# Company Thesis

Volkswagen AG (VW) is a German automobile manufacturer headquartered in Wolfsburg, Lower Saxony, Germany. Founded in 1937 by the German Labour Front under the Nazi Party, the company was revived post-World War II by British Army officer Ivan Hirst. Volkswagen is renowned for iconic models like the Beetle and serves as the flagship brand of the Volkswagen Group, which was the largest automotive manufacturer by worldwide sales in 2016 and 2017. The groups largest market is China, which accounts for 40 of its sales and profits.

Volkswagens name, derived from the German words Volk (people) and Wagen (car), translates to peoples car, reflecting its mission to produce affordable vehicles. The companys origins trace back to the 1930s when cars were a luxury item in Germany. The Peoples Car project aimed to create an affordable vehicle for the average German family, leading to the development of the KdF-Wagen, which later became the Beetle.

During World War II, Volkswagen shifted its focus to military vehicles, utilizing forced labor from concentration camps, a dark chapter in its history that the company has since acknowledged and addressed through restitution funds. Post-war, the company was revitalized under British military control, with Major Ivan Hirst playing a crucial role in restarting production. Volkswagen became a symbol of West German regeneration, with the Beetle becoming one of the most produced cars in history.

In the 1970s, Volkswagen faced challenges as the Beetles popularity waned. The company responded by acquiring Auto Union and NSU Motorenwerke AG, which led to the creation of the modern Audi brand. This acquisition provided the technological expertise necessary for Volkswagen to survive and thrive in the evolving automotive market.

Volkswagens commitment to innovation is evident in its recent focus on electric vehicles (EVs). The company plans to launch at least 30 EV models by 2025, aiming for 20-25 of its total yearly sales to consist of EVs. This strategic shift is part of Volkswagens broader goal to become a leader in sustainable mobility. The company has also invested in solid-state battery technology and autonomous driving, showcasing its dedication to future-proofing its business.

Volkswagens extensive global operations include manufacturing or assembly facilities in numerous countries, reflecting its status as a truly international corporation. The company is also known for its strong labor representation and social partnership practices, ensuring a balanced approach to business and employee welfare.

Despite facing significant challenges, including the Dieselgate scandal in 2015, Volkswagen has demonstrated resilience and a capacity for reinvention. The companys strategic investments in EVs, partnerships with tech firms, and focus on innovation position it well for future growth. Volkswagens rich history, commitment to sustainability, and global reach make it a compelling investment opportunity.

# Company Basics

CEO (Tenure)

* Oliver Blume (since 2022)

Market Cap

* TBD Bn

Multiples (Current year)

* TBDx PE
* TBDx PB
* TBDx PTB
* TBDx PS
* TBD 12-mo. dividend yield

1, 3-Year, 5-Year Return (Ann. Through 2024)

* TBD, TBD, TBD

TBD from 52-week high and TBD from ATH

Business Mix (of 2023 Sales)

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

Geographic Mix (of Sales)

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

Volkswagen AG operates as a global automotive manufacturer with a diverse portfolio of brands and a significant presence in various international markets. The company has a strong focus on innovation, particularly in the electric vehicle segment, and maintains extensive manufacturing and assembly facilities worldwide.

# Investment Highlights

## Valuation and Financial Performance

Volkswagen AG (VW) has demonstrated a robust financial performance despite facing significant challenges. For the first nine months of 2023, the company reported sales revenue of 235 billion, up by 16 year-over-year. The operating result came in at 16.2 billion, corresponding to a margin of 6.9. Excluding non-cash effective valuation effects of minus 2.5 billion from commodity hedges, the underlying operating margin was 8, almost on par with the prior years level. This performance underscores VWs resilience and ability to navigate a challenging market environment.

## Electric Vehicle (EV) Strategy

Volkswagen is committed to becoming a leader in sustainable mobility, with a strategic focus on electric vehicles (EVs). The company plans to launch at least 30 EV models by 2025, aiming for 20-25 of its total yearly sales to consist of EVs. In the first nine months of 2023, VW sold 532,000 BEVs, representing 7.9 of its total deliveries. The BEV share advanced to 9 in the third quarter, with a 61 year-on-year growth, particularly strong in Europe. Upcoming launches, such as the upgraded ID.4 and ID.5, and the all-new ID.7, are expected to further support this momentum.

## Geographic Diversification

Volkswagens global footprint is a significant strength, with operations in various regions, including Europe, China, and the Americas. Despite a slight decline in the Chinese market, VW recorded strong double-digit growth in Western Europe and North America. The companys extensive manufacturing and assembly facilities worldwide enable it to adapt to regional market dynamics and capitalize on growth opportunities.

## Leadership and Strategic Initiatives

Under the leadership of CEO Oliver Blume, who took over in 2022, VW has made significant strides in enhancing its operational efficiency and strategic focus. The company has launched several performance programs aimed at reducing costs and improving competitiveness. For instance, the brand group core saw a significant uplift in volumes and a 34 year-on-year increase in operating results to 5 billion. VWs commitment to prudent cost management and overhead cost discipline is evident in its improved overhead cost ratio, which advanced to 15.7 in the first nine months of 2023.

## Partnerships and Technological Advancements

Volkswagen has been proactive in forming strategic partnerships to bolster its technological capabilities. The recent 700 million investment in Chinese EV maker Xpeng is a testament to VWs strategy to enhance its EV offerings and market presence in China. Additionally, the company has announced the construction of a new cathode active material plant in Nysa, Poland, through its joint venture with Umicore, further strengthening its battery supply chain.

## Financial Stability and Shareholder Returns

Volkswagen maintains a solid financial position, with automotive net liquidity standing at 36.7 billion as of September 2023. The company has a strong track record of returning value to shareholders, evidenced by the 11 billion dividend payments in 2023. VWs commitment to maintaining a healthy balance sheet and generating robust cash flows positions it well for future growth and investment opportunities.

## Challenges and Market Conditions

While VW has shown resilience, it faces challenges such as the current reluctance in the European market to buy battery-powered vehicles and the competitive pricing environment in China. The company has taken deliberate steps to address these issues, including enhancing the competitiveness of its MEB platform with improved driving assistance functions, in-car entertainment, and cost-effective battery chemistries like LFP.

Overall, Volkswagen AGs strategic focus on innovation, robust financial performance, and proactive measures to address market challenges make it a compelling investment opportunity. The companys commitment to sustainability, technological advancements, and strong leadership further enhance its prospects for future growth.