PYTHON FOR FINANCE

Final Project: Volkswagen

During 2015, Volkswagen was hit by the biggest scandal in company’s history. In September, the U.S. Environmental Protection Agency (EPA) found that many Volkswagen cars had installed in diesel engines a particular software that could sense test scenarios by monitoring speed, engine operation, air pressure and the position of the steering wheel.

Consequently, when a test was detected by the software, car’s performances were changed into safety mode in order to obtain better environmental results and being able to stay below the maximum emission level.

The consequence for the use of this software was that the engines, not in test conditions, but in normal driving mode without the influence of the software were polluting 40 times the maximum allowed in the US.

The final result was that Volkswagen admitted its fault and recalled 11 million cars from all around the world, there were many class actions against the carmaker company which faced for the first time in fifteen years a quarterly loss of $2.5 billion.

This event was key in the corporate evaluation since many shareholders felt betrayed by the company’s behaviour. Volkswagen, in order to sell a high number of cars, has admitted to sabotaging the system of environmental controls, causing not only serious damage to the company's image but also causing serious environmental damage. Moreover, because of the scandal, part of the management decided to leave the company or resigned.

To conclude, we believe that the impact of this event on Volkswagen’s stock price will be strongly negative.

We think the stock price of Volkswagen will drop, since many shareholders will decide not to be part of the company anymore. As the cars were sold with falsified homologation tests, many will sell their shares as they are sure that there will be legal action against the company at a later date.

Furthermore, the fact that the car manufacturer has shown that it is not interested in environmental pollution, despite the fact that it is a key element in this era, could lead to large financial expenses in the long run to restore this position.