Allison Nathan: The initial public offering of luxury car manufacturer Porsche last fall was a bright spot in an otherwise difficult equity market. So how has the automaker navigated the macro challenges? And what are the implications for the sector more broadly?

Oliver Blume: We have still a strong situation in North America. It was a strong economic situation. We are faced with inflation in Europe, but, especially in our segment and the luxury segment, our customers are not so affected like customers in the volume segment or in the premium segment. Then I expect a strong comeback in China in the second half of the year.
Allison Nathan: I'm Allison Nathan, and this is Exchanges at Goldman Sachs.

In this special episode of Exchanges at Goldman Sachs, I'm sitting down with Oliver Blume, the CEO of Porsche and its parent company VW, and Goldman Sachs's Christoph Stanger, who chairs the European equity capital markets team and helped take the company public. The IPO was the largest ever by market cap in Europe and the second-largest IPO in German history. Today, Porsche is the most valuable automotive company in Europe. We'll go behind the scenes to look at what it was like to take the company public, the impact on Porsche's future growth and development as a company, as well as some of the broader trends in the automotive industry. Oliver, Christoph, welcome to the program.

Oliver Blume: Yeah, hello, and thanks for having us.

Christoph Stanger: Great to be here.

Allison Nathan: Oliver, let me just start by saying congratulations on the public debut of Porsche and the
stock’s strong performance since its initial listing. And when you think back to that journey of going public, what were some of the challenges that you faced?

**Oliver Blume:** Yeah. Challenges was to build the equity story for Porsche based on a very consistent strategy of our business and then win the investors of our business case. And so we did nine road shows in six different countries. We organized together with our banking partners 140 meetings, met over 1,200 investors, and answered over 3,500 questions. We had a fantastic and very successful capital markets day where we were able to show the wide product range of exciting race cars to the investors, show for what the Porsche brand stands for, and that was a part of the journey for this successful IPO.

**Allison Nathan:** And Christoph, from your vantage point, what were some of the biggest issues you had to deal with in putting the deal together? Particularly since it was a volatile time in the market and there was a lack of IPO offerings in general at the time?

**Christoph Stanger:** So I remember two issues very distinctly. So the first one was what is this company
actually worth? Because you've got such a spectrum on valuations. And it's a new segment. It's luxury. And luxury didn't exist before. So we found that spot, and we found it by comparing ourselves to LVMH and things like that.

The second thing, which I thought was really difficult, was I knew that the management team would say to us in September of last year, “Can we do this or not?” And we had to make decisions already in June. And these decisions were complicated decisions. Do you start with investor engagement? Do you hold a capital markets day? Do you actually do? So we had to turn the whole thing on its head basically and create demand way ahead of time.

Allison Nathan: And Christoph, was there anything special about the way the Porsche IPO was organized in terms of investor focus, given the specific fan base?

Christoph Stanger: So one thing I would say, if you're in a highly volatile environment and you're operating in a very public kind of setting, there is no way of stepping back. So once you go, you have to go. But you're not making these decisions on the minute-by-minute basis but
on a three- to six-months basis. So if you had asked anyone out there, right after the Ukraine War, to make a prediction for six months, most people would have told you that's not possible. And we knew that.

And therefore, what we did is we said we need to do something about this IPO that makes it solid and special. And the way we did it is we went to very strong cornerstones that backed the IPO with billions and billions of dollars throughout the period. And then alongside that, we put the broader market, the broader investor group, and we did all of that before we actually launched a deal formally.

So by the time this went public -- the term for this is the ITF, the intention to float -- we knew that we were done. So the volatility that some people are really afraid of during the book-building period where it goes up and down and if the market's bad suddenly you're not getting your deal done, we didn't have that issue. And it made it a little less stressful in terms of going through the road show because you knew every meeting mattered, but you already had a very well-educated audience that had already given somewhat of a nod to the deal. So it made it special. It
made it successful.

And I remember on the first day of trading actually, the automotive index was down I think 3 or 4 or 5%, a really complicated day. But the strength of this book allowed you to sail through it and make it a really successful exercise since. And it is now the most valuable automotive company in Europe by market cap.

**Allison Nathan:** And what was it about Porsche and the company that enabled you to lock down those cornerstone investors in the way that you did?

**Christoph Stanger:** I think it's the same concept as the guys that are going kind of gangbusters down in the driving consoles. The investors also loved the excitement of the story. So the draw of the brand was super strong, and it required that because I think very few other things would have worked in that size, in that market, if it hadn't been Porsche.

**Allison Nathan:** And Oliver, you mentioned the hundreds of meetings you did with investors throughout this process. There are so many fans of the Porsche brand
in this world. Are there any memorable moments during some of those investor meetings you can share with us?

**Oliver Blume:** Yeah, that was so special for us. And at the beginning of the process, I didn't expect such a strong commitment, such a strong link to our brand. We were shown -- I don't know -- over a thousand of photos of Porsches with a special history. And we were shown full garages of Porsches with very personal memories. And we were asked during the road shows, “Isn't there any opportunity to get any limited edition?” And so I think that was one important part of the story, that we have such a big fan base, especially in between the investors. And so it helped us, besides of the excitement to our brand and our products, to convince about our equity story, our strategy, and our future plans.

**Allison Nathan:** So it all does seem to come back to the strength of the Porsche brand, Oliver. What does the brand mean to you?

**Oliver Blume:** We have a strong heritage, and now we are entering the 75th anniversary this year. We were able to develop our brand, sticking to our roots, while we
combine it with pioneering spirit and innovation. It's a kind of passion and a sense of family that makes Porsche so special. And only with this spirit, with this fantastic product, we were able to build this special Porsche community all over the world.

We have around about 3 million registered customers. We have Porsche clubs all over the world. And the Porsche clubs come together, talking about their Porsche history and their excitement about the brand.

**Allison Nathan:** And Oliver, when you speak publicly or address your teams, you often talk about this special culture at Porsche. How would you describe it? And how does it impact performance?

**Oliver Blume:** Yeah, our Porsche culture, it's all about people. The people are the center of everything. And the team is the star, as you say in sports. And I am a fan to drive a company sports team, which is very focused on performance but, on the other side, on team spirit. And having the mindset to win together. And I think that was one of the important success factors, also, in the IPO, that everybody acted together as a team with a clear goal and
that's not only about the Porsche team. That was the same mindset and spirit we had together with our partners, with the bankers, with the lawyers, that was one important factor why the IPO was so successful and has such a strong base for the future.

**Allison Nathan:** And so where do you want to take Porsche from here? What's your long-term ambition for the brand and the company?

**Oliver Blume:** We keep on designing and developing exciting sports cars. For us, it's all about dreams. We are driven by dreams. That's one aspect. Talking about our financial perspective, we have a long-term goal to achieve a return on sales of over 20%, and therefore we built a Road to 20 program where we are tapping in all value chain of our business. And I think we have a very positive prepared base to go for it. And the whole team now is passionate to get it. We are sports people. We love to race, and we love to win.

**Allison Nathan:** And what's the read across of Porsche's success to VW?
Oliver Blume: Yeah, we are positioned in the luxury segment. And being able to get a price level like other luxury niche manufacturers, but the big advantage we do have comparing to others in the niche segment is that we are benefiting from our scale effects in between our company, being able to sell over 300,000 cars, and also benefiting from scale effects in the VW Group, when you think on purchasing volume, when you think about using modules for our cars, which are not differentiating, and using plants of the Volkswagen Group. All these are big advantages for our scale effects.

Allison Nathan: Let's turn to some of the macro challenges that have been affecting automakers globally. Supply chain delays have been in focus for literally three years now. What are you observing in terms of automotive supply chains and semiconductors for 2023? Are the delays largely behind us at this point? Or are supply chains still recovering?

Oliver Blume: First of all, one part of the success of Porsche is the robust business model. And we have shown it in the corona year. We have shown it in the last years with supply chain issues. We have shown a very
strong performance in the year when the Ukraine War broke out. And for us, the break-even situation is very important, which is very positive for Porsche. The volume flexibility around the world, which makes us flexible against geopolitical crises. And coming back to the supply chain issues, for us, it was very important to get more transparency, the whole value chain, to organize the right partnerships, and to agree clear commitments for supply semiconductors.

And so we were able, also together with our colleagues in Volkswagen Group, to build a more stable situation which brings us in a better position in 2023. Talking about the different regions of the world, it's different. We have still a strong situation in North America with a strong economic situation. We are faced with inflation in Europe, but, especially in our segment and the luxury segment, our customers are not so affected like customers in the volume segment or in the premium segment.

Then I expect a strong comeback in China in the second half of the year. It's a post-corona situation. We have seen already in Europe or in North America and we see very strong developing markets in Southeast Asia or in the
Middle East.

**Allison Nathan:** Christoph, is Porsche's experience similar to what you're observing across the rest of the automotive industries in dealing with these macro headwinds? And especially the sharp rise in interest rates that we've observed, how is that affecting the broader automotive sector and consumer spending?

**Christoph Stanger:** So I think I'll say a few things. Things like interest rates, GDP growth rates, are clearly normally impacting consumer behavior. This period may be slightly different because we're still coming out of the COVID period. We're still coming out of shortages. So production volumes aren't quite at the peak levels yet. That's, I would say, for the general automotive.

I would say for Porsche, very little of that applies in terms of interest rates and consumer confidence because the Porsche customer is a special one. And that's the definition of luxury. So the ability to live through periods of time without being hurt, as you just said, going through COVID in a very strong and successful way.
**Allison Nathan:** And Oliver, you mentioned China and its growth rebound and implications for your business. China is also pursuing decarbonization efforts, restricting combustion engines in some major cities. How is that affecting your strategy there?

**Oliver Blume:** I had the opportunity to travel to China four weeks ago for a week, and I was very impressed of the speed how technology is moving there. And I'm traveling to China since 25 years in different business fields, and I've never seen such a strong progress during the last years.

And when it comes to electrification, the development is quite faster than the Chinese expected a couple of years ago. Last year, over 25% of the new car deliveries were already pure electric cars, and the expectation is that, in '25 or '26, we will come to the tipping point when over 50% of all new cars will be electric cars.

Porsche is positioned very special in the Chinese market, in the luxury market, so you can't compare the Porsche positioning with others. But Porsche is very well prepared to electrification. On the one-hand side, we will bring, after
the very successful Taykan in the Chinese market, next year a fully electric Macan, followed by an electric 718, an electric Cayenne, and a luxurious SUV, and a Cadence [sp?]. So we will have, in a few years, a full product portfolio focused on electric mobility while, on the other side, we are prepared also for hybridization, which is also one part of the electrification in China.

We say a new Cayenne with a hybrid and a range of over 80 kilometers electric driven, and followed by a Panamera. And so the product portfolio fits perfectly to the needs of our Chinese customers and matches perfectly to the strong electrification in China.

**Allison Nathan**: And more broadly, a stat that stands out to me is that you have committed to 80% of electric vehicles in terms of deliveries by 2030. That's pretty impressive. How will that shift globally towards electrification impact your price points and your profitability?

**Oliver Blume**: Yeah, first of all, our product strategy is very flexible. We have, in all our segments, an offer of combustion engines, hybrid, and fully
electrification. We have a very strong ramp-up curve towards electrification with over 80% electric cars already in 2030, which is linked to our product cycle plans, and we are well underway. And we are very convinced to achieve at the end this target.

The mix is important because different regions of the world are moving with different speeds towards the transformation, which will last at least 10 years. And therefore, this flexibility gives us the ability.

Talking about the profit margins, we expect with the upcoming new electric models, starting with electric Macan, 718, then Cayenne, and the luxury SUV, that we will get to the tipping point where the profit margin of the electric cars at Porsche will be higher than the combustion engine cars.

**Allison Nathan:** Of course, if we think about your product line, the 911 is one of the most iconic cars in history, if not one of the most iconic products ever. Many of our listeners might not know that the company's stock ticker is listed as P911 on the Frankfurt Stock Exchange in Germany, and its overall share count is 911 million shares,
both obviously nods to the company's 911 model.

So what's the future of the 911?

**Oliver Blume:** Yeah, the 911 is our icon. And all our products are carrying the genes of the 911. If you drive a sports limousine or an SUV, you feel these sports car genes. And we were able, developing during the last years, a very focused product strategy for the 911 with very sporty models like the TG model, TG3RS or the Touring. Then we built the Heritage line with the 50s models, the 60s models, and the sports classic and maybe a 70s and 80s model to come. And then we published at the end of last year the off-road 911, Swiss 911 Dakar. And so we were able to drive also the profit margins to a higher position of the 911.

Talking about the future of the 911, the 911 will be the car we will drive as long as we can with a combustion engine. We will add a hybrid version, a very sporty one, not a plug-in hybrid, to combine the best of two worlds and carrying over our experience with hybrid engines from motor sports to the road with a very strong electric punch and using cylinder Boxster motor. And I am testing this car, and I am very excited.
We think also the regulations in the different regions of the world will be different, and therefore it's still time to decide how long we are able to drive the 911 with a combustion engine. And my wish is as long as we can.

**Allison Nathan:** And so Oliver, you mentioned that 2023 is an important anniversary year for Porsche. It marks Porsche's 75th year as a sports car manufacturer, as you said. And it's the 60th year of the 911. How are you celebrating this year?

**Oliver Blume:** Yeah, it's a very special year. We kicked off this year with an exhibition in Berlin of the history of Porsche, which you can visit during the next months up until autumn in Berlin. But this was only the starting point. During the year, we have a lot of events. We're celebrating on the 8th of June in Sauffenhausen [sp?]. Then we have a Porsche Fans Day on the 10th of June in Hauchneheim [sp?]. And we have a 100-year anniversary of Limaux [sp?], where we will take part and racing for the overall victory in Limaux also in June. And beside of all of these events, we will come with a lot of product surprises for our fans and customers.
**Allison Nathan**: So before we let you go, I have to ask you, Oliver and Christoph, what car do you drive day-to-day?

**Oliver Blume**: Yeah, I'm in the positive situation that I am able to test every day a different Porsche, and I like to switch in between the 911 and the Taykan.

**Christoph Stanger**: And I'm a family man, so I got a Cayenne hybrid, which has served me and the rest of the crew really well.

**Allison Nathan**: And Oliver, last question for you. What is your all-time favorite model?

**Oliver Blume**: I own a 911-R. And I'm so passionate and excited to drive this car with a manual gear shift and just pure driving fun what presents the 911-R. So that's my favorite car.

**Allison Nathan**: Oliver, Christoph, thanks so much for joining us.
Oliver Blume: Thank you very much.

Christoph Stanger: Thank you.

Allison Nathan: Thanks for joining us for another episode of Exchanges at Goldman Sachs, recorded on Wednesday, March 29th, 2023. If you enjoyed this show, we hope you follow on your platform of choice and tune in next week for another episode. Make sure to share and leave a comment on Apple Podcasts, Spotify, Stitcher, Google, or wherever you listen to your podcasts.

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