

Analysis of Volkswagen AG

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Disclosure

The author holds a long position in Volkswagen AG (ETR:VOW).

Volkswagen Group - Company Profile

Profile

- Business Summary: Volkswagen Aktiengesellschaft, together with its subsidiaries, engages in the manufacture and sale of automobiles worldwide. The company operates in two divisions, Automotive and Financial Services.
- Sector: Consumer Goods
- Industry: Auto Manufacturers - Major

Volkswagen Group - Company Profile

Product range - Automotive Division

- Passenger cars
- Trucks
- Buses
- Large-bore diesel engines
- Turbochargers and Turbomachinery
- Compressors
- Chemical reactors

Volkswagen Group - Company Profile

Product range - Financial Service division

- Dealer and customer financing
- Leasing
- Insurance
- Fleet management services

Volkswagen Group - Company Profile

Market Share for 2011

- Second largest car manufacturer in the world, largest in Europe
- 12.3 % share of the global market, 23.0 % share of the European market

Volkswagen Group - Company Profile

Brands portfolio



Audi



SEAT

ŠKODA



BENTLEY



Experience D[r]iversity.



Commercial
Vehicles



SCANIA



Volkswagen Group - Company Profile

Acquisitions in 2012



Volkswagen Group - Company Profile

Acquisitions in 2012 II



PORSCHE

Volkswagen Group - Growth

Growth in 2011

Volkswagen Group		2011	Change y-o-y in %
Deliveries to customers	'000 vehicles	8,265	+14.7
Production	'000 vehicles	8,494	+15.5
Employees (at December 31)	'000 employees	502.0	+25.7
Sales revenue	€ million	159,337	+25.6
Profit after tax	€ million	15,799	x
Automotive Division²⁾			
Cash flows from operating activities	€ million	17,109	+22.8
Cash flows from investing activities attributable to operating activities ³⁾	€ million	15,998	+75.9

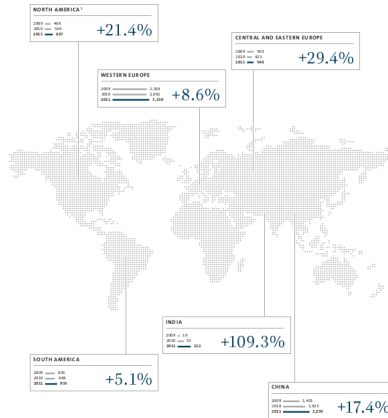
Volkswagen Group - Growth

Growth in 2012 up to September

Volkswagen Group		Jan.-Sep. 2012	Change y-o-y in %
Deliveries to customers	'000 vehicles	6,855	+11.1
Production	'000 vehicles	6,974	+10.7
Employees (Sep. 30, 2012/Dec. 31, 2011)	'000 employees	549.3	+9.4
Sales revenue	€ million	144,226	+24.0
Profit after tax	€ million	20,155	+47.7
Automotive Division²⁾			
Cash flows from operating activities	€ million	11,935	-3.9
Cash flows from investing activities attributable to operating activities ³⁾	€ million	11,331	+31.7

Volkswagen Group - Growth

Growth by region (2011)



Volkswagen Group - Growth

Group Strategy 2018 - Main Goals

- Volkswagen intends to deploy intelligent innovations and technologies to become a world leader in customer satisfaction and quality.
- The goal is to increase unit sales to more than 10 million vehicles a year; in particular, Volkswagen intends to capture an above-average share of the development of the major growth markets.
- Volkswagen intends to increase its return on sales before tax to at least 8% so as to ensure that the Group's solid financial position and ability to act are guaranteed even in difficult market periods.
- Volkswagen aims to become the top employer across all brands, companies and regions; this is necessary in order to build a first-class team.

Volkswagen Group - Growth

Group Strategy 2018 - Important Goals

- Become the largest car manufacturer in the world by 2018
- Standardizing processes in both the direct and indirect areas of the Group and reducing throughput times in production
- The modular toolkit system allows Volkswagen to constantly improve production efficiency and flexibility

Volkswagen Group - Financials

Valuation

	VOW	Top 5 Average	Top 5 Median
P/E	3.38	7.26	7.11
Price/Sales	0.40	0.448	0.424
Price/Book	1.0	1.388	1.309

Volkswagen Group - Financials

Financial Highlights - Income Statement

	VOW	Top 5 Average	Top 5 Median
Revenue	187.28 B	-	-
Revenue per share	402.58	-	-
Q. Rev. Growth (yoy)	26.80 %	9.66 %	6.63 %
EPS (Diluted)	47.64	-	-
Q. Ear. Growth (yoy)	60.40 %	55.72 %	33.66 %

Volkswagen Group - Financials

Financial Highlights - Balance Sheet

	VOW	Top 5 Average	Top 5 Median
Total Cash	20.12 B	-	-
Total Cash per Share	43.25	-	-
Total Debt	91.98 B	-	-
Current Ratio	1.03	1.21	1.135
Book Value per Share	159.24	-	-

Volkswagen Group - Financials

Financial Highlights - Margins

	VOW	Top 5 Average	Top 5 Median
Profit Margin	11.84 %	8.614 %	9.607 %
Operating Margin	5.79 %	6.486 %	6.03 %
Return on Assets	2.52 %	3.112 %	2.89 %
Return on Equity	32.19 %	43 %	26.81 %

Volkswagen Group - Major Holders

Major Holders - as of December 2011

Porsche Automobil Holding SE	32.2%
Foreign institutional investors	25%
Qatar Holding LLC	16.4 %
State of Lower Saxony	12.7 %
Private shareholders / others	9.4 %
German institutional investors	2.8 %
Porsche Holding GmbH, Salzburg	1.5 %

Volkswagen Group - Technicals

Chart



Volkswagen Group - Technicals

Chart II



Volkswagen Group - Technicals

Barchart.com Opinion

Composite Indicators	Signal	
\$ TrendSpotter	Buy	
Short Term Indicators		
\$ 7 Day Average Directional Indicator	Buy	
\$ 10 - 8 Day Moving Average Hilo Channel	Buy	
\$ 20 Day Moving Average vs Price	Buy	
\$ 20 - 50 Day MACD Oscillator	Buy	
\$ 20 Day Bollinger Bands		Hold

Short Term Indicators Average: 80% Buy

20-Day Average Volume - 1,369

Medium Term Indicators		
\$ 40 Day Commodity Channel Index	Buy	
\$ 50 Day Moving Average vs Price	Buy	
\$ 20 - 100 Day MACD Oscillator	Buy	
\$ 50 Day Parabolic Time/Price	Buy	

Medium Term Indicators Average: 100% Buy

50-Day Average Volume - 6,204

Long Term Indicators		
\$ 60 Day Commodity Channel Index	Buy	
\$ 100 Day Moving Average vs Price	Buy	
\$ 50 - 100 Day MACD Oscillator	Buy	

Long Term Indicators Average: 100% Buy

100-Day Average Volume - 6,988

Overall Average: 96% Buy



Volkswagen Group - News

Recent News - Production Capacity Expansion

- "New Production facility launched in Nizhny Novgorod." (Dec-2012)
- "Volkswagen AG's two Chinese joint ventures are investing a total of EUR14 billion (\$17 billion) by 2016, and the Wolfsburg, Germany-based group has said in the past its annual production capacity in China would rise to Three million cars as early as next year." (June-2012)
- "Volkswagen AG is expanding its existing plants in Changchun, Nanjing and Chengdu, as well as building new ones in Yizheng, Foshan and Ningbo." (June-2012)

Volkswagen Group - Conclusion

Buy Volkswagen Group (VOW)

- VOW is Undervalued compared to its competitors
- VOW outperforms its competitors in terms of growth
- 'Strategy 2018', if a success will make Volkswagen Group the largest car manufacturer in the world
- Technical indicators are positive
- Very well diversified portfolio of brands and products
- Very well positioned to profit from emerging markets