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**TOPICAL – Porsche Scheduled IPO**

**VW Group aim to release the Porsche initial public offering at the beginning of Q4. The offering has gained significant interest as pre orders have already exceeded the shares on offer.**

**Porsche – A Background**

Porsche was founded in 1931 by Ferdinand Porsche, Stuttgart Germany. However the first vehicle which carried the Porsche name was not registered until 1948. The vehicle in question was called the Porsche 356 Roadster which was in production from 1948 – 1965. The 356 Roadster was eventually succeeded by the Porsche 911. Showing that from the beginning the Porsche brand created a popular vehicle which was the base for one of the most recognisable cars ever produced.

GRAPH OR IMAGE

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Porsche is currently wholly owned by VW group. VW group originally purchased 49.9% of shares in Porsche in 2009 before it then went on to purchase the remaining 50.1% stake in 2012 for a price of £3.6 billion plus a singular VW common share. The deal which saw VW takeover Porsche was a massive turnaround as Porsche had been trying to aquire VW for multiple years. Porsche failed to acquire a 75% stake in 2009 which resulted in the firm being sued by investors for misleading them. The firms then agreed a deal in 2009 which saw Volkswagen take over Porsche.

GRAPH OR IMAGE

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Volkswagen AG monthly chart

Ferrari & Mercedes Market Share Graph

VW Group’s total sales revenue’s for 2021 equalled €70,917 million. Porsche contributed €30,289 million in sales revenue which was a 24.5% increase in earnings from the previous year showing the strength of Porsche within the VW Group. The increase in revenue likely arises from the increase in total vehicle sales outweighing the total units produced. (297 thousand vehicle sales compared to 283 thousand vehicles produced.) Giving Porsche an operating return on sales of 16.5% for 2021.

Porsche are aiming to be a major player in the electronic vehicle market. Electric vehicle popularity is ever increasing and Governments have started to mandate electric vehicle sales in the coming years as well as encouraging the public to switch to electric with the use of grants and loans. Companies which produce electric vehicles such as Tesla have seen huge success in terms of stock market listings. The IPO price of Tesla was $17 per share, Tesla is now trading at over $300 per share. This shows the potential for future IPO listings who are looking to operate in the electric vehicle market such as the upcoming Porsche IPO. Porsche obviously are not solely an electric vehicle producer however Porsche sold 37,720 units of the Taycan in 2021. This equates to 13.3% of total units produced in 2021. Porsche also added a new electric vehicle to their product range in 2021, the Taycan Cross Turismo. This shows the commitment Porsche have of building on its electric vehicle offerings.

**The IPO**

Porsche will be issuing a total of 911 million shares, paying homage to the popular model the Porsche 911. The shares will be spilt into 455.5 million prefered shares and 455.5 million ordinary shares of which only the prefered shares will be listed. Porsche SE have commited to purchasing 25% of these shares and one ordinary share. VW Group are aiming for a valuation of Porsche AG between 70 – 75 Billion Euros which would be Germany’s second largest IPO in history.Shares would be priced between €76.50 - €82.50 per share. The sale would aim to generate between 18 – 19.5 Billion Euros. This is below what had previously been estimated by analysts but is still above the market value of competitors Mercedes and Ferrari.

The offer period begins on the 20th of September and ends on the 28th of September with preffered shares worth up to €3.68 billion already subscribed to. These cornerstone investors include Norges Bank Investment Management, T.Rowe Price, ADQ and Qatar Investment Authority.

The 29th of September will be the end of the offer period for private investors and the first trading day on the Frankfurt Stock Exchange. The closing date for the offering is the 3rd of October.

It is believed that VW Group will call a shareholder meeting in December where it will propose to pay 49.9% of total proceeds to shareholders as a special dividend in 2023. The remaining 50.1% of proceeds will be used by VW Group to fund the research, development and production of their electric vehicles.

**Why is this IPO noteworthy?**

There has been some controversy around the launch of the Porsche AG IPO. This is due to the lack of voting rights which investors will receive. Stock market investors will only own 12.5% of shares giving them very little power. On top of this Porsche SE which is VW’s largest shareholder will have a blocking minority of 25%. Taking away power of investors however giving back power to the Porsche family.

On top of the lack of voting rights there is also uncertainty regarding the management and governanance of the company. Oliver Blume will be the CEO of both companies resulting in him splitting his time 50 – 50 between VW and Porsche. Volkswagen will continue to pay Blume’s salary until the end of the year, at the turn of the year the salary will be split 60% VW and 40% Porsche.

Some analysts are also worried that the large valuation may have a negative impact on the future share price and future growth.

Despite the uncertanties VW are hoping for Porsche to lead the way for future IPO’s. With subsidiaries such as Audi, Bugatti, Lamborghini, Seat, Skoda and Scania amongst others. There is a lot of potential for future IPO listings within the VW group.

Volkswagen are looking for the IPO launch to boost their own share price. Currently VW have seen price rise 13.09% since the 22nd of August.

**P/E Ratio’s**

With a valuation of between 65-85 billion Euros Porsche would have a forecasted P/E ratio of between 12.6 – 16.5. As a comparison competitors such as Ferrari has an estimated P/E ratio for 2023 of 35 and other competitors such as Mercedes and BMW have a P/E ratio between 4.5 and 5.