as the establishment of battery plants in Europe and North America, underscores its dedication to sustainable mobility.

The companys history is also marked by its ability to navigate and overcome challenges. The diesel emissions scandal, known as Dieselgate, was a significant setback, but Volkswagen has since made substantial strides in regaining consumer trust and enhancing its environmental credentials. The introduction of the ID. Buzz and other electric models reflects Volkswagens commitment to a greener future.

Volkswagens strategic focus on digitalization and software development is another cornerstone of its future growth. The establishment of Cariad, the companys software arm, aims to enhance the digital experience for customers and integrate advanced technologies across its vehicle lineup. This initiative is crucial as the automotive industry increasingly shifts towards connected and autonomous driving solutions.

In summary, Volkswagens rich heritage, coupled with its strategic focus on innovation, sustainability, and digitalization, positions it as a compelling investment opportunity. The companys ability to adapt to market changes, its strong presence in key global markets, and its commitment to future mobility solutions underscore its potential for long-term growth and value creation.

### II. Company Basics

#### a) CEO (Tenure) Market Cap

* Oliver Blume (since September 2022)
* Market Cap TBD Bn

#### b) Multiples (Current year)

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

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

* TBD
* TBD
* TBD
* TBD from 52-week high and TBD from ATH

#### d) Business Mix (of 2023 Sales)

* Volkswagen Passenger Cars (TBD Includes ID. Series, Golf, Passat, and Tiguan)
* Audi (TBD)
* Porsche (TBD)
* Bentley (TBD)
* Lamborghini (TBD)
* Bugatti (TBD)
* SEATCUPRA (TBD)
* Skoda (TBD)
* Volkswagen Commercial Vehicles (TBD)

#### e) Geographic Mix (of Sales)

* China (40)
* Europe (TBD)
* Americas (TBD)
* Asia (TBD)

Volkswagen AG, headquartered in Wolfsburg, Germany, is a leading global automotive manufacturer. The company operates through a diverse portfolio of brands, including Volkswagen Passenger Cars, Audi, Porsche, Bentley, Lamborghini, Bugatti, SEATCUPRA, and Skoda. Oliver Blume has been the CEO since September 2022. China is the largest market for Volkswagen, contributing 40 of its sales and profits. The company is actively expanding its electric vehicle offerings, with a goal to have 20-25 of its yearly sales volume consist of EVs by 2025.

### III. Investment Highlights

#### Valuation

Volkswagen AG (VW) is currently navigating a challenging market environment, which has impacted its valuation. Despite these challenges, the company remains robust, with a solid balance sheet and strong cash flow generation. The automotive divisions net liquidity stood at 36.7 billion as of September 2023, underscoring its financial resilience. The companys forward yield is now 7.6, promising shareholders a decent return even if the stock doesnt move significantly. However, VWs stock trades at less than four times forward earnings, indicating a potential undervaluation compared to peers like Toyota, which trades at ten times forward earnings.

#### Leadership and Strategic Direction

Under the leadership of CEO Oliver Blume, who took over in September 2022, Volkswagen has embarked on a strategic transformation focusing on electrification, digitalization, and regional growth. The companys value over volume strategy aims to enhance margins by giving its various brands more independence. This approach is crucial as VW navigates the transition to electric vehicles (EVs) and addresses market-specific challenges, particularly in China.

#### Electric Vehicle (EV) Expansion

Volkswagen is committed to becoming a leader in the EV market. The company aims to launch at least 30 EV models by 2025, with a target of having 20-25 of its total yearly sales volume consist of EVs. The recent collaboration with Xpeng to develop two VW-branded electric vehicles for the Chinese market by 2026 is a strategic move to bolster its EV presence in China. Additionally, the development of the ID. series, including the award-winning ID.7, highlights VWs commitment to innovation in electric mobility.

#### Operational Efficiency and Cost Management

Volkswagen has implemented significant measures to enhance operational efficiency and reduce costs. The company has a comprehensive performance program targeting 10 billion in savings over three years, aiming for a 6.5 margin by 2026. This program includes optimizing production allocation, improving productivity, and leveraging synergies within the brand group core. The companys focus on reducing overhead costs has already shown progress, with a reduction in the ratio to automotive revenues by 230 basis points from 2019 to 2022.

#### Geographic and Market Diversification

Volkswagens global footprint is a significant strength. While China remains its largest market, contributing 40 of sales and profits, the company is also focusing on growth in North America and Europe. The recent 700 million investment in Xpeng and the establishment of battery plants in Europe and North America are strategic moves to enhance its market position and meet regional demands. The companys diverse brand portfolio, including Audi, Porsche, Bentley, Lamborghini, and Bugatti, allows it to cater to various market segments, from luxury sports cars to reliable family vehicles.

#### Challenges and Market Conditions

Despite its strengths, Volkswagen faces several challenges. The company has revised its global delivery forecast for 2023 due to a 1 drop in Chinese car deliveries in the first half of the year. Additionally, the competitive pricing environment in the Chinese EV market has pressured margins. The companys ability to navigate these challenges while maintaining its strategic focus on innovation and operational efficiency will be crucial for its long-term success.

#### Sustainability and Innovation

Volkswagens commitment to sustainability is evident in its ambitious plans for electric mobility and investment in EV infrastructure. The companys efforts to enhance its environmental credentials, particularly after the Dieselgate scandal, are reflected in the introduction of new electric models and the establishment of battery plants. The development of Cariad, VWs software arm, aims to integrate advanced technologies across its vehicle lineup, enhancing the digital experience for customers and supporting the shift towards connected and autonomous driving solutions.

In summary, Volkswagens strategic focus on electrification, digitalization, and operational efficiency, coupled with its strong financial position and diverse brand portfolio, positions it well for long-term growth. However, the company must navigate market-specific challenges and competitive pressures, particularly in China, to fully realize its potential.