### I. Company Thesis

Volkswagen AG, headquartered in Wolfsburg, Germany, stands as a testament to resilience and innovation in the automotive industry. Founded in 1937 by the German Labour Front, Volkswagens journey from its early days under the Nazi regime to becoming a global automotive leader is marked by significant milestones and strategic pivots.

The companys revival post-World War II, spearheaded by British Army officer Ivan Hirst, set the stage for its transformation into a symbol of German industrial prowess. Volkswagens iconic Beetle, with its distinctive design and air-cooled, rear-mounted engine, became a cultural phenomenon and a symbol of affordable mobility. This model laid the foundation for Volkswagens reputation for engineering excellence and reliability.

Over the decades, Volkswagen expanded its portfolio, acquiring brands like Audi, SEAT, Porsche, Lamborghini, Bentley, Bugatti, Scania, MAN, and Škoda, thus creating a diverse and robust automotive group. The companys commitment to innovation is evident in its strategic focus on electric vehicles (EVs) and digitalization. Volkswagens ambitious plan to launch at least 30 EV models by 2025, with a goal of having 20-25 of its annual sales volume come from EVs, underscores its dedication to sustainable mobility. The introduction of the ID. series, including the award-winning ID.7, highlights Volkswagens capability to blend cutting-edge technology with consumer-centric design.

Volkswagens strategic partnerships, such as the recent collaboration with Rivian and Xpeng, further enhance its technological capabilities and market reach. These alliances are aimed at accelerating the development of advanced software and EV platforms, ensuring Volkswagen remains competitive in an industry increasingly driven by digital innovation.

Despite facing challenges, including the infamous Dieselgate scandal and intense competition in the Chinese market, Volkswagen has demonstrated a robust ability to adapt and evolve. The companys value over volume strategy, focusing on profitability and market-specific adaptations, reflects a mature approach to navigating the complexities of the global automotive landscape. Volkswagens strong financial foundation, with significant investments in RD and a clear focus on reducing overhead costs, positions it well for future growth. The companys commitment to sustainability, as evidenced by its decarbonization targets and investments in battery technology, aligns with global trends towards greener transportation solutions.

In summary, Volkswagens rich history, strategic foresight, and unwavering commitment to innovation make it a compelling investment. The companys ability to leverage its legacy while embracing future technologies positions it uniquely to navigate and thrive in the evolving automotive industry.

### II. Company Basics

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

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

#### b) Multiples (Current year)

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

#### c) 1, 3-Year, 5-Year Return (Ann. Through 2023)

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

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

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

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

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

Volkswagen AG, headquartered in Wolfsburg, Germany, is a global automotive leader with a diverse portfolio of brands. The company is strategically focused on electric vehicles (EVs) and digitalization, aiming to launch at least 30 EV models by 2025. Despite challenges, Volkswagen remains committed to innovation and sustainability, positioning itself for future growth in the evolving automotive industry.

### III. Investment Highlights

#### a) Valuation

Volkswagen AGs valuation reflects a complex interplay of its robust legacy and current market challenges. The companys forward yield stands at 7.6, promising a decent return even if the stock remains stagnant. However, Volkswagens stock trades at less than four times forward earnings, significantly lower than peers like Toyota, which trades at ten times. This undervaluation is partly due to concerns over Volkswagens transition to electric vehicles (EVs), its dependence on the Chinese market, and governance issues. Despite these challenges, the companys strong dividend yield and substantial net cash position provide a buffer and potential for re-rating as it navigates its strategic initiatives.

#### b) Leadership

Under the leadership of CEO Oliver Blume, who took over in September 2022, Volkswagen has embarked on a series of strategic initiatives aimed at enhancing its competitiveness. Blumes focus on decentralizing decision-making and empowering individual brands within the group is expected to drive efficiency and innovation. His approach to fostering partnerships, such as the recent collaborations with Rivian and Xpeng, underscores a commitment to leveraging external expertise to accelerate Volkswagens technological advancements.

#### c) Strategic Partnerships

Volkswagens recent investments in Rivian and Xpeng highlight its strategic pivot towards enhancing its EV and software capabilities. The 5 billion investment in Rivian aims to leverage the startups advanced EV architecture, while the partnership with Xpeng focuses on developing new EV models tailored for the Chinese market. These collaborations are expected to bolster Volkswagens competitive edge in the rapidly evolving EV landscape and address its current software development challenges.

#### d) Restructuring and Efficiency Programs

Volkswagen is actively pursuing restructuring initiatives to improve its cost structure and operational efficiency. The company has announced a 10 billion performance program aimed at achieving a 6.5 margin for the Volkswagen brand by 2026. This program includes measures to enhance productivity, reduce fixed costs, and optimize material costs. Additionally, Volkswagen is working on synergies within its brand group core, which includes brands like Audi, SEAT, and Škoda, to streamline operations and reduce redundancies.

#### e) Electric Vehicle (EV) Strategy

Volkswagens commitment to EVs is evident in its ambitious plan to launch at least 30 EV models by 2025. The introduction of the ID. series, including the award-winning ID.7, showcases Volkswagens ability to blend cutting-edge technology with consumer-centric design. Despite current challenges in EV demand, particularly in Europe, Volkswagen remains focused on expanding its EV portfolio and improving the cost competitiveness of its EV offerings through measures like introducing LFP batteries.

#### f) Geographic Diversification

Volkswagens global footprint provides a balanced exposure to different markets. While the company faces challenges in China, its largest market, it continues to see strong growth in Europe and North America. Volkswagens strategic focus on the U.S. market, exemplified by the launch of the Scout brand, aims to capture a larger share of the growing EV market in North America. The companys diversified geographic presence helps mitigate risks associated with regional market fluctuations.

#### g) Sustainability and Innovation

Volkswagens commitment to sustainability is reflected in its decarbonization targets and investments in battery technology. The company is ramping up its battery business through PowerCo, with plans to build three cell factories in Europe and North America. Volkswagens focus on sustainable mobility aligns with global trends towards greener transportation solutions and positions the company well to capitalize on the growing demand for environmentally friendly vehicles.

#### h) Financial Resilience

Volkswagens strong financial foundation, with significant investments in research and development (RD) and a clear focus on reducing overhead costs, positions it well for future growth. The companys automotive net liquidity stood at 36.7 billion as of September 2023, providing a solid buffer to navigate market uncertainties and invest in strategic initiatives. Volkswagens disciplined approach to capital allocation and cost management is expected to drive long-term value creation for shareholders.

### IV. Investment Concerns

#### a) Competition

Volkswagen faces intense competition in the global automotive market, particularly in the electric vehicle (EV) segment. Rivals like Tesla, BYD, and traditional automakers such as Toyota and General Motors are aggressively expanding their EV offerings. This competitive pressure is compounded by the rapid advancements in EV technology and the aggressive pricing strategies of Chinese automakers, which could erode Volkswagens market share and profitability.

#### b) Chinese Market Challenges

China, Volkswagens largest market, presents significant challenges. The companys market share in the Chinese EV segment is only 4, compared to 19 for combustion engine vehicles. The competitive landscape in China is fierce, with local manufacturers like BYD and Nio gaining ground. Additionally, geopolitical tensions and regulatory uncertainties could further impact Volkswagens operations and profitability in this crucial market.

#### c) Software Development Issues

Volkswagens software arm, Cariad, has been plagued by delays and budget overruns, impacting the rollout of new models. The companys reliance on software for its next-generation vehicles means that any further setbacks could delay product launches and erode consumer confidence. The recent restructuring at Cariad, while necessary, underscores the ongoing challenges Volkswagen faces in becoming a leader in automotive software.

#### d) Governance and Management

Volkswagen has been criticized for its complex and opaque governance structure. The influence of the Porsche-Piëch family and the State of Lower Saxony, which control a significant portion of voting rights despite owning a smaller percentage of equity, raises concerns about decision-making efficiency and shareholder alignment. This governance issue has been cited as a factor in Volkswagens undervaluation compared to peers.

#### e) Financial Risks

Despite a strong financial foundation, Volkswagens high investment levels in EVs, software, and battery technology pose financial risks. The companys research and development (RD) and capital expenditures are expected to peak this year, which could strain cash flows if market conditions deteriorate. Additionally, the companys significant exposure to the Chinese market means that any economic slowdown or regulatory changes in China could have a substantial impact on Volkswagens financial performance.

#### f) Regulatory and Compliance Risks

Volkswagen operates in a highly regulated industry, and compliance with environmental and safety standards is critical. The companys past issues, such as the Dieselgate scandal, highlight the potential for significant financial and reputational damage from regulatory non-compliance. Ongoing scrutiny and tightening regulations, particularly in Europe and China, could increase compliance costs and operational challenges for Volkswagen.

#### g) Supply Chain Vulnerabilities

The global automotive industry has faced significant supply chain disruptions, and Volkswagen is no exception. The company has experienced production delays due to semiconductor shortages and other supply chain bottlenecks. Any further disruptions, whether due to geopolitical tensions, natural disasters, or logistical challenges, could impact Volkswagens ability to meet production targets and fulfill customer orders.

#### h) Market Sentiment and Investor Confidence

Volkswagens stock trades at a significant discount to peers, reflecting investor concerns about its ability to navigate the transition to EVs, its dependence on the Chinese market, and governance issues. While the companys strong dividend yield provides some support, sustained negative market sentiment could limit Volkswagens ability to attract new investors and raise capital for future growth initiatives.