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EQUITY RESEARCH

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Abstract

This equity research report analyzes Porsche AG, covering its company overview, financial performance, valuation, and ESG profile, with a recommendation to hold the stock. Porsche AG is a well-known luxury automobile manufacturer that was founded in 1931 and specializes in electric vehicles (EVs), SUVs, and high-performance sports cars. Porsche continues to function autonomously after its 2022 IPO, yet it still has connections to the Volkswagen Group. 92% of sales comes from the automobile business, with financial services accounting for 8%.

Porsche made €37.4 billion (+8%) in 2023, with SUVs like the Macan and Cayenne accounting for 60% of sales. Low demand and infrastructural shortages are two obstacles facing the company's EV transition, which is spearheaded by models like the Taycan and EV Macan. By 2033, a 50/50 EV-to-ICE product mix is anticipated.

A target price range of €59.81 to €70.76 is estimated by valuation based on trading and transaction multiples. Porsche outperforms peers in environmental and governance criteria, achieving AAA (S&P) and AA (MSCI) ratings for ESG excellence. A hold recommendation is supported by Porsche's strategic position, notwithstanding concerns including competition and economic downturns.

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This report is part of the joint report, developed by Riccardo Maria Vecchi and Marco Vincenzo Magarelli and should be read as an integral part of it.

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Introduction

The joint report aims to present an analysis of Porsche AG and provide an investment recommendation. The process involves evaluating the company, the industry, the current and projected financial performance, as well as its ESG and risk profile. The objective is to compare the current market price of Porsche AG stock with the value derived from our forecasting and valuation model. Based on this analysis, the recommendation is to hold the stock.

The report is divided into five sections:

1. Company Overview
2. Industry overview
3. Financial Analysis
4. Forecasting and Valuation
5. ESG and Risk Profile

This individual report specifically focuses on the company overview, Multiples valuation and ESG and Risk profile

Company Overview

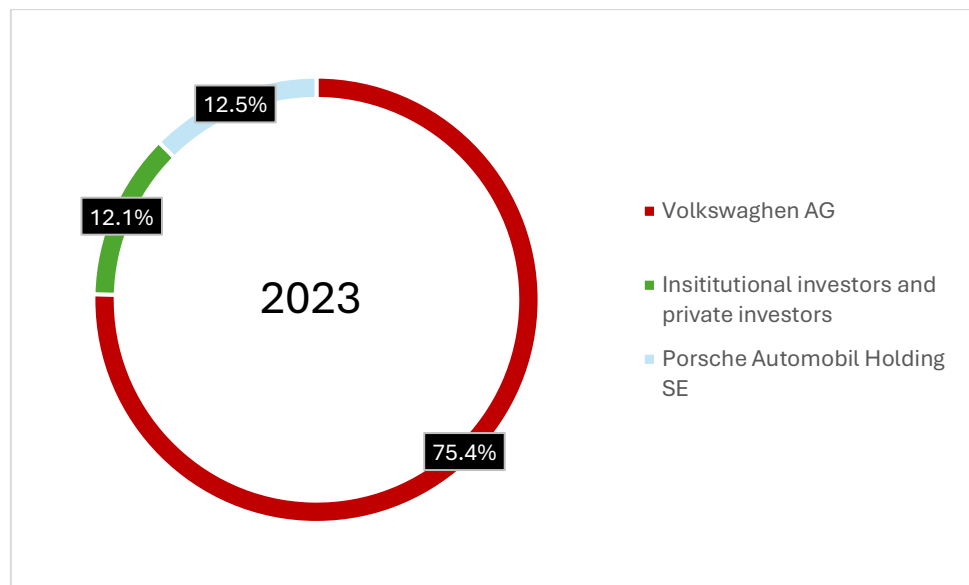
History

Porsche AG, founded in 1931 by Ferdinand Porsche, is a renowned German automaker specializing in high-performance sports cars, SUVs, and luxury sedans. The company transitioned from a consultancy to manufacturing in 1948 with the Porsche 356, followed by the iconic 911 in 1964. Nowadays offers 7 car models as product mix

In September 2022, Porsche went public through an IPO, gaining greater independence from the Volkswagen Group while still maintaining strategic ties.

Headquartered in Stuttgart, with production plants in Zuffenhausen and Leipzig, Porsche's lineup includes sports cars like the 911, Cayman, and Boxster, luxury SUVs such as the Cayenne and Macan, and electric models like the Taycan and the 2024 EV Macan

The **current shareholding** structure consists of Volkswagen AG Group, Porsche Automobil Holding SE, and a mix of institutional and private investors



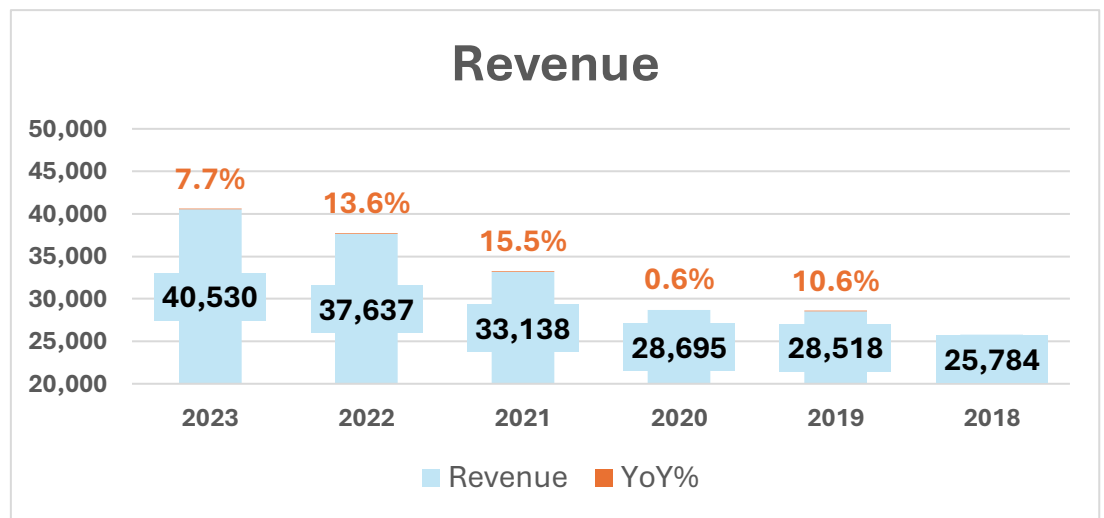
Current **management team** structure consists of both men and women covering most relevant roles of the company

Name	Age	Role	Starting Date
Dr. Oliver Blume	56	Chairman and CEO	October 1, 2015
Lutz Meschke	57	Deputy Chairman & CFO	October 1, 2009
Albrecht Reimold	62	Member, Production & Logistics	February 1, 2016
Michael Steiner	59	Member, Research & Development	February 1, 2016
Barbara Frenkel	58	Member, Procurement	June 1, 2021

Business Description

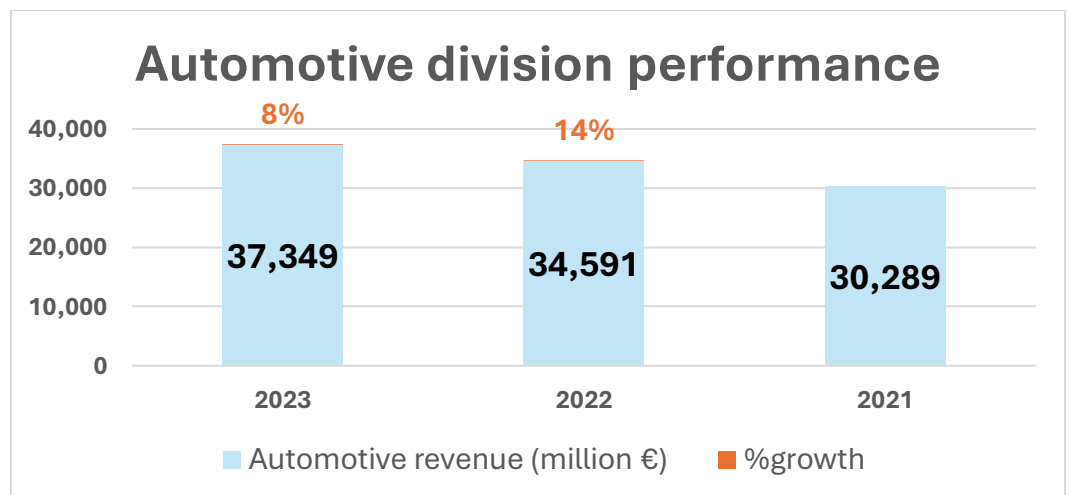
Porsche AG Group comprises both the **Automotive and Financial Services divisions**. The Automotive division focuses on manufacturing and selling vehicles, while the Financial Services division offers financing and leasing solutions for customers purchasing or renting a car

Porsche AG group experienced positive trend in revenues across past 6 years, resulting in a Compound Annual Growth Rate (CAGR) of **9.5%** from 2018 to 2023

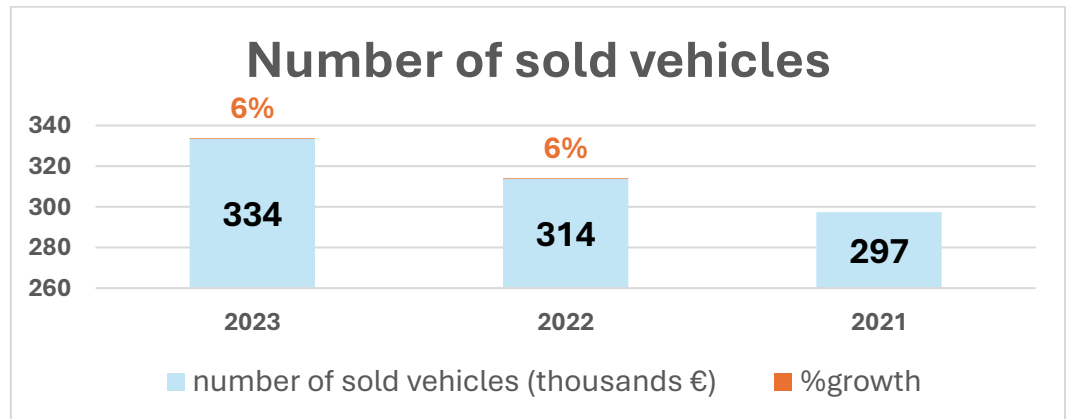


Automotive Division

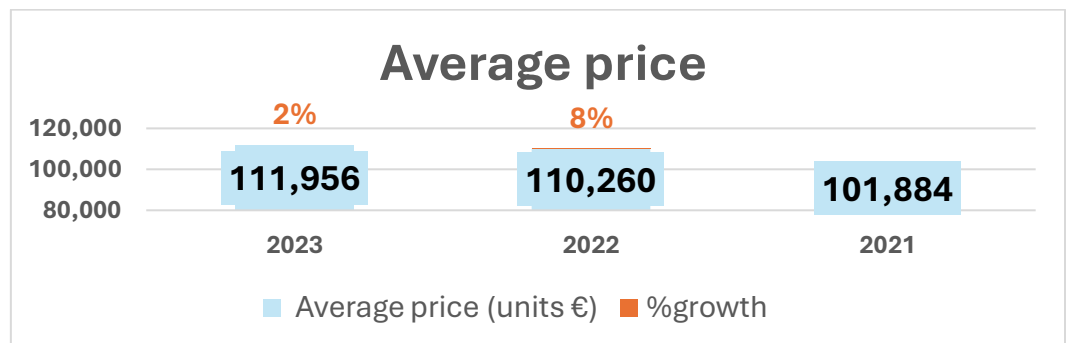
The Automotive division is the primary revenue generator for Porsche AG Group, consistently accounting for approximately 92% of sales over the past three years. This division experienced significant growth in recent years, particularly post-pandemic, reaching **€37.4 billion in 2023**, an 8% increase over 2022



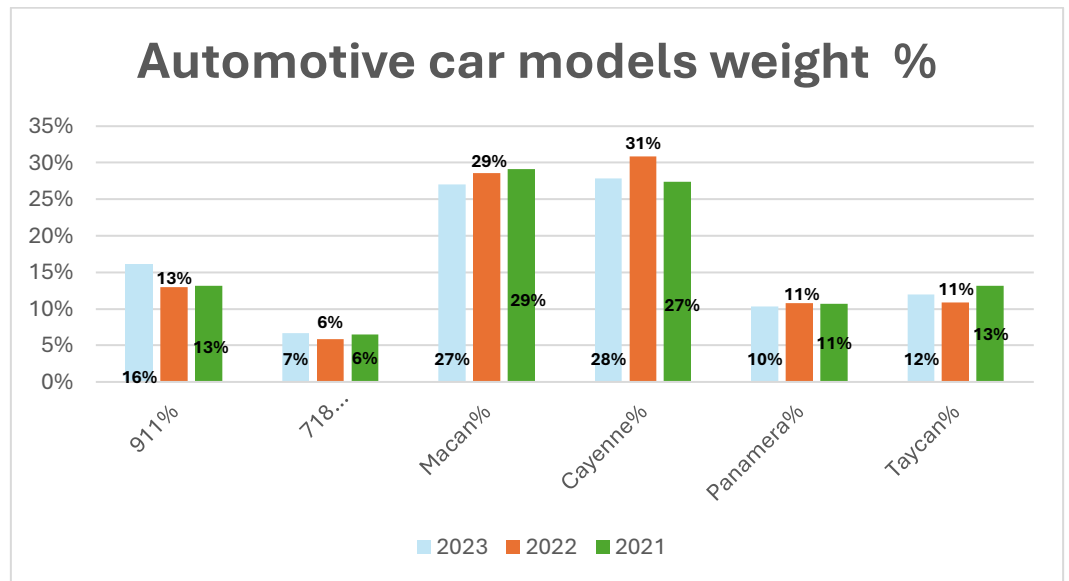
In 2023, Porsche AG reached approximately **334 thousand** car sales, marking a 6% increase



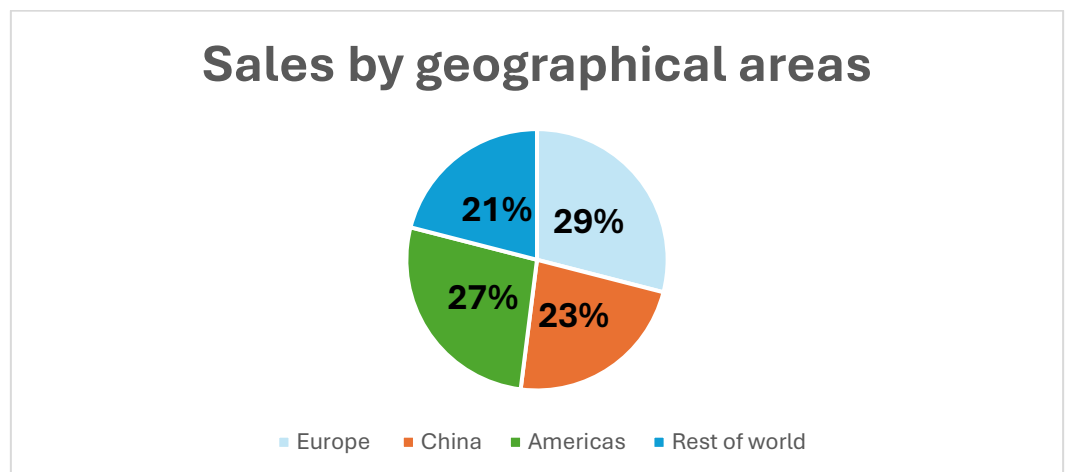
While both 2022 and 2023 saw a 6% increase in the number of vehicles sold, revenue growth in 2022 was significantly higher than in 2023. This difference is attributed to an 8% increase in average price, adjusted for strong inflation



Porsche AG currently offers 7 car models, including the EV Macan, which began commercialization in 2024. Over the past 6 years, the majority of Porsche's sales have been driven by luxury SUVs—the Macan and Cayenne—together consistently making up around 60% of total sales

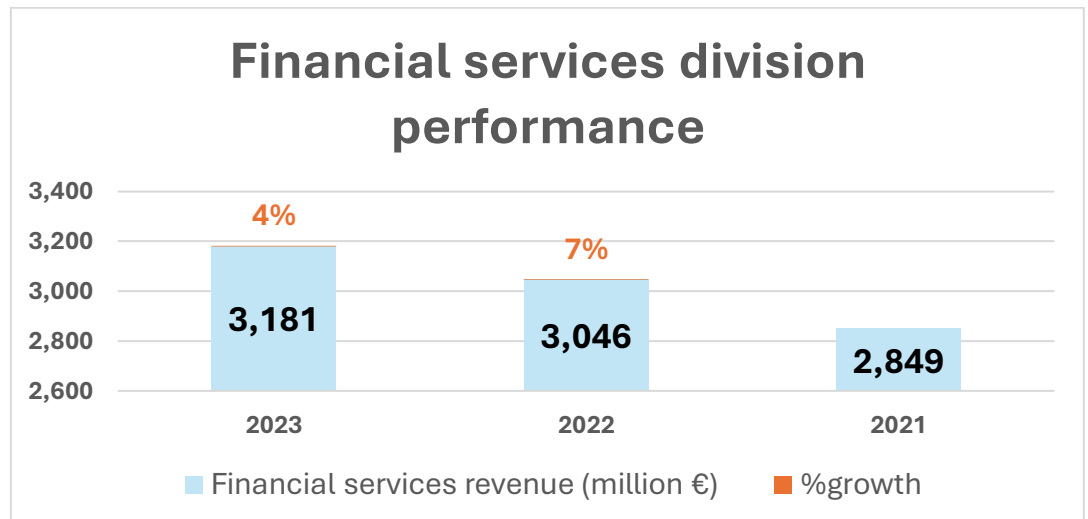


Last year, Porsche AG sold cars across four main regions: Europe, China, North America, and the Rest of the World



Financial Services Division

Financial Services is the second division of Porsche AG Group and is closely tied to the Automotive division. It provides customers with rental, leasing, and financing solutions, generating revenue through fees and interest income. Over the past three years, this division has consistently accounted for around **8%** of the Group's total revenue



Company business across next years

Porsche AG is expected to maintain its position as a leader in the luxury premium automotive segment, spearheading the transition to electric vehicles (EVs) over the coming years. In 2024, the company announced the release of the Macan electric model, marking the end of production for heat-powered models. By 2028, Porsche plans to launch the EV Cayenne, with additional zero-emission vehicles projected from 2030 onwards

Initially, Porsche targeted an 80/20 EV-to-ICE (internal combustion engine) product mix by 2030. However, due to currently low EV demand, it is more realistic that growth in the EV market will begin in 2028 following substantial investments in infrastructure. This would result in an estimated 50/50 product mix by 2033

The development of the EV market remains uncertain. Should investments in infrastructure and measures to reduce the price gap prove insufficient, and if low EV demand persists, Porsche's product mix could shift to a more conservative 25/75 EV-to-ICE ratio

Product mix	2023	2030	2033
911	16%	17%	11%
EV 911	-	2%	7%
718 Boxster/Cayman	7%	7%	5%
EV 718 Boxster/Cayman	-	1%	3%
Macan	27%	12%	11%
EV Macan	-	10%	10%
Cayenne	28%	20%	17%
EV Cayenne	-	7%	10%
Panamera	10%	8%	8%
Taycan	12%	15%	15%
K1	-	3%	3%

	2023	2030	2033
Heat powered cars	88%	63%	52%
EV cars	12,0%	36,7%	47,8%

Trading Multiples

Multiples valuation consists of valuation through comparables. Porsche AG, within the automotive industry, has a unique positioning, resulting in difficulty in establishing a peer group to build analysis through trading and transaction multiples

The peer group must consist of comparable companies in terms of profitability, growth, risk, and cash generation relative to the ratio's denominator. Comparable companies can mainly be BMW and Mercedes, while all mass-production brands show significant differences. Ferrari cannot be included due to its strong exclusivity and very low production levels (around 5% of Porsche's)

BMW and Mercedes are premium brands operating in the same geographical areas as Porsche, with similar growth and risk levels. However, Porsche AG is considered more premium and belongs to the luxury segment, with greater exclusivity. In fact, BMW and Mercedes' production levels are approximately seven times those of Porsche

For this reason, a real competitor for Porsche does not exist, and peers will have differences, especially in cash generation. Lower production levels at Porsche mean lower CapEx, resulting in higher operating cash flows. However, BMW and Mercedes are both highly profitable companies in terms of cash flow generation, with BMW remaining stable at around 50% (operating margin/EBITDA) and Mercedes being very similar to Porsche, around 75%

Equity-side multiples are not suitable for valuation because of differences in capital structure between Porsche and its peers. Porsche is mainly financed by equity, while its peers have significantly higher debt levels

Valuation	Trading Multiples	Price
Similar Firms EV/EBIT	9,84x	63,15€
Similar Firms EV/EBITDA	5,80x	56,46€
AVERAGE		59,81€

Transactions Multiple

The automotive industry experiences a lack of **transaction data**. For valuation purposes, only TV/EBITDA and TV/EBIT multiples are considered, with outliers excluded from the calculations. In addition the hypothesis of 20% price premium is considered

Date	Acquirer	Target
28/06/18	Zhejiang Geely	AB Volvo VOLV B
16/01/21	Peugeot SA UG	Fiat Chrysler Automobiles
26/09/15	Porsche Automobil Holding SE	Volkswagen AG
12/05/16	Nissan Motor Co Ltd	Mitsubishi Motors Corp
02/10/17	Toyota Motor Corp	Mazda Motor Corp 7261

Valuation	Transactions Multiples	Price
EV/EBIT-Multiple	10,73x	68,8€
EV/EBITDA-Multiple	10,63x	108,1€
AVERAGE		70,76€

ESG & Risk profile

A robust Environmental, Social, and Governance (ESG) framework is essential for long-term sustainability and competitiveness in the automotive sector. Below is an analysis of the key ESG pillars, incorporating ratings from prominent ESG agencies and comparisons with peers like BMW

Porsche's ESG performance is assessed by leading agencies, including S&P and MSCI. Current ratings are:

- **S&P ESG Rating:** AAA
- **MSCI ESG Rating:** AA

In comparison, BMW holds an AA rating from MSCI and an A rating from S&P, positioning both companies among the leaders in the industry but highlighting differences in specific ESG domains

Environmental (E): Automakers are under pressure to reduce their environmental effect. Carbon emissions, energy efficiency, and the use of renewable energy sources are all significant factors. **Porsche**, for instance, outperforms the industry average with CO2 emissions of **105 g/km** compared to the median of **120 g/km**. By using 68 kWh per unit instead of the industry standard of 75 kWh per unit, it has also increased energy efficiency. It is also above average to use 30% more renewable energy than the industry standard of 25%.

Social (S): The primary objectives of social sustainability include community participation, worker well-being, and workforce diversity. Porsche does well in terms of gender diversity, with **women** holding **25%** of leadership roles, which is higher than the industry average of 20%. **Employee satisfaction** scores are also quite good, at **8.2/10**, indicating effective labor management. Additionally, the company invests €2.5 million annually on community programs, which is higher than the industry average of €2 million.

Governance (G): Effective governance practices are essential to maintaining transparency and confidence. Compared to the industry average of 50%, Porsche's board has a greater percentage of independent directors at 55%. Compared to the industry average of 50 times, the CEO's compensation is 45 times the median employee salary. This suggests that CEO compensation is within control. Strong anti-corruption measures are also in place; compared to the industry average of five transgressions each year, just two are reported.

The following chart illustrates the ESG scores of Porsche compared to BMW and the industry average.

Company	MSCI ESG Rating	S&P ESG Rating
Porsche	AA	AAA
BMW	AA	A
Industry Avg	A	BBB

Porsche, like the entire automotive industry, is navigating a highly challenging period, marked by low EV demand, a weak Chinese economy, China's emerging "luxury shame culture," upcoming US import taxes, and declining car sales per person, compounded by demographic decline in Europe and the US. This scenario was detailed in the industry and forecasting sections. Additionally, Porsche faces **general risks with varying probabilities and impacts**

Risk Category	Description	Probability	Economic Impact
Macroeconomic Risks	Economic downturns and reduced consumer spending	High	High
Competition Risks	Increased competition in both EV and heat powered car markets	Low	Medium
Regulatory Risks	Stricter emissions standards and compliance requirements	High	Medium
Supply Chain Risks	Disruptions due to geopolitical events or natural disasters	Medium	High
Technological Risks	Failure to keep pace with advancements in EV and software technologies	Medium	Low
Environmental Risks	Rising costs of achieving carbon neutrality	Medium	Medium
Social Risks	Labor shortages and workforce diversity challenges	Low	Low

Appendix

Financial Statements

Income Statement € million	2023	2022	2021	2020	2019	2018
Sales revenue	40.530	37.637	33.138	28.695	28.518	25.784
Cost of sales	(28.924)	(27.089)	(24.281)	(21.155)	(21.256)	(18.629)
Gross profit	11.606	10.549	8.857	7.540	7.262	7.155
Distribution expenses	(2.869)	(2.353)	(2.111)	(1.881)	(2.044)	(1.901)
Administrative expenses	(1.787)	(1.655)	(1.426)	(1.255)	(1.029)	(1.103)
Other operating income	1.496	1.894	1.079	953	846	813
Other operating expenses	(1.162)	(1.662)	(1.085)	(1.180)	(1.173)	(675)
Operating profit	7.284	6.772	5.314	4.177	3.862	4.289
Share of profit or loss of equity-accounted investments	(9)	(7)	(22)	(10)	(1)	3
Interest income	264	461	421	406	416	408
Interest expenses	(184)	(105)	(113)	(129)	(148)	(92)
Other financial result	19	(40)	129	(47)	(75)	(56)
Financial result	91	308	415	220	192	263
Profit before tax	7.375	7.081	5.729	4.397	4.054	4.552
Income tax income/expense	(2.218)	(2.114)	(1.691)	(1.231)	(1.253)	(1.434)
Current	(1.987)	(1.929)	(1.528)	(998)	(1.268)	(1.427)
Deferred	(231)	(185)	(163)	(233)	15	(7)
Profit after tax	5.157	4.967	4.038	3.166	2.801	3.118

Balance Sheet € million	2023	2022	2021	2020	2019	2018
Non-current assets	30.407	27.488	32.830	30.395	29.707	27.008
Intangible assets	8.554	7.473	6.190	5.437	5.085	4.929
Property, plant and equipment	9.394	8.924	8.763	8.695	8.624	6.928

Leased assets	4.190	3.854	3.954	3.614	3.829	3.776
Equity-accounted investments	651	623	573	167	298	368
Other equity investments	814	636	313	217	146	98
Financial services receivables	4.676	4.382	3.461	2.414	1.841	1.656
Other financial assets	1.422	753	8.596	8.870	8.350	8.398
Other receivables	78	100	113	164	179	125
Deferred tax assets	627	742	867	817	1.355	730
Current assets	20.040	20.154	18.552	15.096	12.659	11.151
Inventories	5.947	5.504	4.517	4.108	4.013	3.889
Trade receivables	1.449	1.268	1.199	1.081	842	759
Financial services receivables	1.669	1.538	1.081	1.122	842	730
Other financial assets	2.010	5.484	5.353	2.761	2.415	2.292
Other receivables	1.079	728	579	606	490	468
Tax receivables	235	87	155	163	95	81
Securities and time deposits	1.826	1.795	982	755	451	297
Cash and cash equivalents	5.820	3.719	4.686	4.500	3.511	2.635
Assets held for sale	6	31				
Total assets	50.447	47.642	51.382	45.491	42.366	38.159
Equity	21.668	17.035	22.935	20.224	17.428	16.477
Subscribed capital	911	911	45	45	45	45
Capital reserves	3.822	3.822	14.225	13.754	12.726	11.453
Retained earnings	16.305	12.395	9.146	6.302	4.991	4.876
Other reserves	629	(101)	(489)	118	(339)	97
Equity attributable to Porsche AG shareholders	21.667	17.027	22.927	20.219	17.423	16.471
Non-controlling interests	1	8	8	5	5	6
Non-current liabilities	15.211	14.027	15.368	13.982	13.639	9.665
Provisions for pensions and similar obligations	4.315	3.668	5.525	5.932	5.438	3.792
Other provisions	1.249	1.131	1.184	939	996	778
Deferred tax liabilities	2.010	1.607	782	685	681	650
Financial liabilities	6.537	6.016	6.599	5.668	5.375	3.644
Other financial liabilities	364	872	633	285	657	399
Other liabilities	737	734	645	473	492	402

Current liabilities	13.567	16.579	13.079	11.285	11.299	12.017
Provisions for taxes	128	167	126	111	129	96
Other provisions	3.007	2.778	2.189	1.849	2.118	1.951
Financial liabilities	3.880	3.464	3.128	2.657	2.239	2.215
Trade payables	3.490	2.899	2.447	2.335	2.582	3.134
Other financial liabilities	1.231	5.287	3.638	2.959	3.082	3.441
Other liabilities	1.795	1.908	1.486	1.331	1.077	1.087
Tax payables	31	64	65	43	72	93
Liabilities associated with assets held for sale	5	12				
Total equity and liabilities	50.447	47.642	51.382	45.491	42.366	38.159

Cash Flow Statement € million	2023	2022	2021	2020	2019	2018
Cash and cash equivalents at beginning of period	3.745	4.327	4.344	3.174	2.635	2.960
Profit before tax	7.375	7.081	5.729	4.397	4.054	4.552
Income taxes paid	(2.190)	(2.370)	(1.552)	(837)	(1.310)	(1.531)
Depreciation, amortization and impairment losses	3.528	3.189	3.214	3.357	3.044	2.567
Gain/loss on disposal of non-current assets	14	5	35	49	10	46
Share of profit or loss of equity-accounted investments	34	52	23	15	7	4
Other non-cash expense/income	(122)	(40)	(222)	(13)	(127)	(214)
Change in inventories	(694)	(1.010)	(152)	(223)	(86)	(851)
Change in receivables (excluding financial services)	(190)	(247)	(409)	(734)	(372)	(505)
Change in liabilities (excluding financial liabilities)	618	1.052	543	(134)	(456)	504
Change in pension provisions	251	366	471	493	417	371
Change in other provisions	366	556	539	(299)	378	81
Change in leased assets	(1.322)	(536)	(931)	(945)	(807)	(940)
Change in financial services receivables	(645)	(983)	(872)	(987)	(266)	(239)

Cash flows from operating activities	7.023	7.114	6.416	4.140	4.486	3.845
Investments in intangible assets (excluding capitalized development costs) and property, plant and equipment	(2.016)	(1.710)	(1.442)	(1.547)	(2.044)	(2.093)
Additions to capitalized development costs	(2.081)	(1.951)	(1.601)	(1.225)	(949.000)	(1.064)
Acquisition of subsidiaries	(152)	(257)				
Acquisition of other equity investments	(90)	(278)	21	48	(65)	(71)
Disposal of subsidiaries	1	66				
Disposal of other equity investments	6	18	(283)	(300)	(146)	(237)
Cash received from disposal of intangible assets and property, plant and equipment	11	8				
Change in investments in securities and time deposits	44	(481)	(2.308)	51	(427)	(111)
Change in loans	3.075	(2.021)	(352)	(46)	13	10
Cash flows from investing activities	(1.203)	(6.606)	(5.965)	(3.019)	1.273	1.208
Capital contributions		3.057	471	1.028	(2.294)	(2.157)
Profit transfer and dividends	(4.895)	(3.361)	(1.864)	(1.802)	(3.617)	(3.566)
Capital transactions with non-controlling interests	(8)				(19)	
Proceeds from issuance of bonds	5.633	4.319	5.243	3.222	2A10	2.727
Repayments of bonds	(4.304)	(4.745)	(3.814)	(2.550)	(2.369)	(2.422)
Changes in other financial liabilities	(21)	(245)	(444)	282	723	38
Repayments of lease liabilities	(113)	(115)	(110)	(102)	(77)	
Cash flows from financing activities	(3.708)	(1.089)	(518)	78	(353)	(606)
Effect of exchange rate changes on cash and cash equivalents	(31)	(2)	50	(29)	23	2
Net change in cash and cash equivalents	2.081	(583)	(67)	1.199	516	(327)
Cash and cash equivalents at end of period	5.826	3.745	4.327	4.344	3.174	2.635

Cash and cash equivalents at end of period	5.826	3.745	4.327	4.344	3.174	2.635
Securities and time deposits and loans	3.308	6.483	4.079	1.518	1.360	775.000
Gross liquidity	9.134	10.228	8.406	5.862	4.534	3.410

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