

**Valuation & Research Specialists (VRS)**  
Equity Research Team  
info@valueinvest.gr

## VOLKSWAGEN GROUP

Listed on Frankfurt Stock Exchange - Germany

[Bloomberg Ticker: VOW:GR] [Reuters Ticker: VOWG\_p.DE]

**Business Sector / Industry: Consumer Cyclical | Auto Manufacturers**

### Corporate & Investment Highlights

- Volkswagen AG is engaged in developing vehicles and components for its brands. It also produces and sells vehicles, in particular passenger cars and light commercial vehicles for the Volkswagen Passenger Cars and Volkswagen Commercial Vehicles brands.
- The Passenger Cars segment cover the development of vehicles and engines, the production and sale of passenger cars, and the corresponding genuine parts business. The Commercial Vehicles segment comprises the development, production and sale of light commercial vehicles, trucks and buses, the genuine parts business and related services. The Power Engineering segment consist of the development and production of large-bore diesel engines, turbo compressors, industrial turbines and chemical reactor systems, the production of gear units, propulsion components and testing systems. The Financial Services segment comprises dealer and customer financing, leasing, banking and insurance activities, fleet management and mobility services. [Source: Reuters]

### Consolidated Annual Financial Results (2017 versus 2016, € millions)

(in € mn)	2017	%	2016
Sales	230,682	6.17%	217,267
Gross Profit	42,542	3.77%	40,997
EBITDA	26,094	37.34%	18,999
EBT	13,913	90.80%	7,292
EATAM	11,354	120.72%	5,144

Source: Company. Note: Fiscal Year ends on December 31<sup>st</sup>.

### Quarterly Financial Results (Q1 2018 versus Q1 2017, € millions)

(in € mn)	Q1 2018	%	Q1 2017
Sales	58,228	3.61%	56,197
Gross Profit	11,571	1.26%	11,427
Operating Income	4,211	-3.57%	4,367
EBT	4,477	-2.50%	4,592
EATAM	3,221	-2.86%	3,316

Source: Company.

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Share Price (22/06/2018) € 149.38

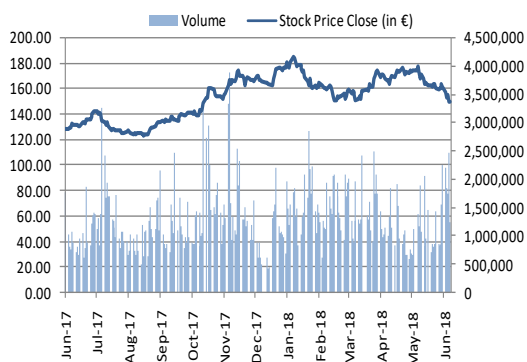
# of Shares (mn)	501.30
Market Cap (in € mn)	74,884.19
A.D. Volume (p)	1,285,548
Beta Co-efficient	1.201

#### Statistical Data

Max 52 week, €	184.26
Min 52 week, €	122.53
1-M Rtn	-15.41%
6-M Rtn	-18.93%
12-M Rtn	16.48%

Source: VRS Calculations, Reuters.  
Period as day/month/year.

### Stock Price Performance & Transaction Volume (1 year, in € and in number of shares)



Note: Share price performance based on share price closes on Stock Exchange.  
Period as day/month/year.

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### BASIC FINANCIAL INDICATORS

in € million	Sales	Gross Profit	EBT	EATAM	P/E (x)	P/BV (x)	EV/EBITDA (x)	DEBT/EQUITY (x)	ROE %
2011	159,337	27,966	18,926	15,409	4.9	1.3	8.4	1.63	27%
2012	192,676	35,158	25,492	21,717	3.4	1.0	8.7	1.52	28%
2013	197,007	35,600	12,428	9,066	8.3	0.9	8.4	1.42	11%
2014	202,458	36,524	14,794	10,847	6.9	0.8	8.2	1.49	12%
2015	213,292	33,910	-1,301	-1,582	-47.3	0.9	27.7	1.65	-2%
2016	217,267	40,997	7,292	5,144	14.6	0.8	11.1	1.67	6%
2017	230,682	42,542	13,913	11,354	6.6	0.7	8.4	1.50	10%
2018 E	241,050	44,454	14,725	12,050	6.2	0.6	8.4	1.48	10%
2019 E	248,150	45,763	15,500	12,650	5.9	0.6	8.6	1.46	10%

Notes: (1) EATAM and equity are calculated excluding minorities. (2) P/E, P/BV and EV/EBITDA are based on current share price and current outstanding number of shares. Source: Official Consolidated Financial Statements, VRS Estimates & Calculations. n/c stands for non calculable.

### Working Capital Ratios

in € million	2014	2015	2016	2017	2018 E	2019 E
Revenues	202,458	213,292	217,267	230,682	241,050	248,150
Cost (net of depreciation)	165,934	179,382	176,270	188,140	196,596	202,387
Gross Profit Margin	% 18.04%	15.90%	18.87%	18.44%	18.44%	18.44%
Net Income / Profit	10,847	-1,582	5,144	11,354	12,050	12,650
Net Profit Margin	% 5.4%	-0.7%	2.4%	4.9%	5.0%	5.1%
Cash & Cash Equivalents	19,123	20,871	19,265	18,457	17,714	17,029

### Stock Days

Days	69	71	81	78	78	78
Stock Inventory	31,466	35,048	38,978	40,415	42,231	43,475

### Debtors Days

Days	21	19	20	21	21	21
Debtors - Receivables	11,472	11,132	12,187	13,357	13,957	14,368

### Creditors Days

Days	43	42	47	45	45	45
Creditors - Suppliers	19,530	20,460	22,794	23,046	24,082	24,791

### Operating Cycle (Days)

Days	90	90	101	100	100	100
Cash Cycle (Days)	47	49	54	55	55	55

Source: Official Consolidated Financial Statements, VRS Estimates & Calculations. Gross profit is calculated by deducting cost of sales (net of depreciation, wherever applicable) from revenues.

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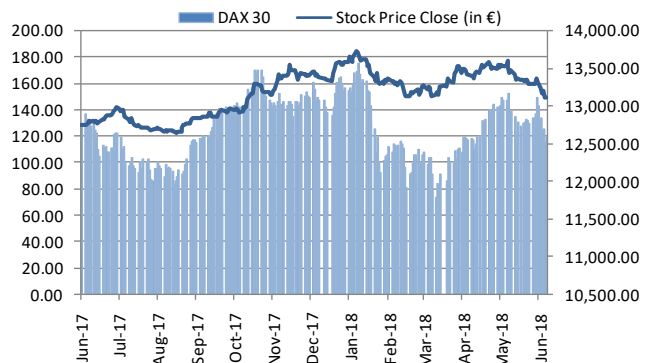
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Shareholders' Structure	
Porsche Automobil Holding	52.20%
State of Lower Saxony	20.00%
Qatar Holding	17.00%
Others	10.80%
<b>Total</b>	<b>100.00%</b>

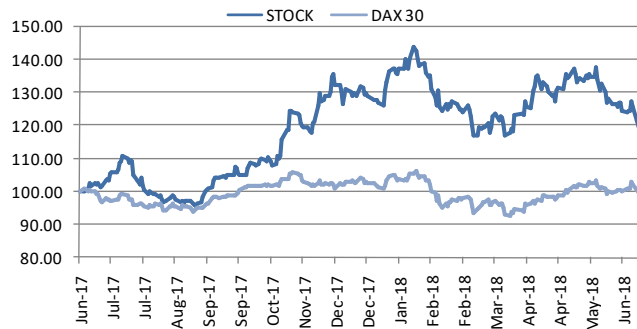
Source: Company.

**Stock versus DAX 30 Index**  
(Last 52 Weeks or since listing, Stock Price in €, Index in points)



Source: Historical Data, Yahoo! Finance. Note: Share price performance based on price closes on Stock Exchange. Period as day/month/year.

**Stock versus DAX 30 Index**  
(Last 52 Weeks or since listing, Base = 100)



Source: Historical Data, Yahoo! Finance. Note: Share price performance based on price closes on Stock Exchange. Period as day/month/year.

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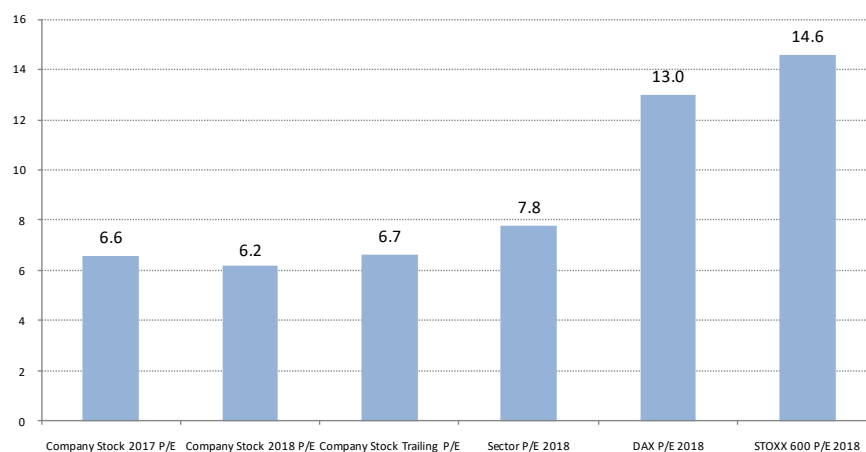
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	P/E Multiple
Company Stock 2017 P/E	<b>6.6</b>
Company Stock 2018 P/E	<b>6.2</b>
Company Stock Trailing P/E	<b>6.7</b>
Sector P/E 2018	<b>7.8</b>
DAX P/E 2018	<b>13.0</b>
STOXX 600 P/E 2018	<b>14.6</b>

### Company Historic P/E Multiple versus Market P/E Multiples (x)



Source: VRS calculations based on consolidated accounts, FACTSET.

### EPS Estimates

In €	EPS
2017	22.649
2018 E	24.038
2019 E	25.234

Source: VRS calculations & estimates.

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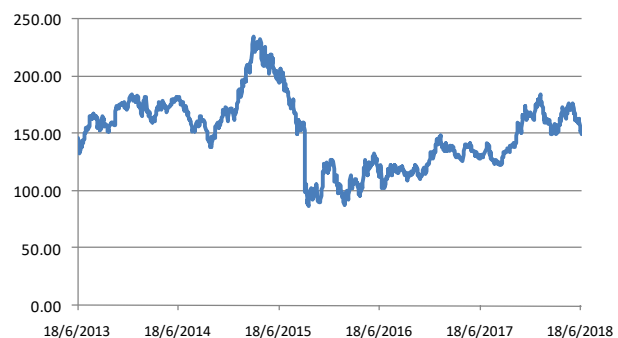
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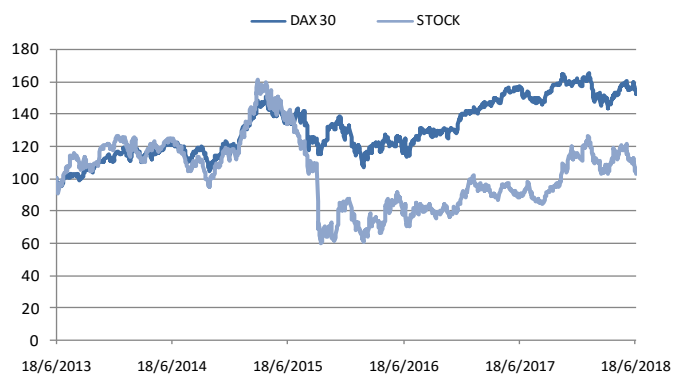
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### Stock Price Performance (Last 5 Years or since listing, Stock Price in €)



Source: Historical Data, Yahoo! Finance. Note: Share price performance based on price closes on Stock Exchange.  
Period as day/month/year.

### Stock versus DAX 30 Index (Last 5 Years or since listing, Base = 100)



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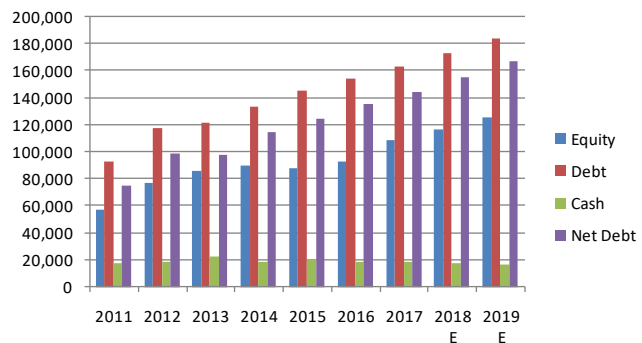
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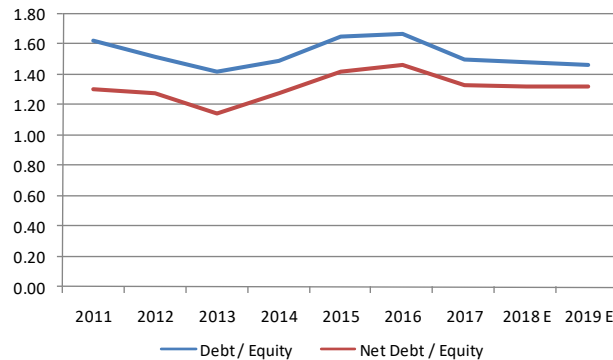
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**Equity, Debt, Cash & Net Debt**  
(in € millions)



Source: Company, VRS estimates

**"Debt/Equity" & "Net Debt/Equity" Ratios**  
(times)



Source: Company, VRS estimates

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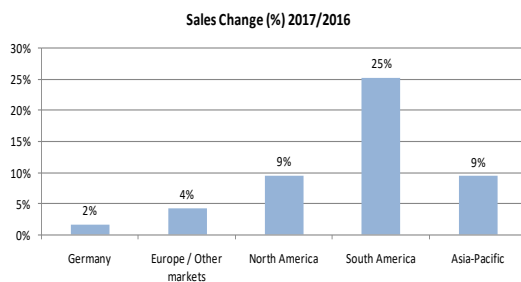
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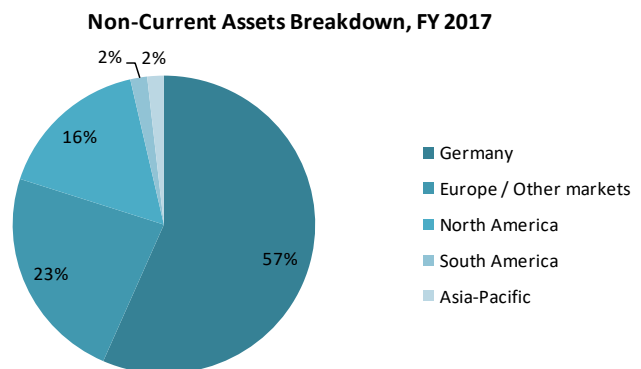
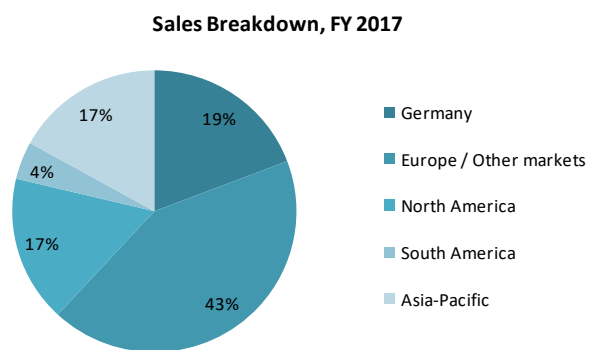
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### Revenue Change, FY 2017 vs FY 2016



### Consolidated Sales & Non-Current Assets Breakdown, FY 2017 (%)



Source: Company

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### Consolidated Income Statement (In € millions)

in million €	2017	2016
<b>Revenues</b>	<b>230,682</b>	<b>217,267</b>
Cost of sales	-188,140	-176,270
<b>Gross profit</b>	<b>42,542</b>	<b>40,997</b>
Selling and administrative expenses	-30,964	-30,036
Other operating income	14,500	13,049
Other operating expenses	-12,259	-16,907
<b>Profit/loss before financial result</b>	<b>13,818</b>	<b>7,103</b>
Result from equity accounted investments	3,482	3,497
Interest and similar income	951	1,285
interest and similar expenses	-2,317	-2,955
Other financial result	-2,022	-1,638
<b>Financial result</b>	<b>94</b>	<b>189</b>
<b>Profit/loss before tax</b>	<b>13,913</b>	<b>7,292</b>
Income taxes	-2,275	-1,912
<b>Net profit/loss</b>	<b>11,638</b>	<b>5,379</b>
Attributable to non-controlling interests	10	10
Attributable to Volkswagen AG hybrid capital investors	274	225
Attributable to Volkswagen AG shareholders	11,354	5,144
Earnings per common share-basic and diluted in euros	22.63	10.24
Earnings per preferred share-basic and diluted in euros	22.69	10.30

Source: Company

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### Consolidated Balance Sheet (In € millions)

in million €	2017	2016
<b>Assets</b>		
<b>Intangible assets</b>	<b>63,419</b>	<b>62,599</b>
<b>Property, plant and equipment</b>	<b>55,243</b>	<b>54,033</b>
Leased product	39,254	38,439
Investments accounted for using the equity method	8,205	8,616
Other equity investmnets	1,318	996
Investment property	468	512
Financial services receivables	73,249	68,402
Financial assets	8,455	8,256
Other receivables	2,252	2,009
Deferred tax	9,810	9,756
Tax receivables	407	392
<b>Non-current assets</b>	<b>262,081</b>	<b>254,010</b>
Inventories	40,415	38,978
Trade receivables	13,357	12,187
Financial services receivables	53,145	49,673
Financial assets	11,998	11,844
Other receivables	5,346	5,130
Tax receivables	1,339	1,126
Marketable securities	15,939	17,520
Cash and cash equivalents	18,457	19,265
Assets held for sale	115	0
<b>Current assets</b>	<b>160,112</b>	<b>155,722</b>
<b>Total assets</b>	<b>422,193</b>	<b>409,732</b>
Equity and liabilities		
Subscribed capital	1,283	1,283
Capital reserves	14,551	14,551
Retained earnings	81,367	70,446
Other reserves	560	-1,158
Equity attributable to Volkswagen AG hybrid capital investors	11,088	7,567
<b>Equity attributable to Volkswagen AG shareholders</b>	<b>108,849</b>	<b>92,689</b>
Minority interest	229	221
<b>Equity</b>	<b>109,077</b>	<b>92,910</b>
Financial liabilities	81,628	66,358
Other financial liabilities	2,665	4,488
Other liabilities	6,199	5,664
Deferred tax liabilities	5,636	4,745
Provisions for pensions	32,730	33,012
Provisions for taxes	3,030	3,556
Other provisions	20,839	21,482
<b>Non-current provisions and liabilities</b>	<b>152,726</b>	<b>139,306</b>
Put options and compensation rights	3,795	3,849
Financial liabilities	81,844	88,461
Trade payables	23,046	22,794
Tax payables	430	500
Other financial liabilities	8,570	9,438
Other liabilities	15,961	15,461
Provisions for taxes	1,397	1,301
Other provisions	25,347	35,711
<b>Current provisions and liabilities</b>	<b>160,389</b>	<b>177,515</b>
<b>Total equity and liabilities</b>	<b>422,193</b>	<b>409,732</b>

Source: Company

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### Consolidated Cash Flow Statement (In € millions)

in million €	2017	2016
<b>Cash and cash equivalents at beginning of period</b>	<b>18,833</b>	<b>20,462</b>
Earnings before tax	13913	7292
Income taxes paid	-3,664	-3,315
Depreciation and amortisation of, and impairment losses on, intangible assets, property, plant and equipment	10,562	10,100
Amortization of and impairment losses on capitalized development costs	3,734	3,586
Impairment losses on equity investments	136	130
Depreciation of and impairment losses on lease assets	7,734	7,107
Gain/ loss on disposal of noncurrent assets and equity investments	-25	-222
Share of the result of equity-accounted investments	274	377
Other noncash expense/income	-480	716
Change in inventories	-4,198	-3,637
Change in receivables (excluding financial services)	-1,660	-2,155
Change in liabilities (excluding financial liabilities)	5,302	5,048
Change in provisions	-9,443	5,966
Change in lease assets	-11,478	-12,074
Change in financial services receivables	-11,891	-9,490
<b>Cash flows from operating activities</b>	<b>-1,185</b>	<b>9,430</b>
Investments in intangible assets (excluding development costs), property, plant and equipment and investment property	-13,052	-13,152
Additions to capitalized development costs	-5,260	-5,750
Acquisition of subsidiaries	-277	-119
Acquisition of other equity investments	-561	-309
Disposal of subsidiaries	496	-7
Disposal of other equity investments	24	2,190
Proceeds from disposal of intangible assets, property, plant and equipment and investment property	411	351
Change in investments in securities	1,376	-1,245
Change in loans and time deposits	335	-2,638
<b>Cash flows from investing activities</b>	<b>-16,508</b>	<b>-20,679</b>
Capital contributions	3,473	-
Dividends paid	-1,332	-364
Capital transactions with noncontrolling interest shareholders	-	-3
Proceeds from issuance of bonds	30,279	14,262
Repayments of bonds	-17,877	-23,601
Changes in other financial liabilities	3,109	19,455
Lease payments	-28	-36
<b>Cash flows from financing activities</b>	<b>17,625</b>	<b>9,712</b>
Effect of exchange rate on cash and cash equivalents	-727	-91
<b>Net change in cash and cash equivalents</b>	<b>-796</b>	<b>-1,628</b>
<b>Cash and cash equivalents at end of period</b>	<b>18,038</b>	<b>18,833</b>
Securities, loans and time deposits	26,291	28,036
<b>Gross liquidity</b>	<b>44,329</b>	<b>46,869</b>
Total third-party borrowings	-163,472	-154,819
<b>Net liquidity</b>	<b>-119,143</b>	<b>-107,950</b>

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Covered Company	Bloomberg	Reuters	Stock Price	Date	Disclosure
VOLKSWAGEN GROUP	VOW:GR	VOWG_p.DE	€ 149.38	June 22, 2018	----

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### VRS Equity Research Contributors

Dr. Nicholas Georgiadis, ngeorgiadis@valueinvest.gr  
Dr. Georgios A. Sawvakis, gsawvakis@valueinvest.gr  
Zoe Vassiliou, zvassiliou@valueinvest.gr  
Maria Papadopoulou, mpapadopoulou@valueinvest.gr

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Dr. Efstratios Livanis  
Assistant Editor

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