

Investment ideas. Stocks.

Porsche (PAH3 GY) is a popular global premium-class carmaker. A Volkswagen Group company, it holds majority stake in its parent (about 53% of VW's equity). Porsche recently entered e-mobility market with its all-electric Taycan model.

Company	PORSCHE
Ticker	PAH3 GY
Sector	Automotive
Capitalization, \$ million	20,981
EV, \$ million	20,405
Dividend yield	3.9%
Entry level, \$	71.8
Current price, \$	68.6
Result	-4%

Source: Bloomberg

Key investment attractiveness factors:

- 1) **Share in VW provides more opportunities.** Porsche is a Volkswagen Group company. However, by way of cross holding, it holds majority stake in its parent which amounts to about 53.3% of VW's equity.

In addition, Porsche's Balance Sheet for Q3 2020 reflects VW's shares for \$38.3 billion (estimation based on Balance Sheet). If this asset is valued considering VW's current market capitalization, its value will be \$54.3 billion, with Porsche's market capitalization being about \$21 billion. This means the company's market value is about 2.6 times lower than market-based value of Balance Sheet assets.

- 1) **Dividends are among sector's highest.** Apart from the fact that VW as parent entity pays fairly good dividends with annualized return in EUR about 3%, Porsche remunerates its shareholders too. According to Bloomberg, the company's 12-month dividend yield is around 3.9% p.a. in EUR. This is a fairly high level.
- 2) **E-mobility market entry.** Porsche develops this business area rapidly intending to compete with Tesla. In 2020, it launched Taycan and Macan all-electric models. Additionally, the company produces a broad range of hybrid cars which allows it to comply with new onerous emissions laws. Based on these indicators, Porsche is ahead of Ferrari in e-mobility business, and new models may lay foundation for stable growth in China, one of the world's largest markets.
- 3) **Discount for P/E is over 60%.** Porsche's high net profit arising due to earnings from affiliates (VW in this case) leads to company's shares being traded substantially cheaper than benchmarks with reference to P/E multiplier. According to our estimates, discount is over 60%.

Key risks. 1) Tight competition expected in electric car production sector. 2) Crisis developments worldwide which can decrease purchasing power in premium-class car segment.

Financial highlights, \$ million	2019	2020P*	2021P*	Change, %
Revenue	116	113	124	10%
Gross profit	-	-	-	-
EBITDA	106	-24	-21	-13%
Net profit	4,475	1,600	3,574	123%
EPS	14.61	4.15	11.69	-
<i>Gross margin</i>	-	-	-	-
<i>EBITDA margin</i>	91%	-21%	-17%	-
<i>Net margin</i>	-	-	-	-

Debt burden, \$ million	2018	2019	2020P*	Change, %
Gross debt	24	42	37	-12%
Cash	879	597	530	-11%
Net debt	-855	-555	-493	-11%
Net debt/EBITDA	-1.0	-5.2	-	-

Benchmarking against similar companies	Country	P/FCF	P/E
FORD MOTOR	USA	21.5	-
BMW	Germany	24.9	8.0
DAIMLER	Germany	18.2	8.8
TOYOTA MOTOR	Japan	23.3	15.7
GENERAL MOTORS	USA	35.3	8.2
VOLKSWAGEN	Germany	20.7	7.0
HYUNDAI MOTOR	South Korea	25.3	9.2
Weighted average		24.0	9.6
PORSCHE	USA	21.0	5.9
<i>Discount/(premium)</i>		14%	63%

*P – Projection

Source: Bloomberg

Global Markets Research Department

Moscow Partners
123056 Moscow
23 Maly Tishinsky lane, building 1
Tel.: +7 495 787-52-56
Fax: +7 495 787-52-57
www.moscowpartners.com

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