

EQS Group AG | Porsche AG
Q3 2022 Results Call
28 October, 2022 | 14:00 CEST

Transcript

Speakers:

Lutz Meschke

Bjoern Scheib

Anja Wassertheurer

Bjoern Scheib

Good afternoon and good morning to every one of you. Welcome to Porsche AG Q3 2022 business update conference call. My name is Bjoern Scheib and I'm the Head of Investor Relations here at Porsche AG. With me is Anja Wassertheurer, she is the Director of Corporate and Product Communications here at Porsche. Before we start, let me take you through a couple of housekeeping items. [Inaudible 00:00:30] the conference call and for the moment, all participants are in listen-only mode. Our CFO and Deputy CO, Lutz Meschke, will first provide an update on our business progress through the third fiscal quarter of 2022. After that, we will start with the media Q&A. This will last for around 30 minutes and this will be moderated by my lovely colleague, Anja. These calls will be followed then by the analyst and investor Q&A. We've scheduled this call in total for approximately 75 minutes, including Q&A.

Please note that this conference is being covered [?] and recorded. Recordings will be posted on Porsche AG's Investor Relations page for this event. Before handing over to Lutz, let me just give you a reminder of the first [inaudible 00:01:24] language and other cautionary statements regarding today's presentation and I'll describe in more detail the first slide of this presentation.

Firstly, I would like to remind you that all presentations will include forward-looking statements and any forward-looking statement or comment that we make about corporate views [?], future expectations [inaudible 00:01:50], objectives, financial conditions, assumptions, performance, projections, forecasts, or any other characterisation of future events or circumstances are subject to risks, uncertainties and other factors that could cause the [inaudible 00:02:07] actual results to differ materially from such statements. Any forward-looking statement that will be made through this call [inaudible 00:02:18] by the cautionary statement given before. You should not place any undue reliance on those forward-looking statements [inaudible 00:02:25] only as of today, for which we assume no responsibility for any update.

With that, thank you very much for your patience and let me now turn it over to Lutz, who will begin with his presentation. Thank you so much.

Lutz Meschke

Thank you, Bjoern. Good morning from my side and welcome, everyone, to our Q3 2022 combined investor, analyst, and media call. For the next 15 minutes I will take you through the major milestones we have achieved year-to-date. [Inaudible 00:03:01] transformation forward, consequently, we successfully listed on the Frankfurt Stock Exchange at the end of September. Looking back a month later, [inaudible 00:03:13] satisfied. The [unclear 00:03:15] shares were listed on the regulated market of the

Frankfurt Stock Exchange with a placement price of €82.50. [Inaudible 00:03:25] stay in place, despite the difficult market situation. We believe that investors appreciate our performance and our robust business model. The stock market price is always just a snapshot, the market appears to agree with that, as Porsche is well-positioned.

We have focussed on the sustainable growth of Porsche. Our business has been operationally successful and it has exhibited a strong financial track record, and we believe that it is well positioned to continue to be successful into the longer term. In our view, the IPO safeguards a higher level of entrepreneurial autonomy and provides us the solid foundation to pursue future success.

At the same time, the geopolitical tensions and crisis intensified further, for example, Russia's war against Ukraine, [inaudible 00:04:33] of international law. This resulting in sharp increases in energy, raw material prices, potential energy shortages, supply chain problems and infrastructure risks. Porsche has benefited from its strong relationships with its suppliers, its good relationship with Volkswagen, [inaudible 00:04:58] flexibility and its ability to adapt to challenging situations, as well as the close integration of procurement with production, research and development, and sales. [Inaudible 00:05:15] impacted from the Russia/Ukraine war [inaudible 00:05:22] consequences. We, therefore, are carefully monitoring developments in all of the behaviour [inaudible 00:05:29] and adapt if necessary, also make use of opportunities. The current environment is certainly challenging. It is our [inaudible 00:05:44].

Let me start with the highly reduced pipeline deliveries to Europe, the shortage of natural gas in the coming winter can very well not [?] be ruled out. [Inaudible 00:05:58] to take responsibility for the environment and society and aims to make an active contribution through reducing energy consumption at the company through numerous measures, in addition to various energy efficiency measures which have already been implemented. As part of the statutory regulations Porsche plans to reduce the temperatures in the offices to 19 degrees and in the production halls to 17 degrees in the coming heating period. Since September 1, 2022, exterior lighting and illuminated advertising areas and [inaudible 00:06:43] factory buildings, branches and subsidiaries will be switched off in the evening. The lights in the carparks will also be dimmed. Overall we must assume that regional crises will persist in the foreseeable future and challenging times will be the new normal [?]. Therefore, one of our most important tasks as management at Porsche AG will be to further increase our resilience. [Inaudible 00:07:18] to business and society facing major challenges overall. It is important that we reduce potentially [inaudible 00:07:29]

dependencies, especially in the supply chain and continue to look at and develop new markets. We need to provide better protection for critical infrastructure, especially data infrastructure in Germany, Europe and worldwide, as we increase the security. Finally, we need stronger digital sovereignty in Europe.

Before we switch to our financials, also a short update on Formula 1, as I expect you will be asking about it later in the Q&A. We continue to believe that Formula 1 remains an attractive field for Porsche, particularly in view of the new [inaudible 00:08:27] regulations. The desired partnership with Red Bull did not come [inaudible 00:08:34]. However, we will continue to examine possible alternatives, we do not see ourselves as being under any kind of pressure. Porsche is successfully active in many racing series and we plan to stay that way.

I'm going to switch over to our financial for our year-to-date report. In summary, our strong operating results shows a robustness and the strength of our business model. In this volatile and difficult market environment, we are demonstrating our ability [inaudible 00:09:16] profitably, in particular through cost discipline and improved [inaudible 00:09:21]. At the same time, we are decisively pushing ahead with our moral luxury strategy. Our goal is to combine luxury with sustainability and social commitment for a better future.

With the significant global challenges, Porsche achieved outstanding financial growth. Sales revenue for the first nine months of 2022 is €26.74 billion. [Inaudible 00:09:55] as already mentioned, supply chain disruptions and inflationary cost effect [inaudible 00:10:02] with the operating profit of €5 billion of the Porsche Group. The total sales for the first nine months of the year is 18.9%. In our automotive segment we have seen a slight uptick in delivery into the first nine months and we already delivered more than 221,000 cars in the period to our end customers. This is a 2% gain compared to the same period last year. This strong increase was reported in the European sales regions where we delivered around 42,000 vehicles between January in September [inaudible 00:10:48] this year. In our [inaudible 00:10:51] around 21,000 customers took delivery of their cars, an increase of 9%.

[Inaudible 00:11:02] in China which remained its largest [inaudible 00:11:04] market, Porsche delivered around 69,000 vehicles. This means a 1% decrease compared to the first nine months of 2021. In China the negative impact of lockdowns in the third quarter [inaudible 00:11:27] expect. In North America Porsche delivered around 56,000 vehicles, a slight decline of 4% compared to the first nine months of 2021, was due to logistical challenges, especially in the first quarter 2022.

The SUV models remain particularly popular with customers. Around 60,000 units of the most popular model, the Macan, was delivered to our customers. The iconic 911 Sport continues to evolve [inaudible 00:12:05] popularity with around 70,000 deliveries, an increase of 9% compared to the first nine months of 2021. Around 25,000 units of the Panamera were delivered, [inaudible 00:12:22] 22,000 of the all-electric Taycan worldwide. This is a 12% decline compared to the first nine months of 2021. This drop is the result of supply chain related [inaudible 00:12:40] and declining parts availability. Most [inaudible 00:12:47] sportscar in particular. The other backlog of the Taycan remains [inaudible 00:12:54] and 40,000 units of the [inaudible 00:12:59] Cayenne models were handed over to customers.

Bjoern Scheib Lutz, may I just interrupt for a second. I hear from [inaudible 00:13:08] investors on the call that the sound quality must be awful. Can you please check with PQS [?], our service provider, what we can do in order to improve the sound quality [inaudible 00:13:24]?

Operator Pardon the interruption while we correct the sound quality. Pardon the interruption while we fix the technical issues.

Bjoern Scheib First of all, thank you very much for your patience and apologies for the inconvenience. We are all [inaudible 00:17:59] that our IPO performance and our [inaudible 00:18:04] so far has been far more resilient than obviously the quality on this call. As you can see, this has nothing to do with the content, this is more a technical issue beyond the control of Porsche. Our ambition is to deliver to you the best service, so we continue now and hopefully everything is fixed. Thank you very much for your patience. Lutz, the floor is your again.

Lutz Meschke Thank you [inaudible 00:18:33]. As said, we are concerned about limitations on the suppliers' part [?], which has had an impact on the waiting times for our customers. [Inaudible 00:18:44] we could have delivered significantly more units [inaudible 00:19:03] of last year and the end of Q2 this year. In the automotive segment [inaudible 00:19:10] €26.7 million in operating profit, a return on sales margin of 19.4%, the result of higher sales, improved pricing, better product mix, advantageous currency effects, as well as a stable and lean cost structure. The automotive EBITDA margin in the first nine months of 2022 was 26.1%. Automotive net cash flow in the first nine month of 2022 was €3.27 billion. Our ambition is to deliver the best product and service to our customers, and we continue to invest in future projects, while that the same time, we're looking to generate strong automotive net cash flow. In the first nine months of 2022, we did exactly that through [?] financial services segment's operating profit of €300 million [?] in the first

nine months of 2021 [inaudible 00:20:22] through portfolio growth, better pricing for used cars, as well as advantageous currency effects. The penetration rate for the first nine months of 2022 was 41.6%, compared to 44.3% last year.

Automotive net liquidity in the end of Q3 2022 [inaudible 00:20:49] €7.7 billion, significantly higher than at the end of last year. [Inaudible 00:20:58] declined and [inaudible 00:21:04]. In the first nine months of 2022 the [inaudible 00:21:10] of the group without amortisation was €1.9 billion. Investment and capitalised development cost amounted €1.4 billion, significantly higher than in 2021. The increase is due to the increasing expenditure and ongoing projects, which [inaudible 00:21:34] ready for series production. The market capitalisation ratio increased, [inaudible 00:21:45] research and development expenses in the reporting period due to the convergence of the product range towards electric mobility [?]. After the very successful market launch of the first all-electric model series, Taycan, the focus is on the development of an all-electric [inaudible 00:22:07].

Investing in [inaudible 00:22:09] of current operations through all the segments increased in the nine months year-on-year from around €2.1 billion to around €2.5 billion. The increase is mainly driven by the higher capitalised [?] development costs and the higher investment values in the acquisition of equity accounted investments. [Inaudible 00:22:37] capitalised development costs and property, plant and equipment decreased by €65 million in the nine months year-on-year to €743 million, that's [inaudible 00:22:54] for 2022. Despite the significant economic challenges, presented by disruptions to global supply chains and gas availability [inaudible 00:23:07], Porsche AG is confirming its outlook for the full-year 2022. Porsche expects return on sales to be in the range of 17 to 18% for 2022. This outlook remains [inaudible 00:23:26] despite the [inaudible 00:23:28] IPO bonus of up to €250 million repaid in Q4 2022. [Inaudible 00:23:41] sales target in the range of approximately 18 to 19%. [Inaudible 00:23:49] continues to achieve real return on sales of more than 20%.

Q3 2022 was quite volatile and challenging from a political, economic and social perspective. Nevertheless, we are aiming for success [inaudible 00:24:09] Porsche and general [inaudible 00:24:13]. This demonstrates the attractiveness of our business model and the [inaudible 00:24:19] of support of that. At this time, I would like to express my gratitude and say many thanks to the entire [inaudible 00:24:34] who mad this performance possible through their commitment. In the [inaudible 00:24:41] we'll continue to build on our long-term track record, revenue growth and strong automotive net cash flow generation. Despite the challenging times, we remain confident [inaudible 00:24:56]

our strong profitability and financial and operational resilience. Thank you very much for your attention. Now we are very much looking forward to answering your questions.

Anja Wassertheurer Thank you very much, Lutz. Before we actually start with the media Q&A, our operator will give you some additional information, how we would like to proceed. Please go ahead. Also, I would like to ask the journalists, it's your turn right now. If you were listening to the presentation, I'm sure you might have some questions, so please tell them to the operator.

Operator Ladies and gentlemen, at this time we will begin the question and answer session. Anyone who wishes to ask a question may press star followed by one on their touch-tone telephone. If you wish to remove yourself from the question queue, you may press star followed by two. If you're using speaking equipment today, please lift the handset before making your selections. Anyone who has a question may press star followed by one at this time.

Anja Wassertheurer I don't see anything on my screen.

Operator We have a question from Gustav Theile from Frankfurter Allgemeine Zeitung. Please go ahead.

Gustav Theile Hello, everyone. English or German, what would you rather like?

Anja Wassertheurer English because everybody else [inaudible 00:26:41] please.

Gustav Theile I noticed that compared to Q1 and Q2, I think your revenue in Q3 was lower than the average of Q1 and Q2. Can you tell me why exactly that is? Can you also explain whether the IPO bonus that you promised to your employees is already included in the Q3 numbers or not?

Lutz Meschke Thank you for your questions. [Inaudible 00:27:15] supply chain constraints, we were able to realise a very strong operating profit margin again, also in the third quarter, 17.8% operating profit margin. Of course we will see also further effects from supply chain constraint in the fourth quarter, but nevertheless, we were able to achieve our forecasted figures when it comes to revenue and operating profit margin. Our outlook for 2022 with sales is revenue of €39 billion and the operating profit margin will be between 17 to 18%.

Regarding your second question, the IPO bonus [inaudible 00:28:16] in the third quarter [inaudible 00:28:21] out in the fourth quarter being reflected in the next quarter 2022 and will be reflected in the mentioned outlook for our operating profit margin for the entire year.

Anja Wassertheurer Next question here, I see on my screen that it's Victoria Waldersee from Reuters. Victoria, please go ahead.

Victoria Waldersee I just wanted to follow up on a point that was made earlier. Can

you hear me?

Anja Wassertheurer

Yes.

Victoria Waldersee

Earlier, Mr Meschke, I think you said, the quality wasn't great, we need to provide better protection [inaudible 00:29:22] the infrastructure, especially data infrastructure, in Germany, Europe and worldwide. I wondered if you could just build a little bit more on that point and what exactly do you mean and who are we protecting ourselves from? More broadly, you did talk about trying to increase resilience against the supply chain troubles, how exactly are you planning on doing that in the next couple of quarters? If you could speak just as slowly as possible because the quality is still not very good, that would be great. Thank you.

Lutz Meschke

[Inaudible 00:29:54] slide 17 [inaudible 00:29:57]. I will start with the first question, it's all about safeguarding our infrastructure and, first of all, also our data infrastructure, not only in Germany, but also in Europe and worldwide. We have already seen the consequences of the attacks on Nord Stream 1 and Nord Stream 2 pipelines, which have severe consequences for the entire energy supply chain with increase in price and the risk of supply chain interruptions in the upcoming winter. And, of course, also very dangerous when it comes to cybersecurity issues. As we have seen recent attacks on the [inaudible 00:30:48] a couple of weeks ago [inaudible 00:30:54] part of Germany, Austria [?]. As you can imagine, there's a few [inaudible 00:31:00] expenses and we've seen this situation as a new normal in future, that's why the protection of the data infrastructure is very important.

Also, to the second part of your question, on the one hand all the effects to our infrastructure have a significant impact on the supply chain and, therefore, then on the prices for raw material and the entire supply chain. Therefore, the situation with [inaudible 00:31:40] in crisis, with the Russia/Ukraine war, with the ongoing corona and then within China, with severe impact on a lot of tier three and tier four suppliers in China. We will have a situation in the upcoming months and in the coming years, also with the shortage in the semiconductor area. We are well hedged [?] on the [inaudible 00:32:14] price, as the new normal situation. Therefore, we have to [inaudible 00:32:23] contact through all [inaudible 00:32:24] with suppliers, not only through our tier one suppliers, we have to guide [inaudible 00:32:35] the entire value chain [inaudible 00:32:37] semiconductors [inaudible 00:32:41] producers, for instance, to avoid restrictions also from the [inaudible 00:32:47] side and to pay further inflated prices. Therefore, if we [inaudible 00:32:58], it's more or less the new normal for the entire economy in Germany and Europe, to deal with all these crises in a completely different manner as we have with crises in the past.

- I'm hearing that Anja is well understood from the sound quality, so [inaudible 00:33:24] maybe are having better quality in everything that we now have, that people can hear us. Again, we apologise for the sound quality. We now hear from this side that the sound is better.
- Anja Wassertheurer The journalists, if you have any more questions. I don't see anybody else with a new question. It was Victoria, I hope your questions have been answered. If there should not be any more questions from the media side, we would then like to switch over directly to the call of analysts and investors. We have one more mention, it's Gustav Theile again, with a second question. Gustav, please, again in English.
- Gustav Theile Wonderful. Regarding the business infrastructure, it was again a bit difficult to understand. Is this something that you see that impacts Porsche already or is this something that you have as a general concern, regarding the future of our economy?
- Lutz Meschke It's more a general concern. At this point in time we are not affected by such attacks to our own infrastructure, to the Porsche infrastructure, but nevertheless, if you see similar situations in the upcoming months for the entire economy in Germany and also possibly be affected from these consequences and, therefore, it's a problem to achieve a more stable situation when it comes to the protection of the infrastructure. [Inaudible 00:35:21] but Porsche could be affected in such a situation.
- Anja Wassertheurer Of course we always analyse our risks and adverse [?] measures. That would then be it for the media call and we would now like to hand over, finally, to Bjoern and Lutz again, for the media and analyst calls.
- Bjoern Scheib We now would move over to analysts and investors and with this, I would love to have the operator opening the line for Tim Rokossa of Deutsche Bank. Then after, we're going to have Patrick Hummel of UBS. I would kindly all ask you to restrict yourselves to one or two questions max, as we recognise that there's already a queue of people asking questions. Thank you very much.
- Tim Rokossa Thank you very much. This is Tim. Can I start? Can you hear me, Bjoern?
- Bjoern Scheib Tim, we can hear you. Over here the quality is [inaudible 00:36:34] and we also with Lutz now standing next to us [inaudible 00:36:39] better sound quality. Is it better now?
- Tim Rokossa It's slightly better. Thank you, Bjoern, thank you, Lutz. Welcome, I hope this is the very first of many conference calls. We very much look forward to this and Bjoern, keep in mind, product demonstrations are very important for us, so obviously we also understand your brand. I come to my two questions, please.

Lutz, with your very long delivery times currently, how do you pass on necessary price increases? Do you talk to your customers who already have an order in? Can they cancel if you raise prices? Do they cancel if you raise prices? And are there more price increases to follow for the new orders?

Secondly, obviously you left your guidance fairly unchanged, your nine months would at least indicate that there's some upside to that. Why did you decide not to move your guidance? Thank you.

Lutz Meschke

Starting with your first question. It's been a very strong [inaudible 00:37:32] also the development of the order intakes is very stable across all world regions. What's very important is that we monitor all things very closely from time to time. The cancellation rate is very important and I can tell you that the cancellation rate is still very low, it's [inaudible 00:38:02] it's about 2 to 3% and when it comes to the 911, it's almost zero. When it comes to pricing, we have to distinguish between the different regions with potential pricing adjustments, we have implemented a step-by-step, market-focussed approach, utilising all available pricing instruments.

When it comes to your second question, the outlook for the entire fiscal year 22, then [inaudible 00:38:40] for the operating profit margin, 17 to 18%, despite the ongoing challenges when it comes to our supply chain, when it comes to production [inaudible 00:38:53] as a consequence of all these impacts of the supply chain. And, of course, we have to consider, in addition, the already mentioned IPO bonus up to €250 million in the fourth quarter [?] 2022. Considering all these additional aspects, we feel it's very possible to reach our outlook when it comes to the operating profit margin of 17 to 18%.

Tim Rokossa

Thank you.

Lutz Meschke

The next one would be then Patrick of UBS and, thereafter, we're going to have Jose of JP Morgan.

Patrick Hummel

Good afternoon. I hope you can hear me clear, better than I can hear you, but let's try. My two questions would be, first one, I asked you, Lutz, at the CMD in July about a margin in case of a recession. Now we've moved quite a few steps further towards a recession with the 2023 view. Your answer back then was you think a margin floor would be at least at 15%. I just wanted to check whether that is still your current view. That's the first question.

The second question, if I can dive a little bit deeper to the bottom end of your portfolio, especially the Macan, because to me, it's more of a premium rather than a luxury car and it might be a bit more cycle sensitive. I'm wondering how you would manage

volumes with Macan here. Do you just produce as built-to-order, or would you consider reducing stock levels to ensure pricing remains stable? If you can give us at least some qualitative feedback, where Macan's contribution margin stands, relative to the group average. Is it close to group average or is it much below? Just to get a rough idea. Thank you.

Lutz Meschke

Starting with the robustness and resilience of our company, I think you can see also in the results and the KPIs of the third quarter 2022, that we are a very resilient and robust company. A more robust company compared to 2008, to the finance prices in 2008 and 2009, now we have a more balanced footprint when it comes to our sales structure, to our sales regions. We have a very well balanced sales structure with our advanced [?] sales in China and advanced sales in North America and advanced also in Europe. Also an increase of important [inaudible 00:41:49] region and South Korea is developing very, very well.

When it comes to our [inaudible 00:42:01] successfully launched a number of new model lines since 2008. That means that the foundation for our further growth story is a very promising one. And, of course, also the growth fundamentals that we had in years, remaining very strong. The number of [inaudible 00:42:27] expected to grow significantly over the upcoming years and the SUV segment is expected to grow significantly in the upcoming five years, as we sell more than 50% of our cars in the SUV segment. Also, [inaudible 00:42:45] in the luxury bus segment, and this segment is expected to even grow stronger than all the other segments. Therefore, coming back to your question, we are a much more robust and resilient company than in the past, with all the positive effects [?] and also on the operating profit margin in future.

When it comes to individual models, please understand that we don't want to comment on it, due to competition reasons. We will stay on an overall adjustment positioning. When it comes to the [inaudible 00:43:44] of the Macan or the demand regarding Macan, then of course it's very important to say that we have a much better product mix, also within the Macan and other lines, as we have seen in the past [inaudible 00:44:01], still the order intakes are very strong for the Macan across all world regions. We see a clear trend towards the [inaudible 00:44:12] as we have seen in the past. And that gives us a lot of confidence for the upcoming years. [Inaudible 00:44:27] Macan in the [inaudible 00:44:29] positive impact when it comes to the launch of the all-electric Macan in 2024.

Bjoern Scheib

This one, then we have now Jose, and after Jose, then we have Horst of Bank of America.

Jose Asumendi

Thank you. It's Jose from JP Morgan, hopefully you can hear me.

Unidentified Male Yes.

Jose Asumendi Thank you. Hi, Lutz. Hi, Bjoern. Welcome to the first conference call. A couple of items, please. Can you comment a little bit more around the launch of the electric Macan and roughly which month or by when you start producing the vehicle or do the product introduction? Second, can you comment on capitalised R&D, the trend in the third quarter and how you expect that to evolve in the coming quarters? Thank you.

Lutz Meschke As I already mentioned, we plan to deliver the Macan in 2024 to our customers in the different world regions. The capitalisation rate of R&D, we have seen a slight jump when it comes to the capitalisation ratio, it's now at 74%. It's more or less driven by increased expenditure for projects which are close to the production start. As you know, then you have to capitalise on the R&D costs, it's 100% capitalisation when it comes very close to the start of production of the product itself. Therefore, we have seen this increased ratio of 74% now and we expect a slight decrease when it comes to year-end.

Bjoern Scheib In this context, if we can draw the attention of all the listeners again to our deck, from the most recent IPO, where you can see that capitalised R&D and the CapEx are about to inflate with the D&A [?] with [inaudible 00:47:04] 2025. From this point of view, if you want to learn more about it, please visit the investor relations page [inaudible 00:47:13].

Lutz Meschke It's very important to say that we will see the tipping point in 2025. 25 will be the first year we'll see a depreciation in automotive. Depreciation will be higher as the sum of research and development cost and CapEx.

Bjoern Scheib With this, we are now turning to Horst and after Horst we have Stephen Reitman of Societe Generale.

Horst Schneider Thank you for taking my questions. I apologise if maybe one has been already answered before because the sound quality was bad, I couldn't understand it. First of all, on Q3, could you provide some more detail as to why the margin has got lower compared to Q2? Maybe you could provide some comments on, for example, price mix, FX effects, but also on provisioning for cost increases, i.e., pass-through of higher cost by suppliers. The second question is about 2023. I know you don't want to provide an outlook yet for 2023, but what I ask myself is 2023 is more a year of transition because all the model launches have got more an impact in 2024. At the Group call, for example, we got from Oliver Bloom a comment that we should expect even rising sales in 2023. Could you make the same statement?

Lutz Meschke To your first question, the main reason our costs increase is from suppliers and raw material was the major driver. We also have

inflation impacts for all the other fixed costs. That is the reason that we are seeing a slightly lower operating profit margin than in the quarters before. But it's still a very successful quarter with the operating profit margin of 17.8%. It's in the range of the operating profit margin for the entire fiscal year 2022. When it comes to fiscal year 23, then we are in a very positive and promising situation, that we have a very, very strong [inaudible 00:49:41], also in 23 and therefore, we are absolutely confident to see a very strong year 23 when it comes to revenue, when it comes to operating profit margin and also when it comes to cash flow.

Bjoern Scheib

The next one then would be Stephen of Societe Generale and thereafter, we're going to have Mike of Bloomberg Intelligence Research

Stephen Reitman

Thank you. Good afternoon. I just have a question regarding a comment made during the Roadshow in London, which was that you hinted that there'll be a significant price increase when you launch the E version of the Macan, the electric Macan, I think the figure you were talking about was 10 to 15%. Is that way you also regard future products as well, uptick, so we're looking at similar things, for the 718 series, when you electrify those vehicle in 2025 as well?

Lutz Meschke

That's a very good question and it's important for our entire strategy towards 2030. We are a luxury player and, therefore, we have focus on all the luxurious aspects, not only about the car, but all the services around the car, the convenience for the customer when it comes to fast-charging infrastructure, when it comes to exclusive customer events. One important part of that is pricing. We have very strong pricing power and we will use this pricing power when it comes to the launches of the upcoming E Macan and then also when it comes to the E Boxter. That will help a lot to reach our forecasted goals for mid-term when it comes to revenue, when it comes to operating profit margin, also when it comes to the cash flow. It's not only pricing of the entry-level models, it's also a clear trend towards a better product mix. We have seen it not only in the Macan model line, but we have seen it in all the other model lines in concept [?]. That there is a clear trend from the base model to the S model and the top models. We have also seen also [inaudible 00:52:19] rate in the last years and this will help a lot when it comes to our outlook for mid-term.

Stephen Reitman

Thank you. Could I just ask, as well, on Taycan, I think you made some allusions, again, the quality of the line was very poor, so it was hard to fully understand. Obviously we did see the drop-off in Taycan in the third quarter. You said demand is actually very good for that vehicle. Have you sorted those issues relating to certain key components and could we expect to see a

significantly stronger fourth quarter figure for the Macan? Would it be possible or realistic that Taycan sales in 2022 are higher than those in 2021?

Lutz Meschke

That's a very important topic and the supply issue impacted especially the Taycan. There's still a very, very high demand for the Taycan. We have a very strong [inaudible 00:53:17] and also a very strong [inaudible 00:53:22]. But the Taycan has a lot of severe issues when it comes to the supply chain. The major part of these issues is first the parts, one is the starter battery, as this topic is [inaudible 00:53:37], but we will also have some impact in the fourth quarter of 2022. We will see a better situation starting then in the first quarter of 23, therefore, we expect a strong year for the Taycan in 23.

Bjoern Scheib

Stephen, I need to add one comment to this one. The opportunity for us is still that from the inflationary effects that we see from the supply chain, for the single markets, step by step, we also make use of all instruments, that we will work on pricing on the existing order book. And this really depends on the [inaudible 00:54:21] demand, this really depends on the single market, [inaudible 00:54:24] we also tackle this one. With this now, we come to Mike of Bloomberg and thereafter, we've got Harold of Morgan Stanley.

Mike Dean

Hi, good afternoon. Thanks for taking my question. I've just got a question on the 911, given that it's set to have a record unit sales year this year, can you give us an indication of the mix of the high-end derivatives versus the Turbo or the GT3? From memory, I believe that back in 2007 the mix was about 25% for Turbo, if you could confirm that, that would be great. Just in terms of waiting time, what's the current waiting time for a 911? Thank you.

Lutz Meschke

Needless to say that we cannot give all these details for competition reasons, but it's clear that our aim is always to have [inaudible 00:55:19] of our top-end models in all our model lines and, therefore, it's a clear goal to further increase the share of Turbos and GTs, GT3s and GT2s, in future, but I cannot give you further details on this topic.

Bjoern Scheib

I gather from your statement that you're obviously also keenly interested in a product event?

Mike Dean

That's correct.

Lutz Meschke

With the next one, then we come to Harold.

Harold Hendrix

Thank you so much for taking my question, guys, and thank you so much for hosting the call. I haven't heard everything either, so I hope you haven't covered this in more detail. I'm asking all the companies this, and I think it's more relevant for you than anybody else. High-end demand has obviously been bolstered

by the high net worth and people's wealth, but it's also been bolstered by the extreme affordability conditions that we have currently. Because rates have been so super low, we had infinite QE money and residual values were at all-time highs. That means that we've seen a very, very sharp rise in all car prices and ASPs. Firstly, can you talk a little bit about what's happening to the lease price of an average Panamera or a Cayenne right now, considering that a large number of those customers do lease your cars. How do you think consumers are reacting? Do you fear, is there any risk that ASPs could actually fall under different interest rate and used car conditions? Is that something you're considering in your planning? Thank you very much.

Lutz Meschke

Thank you for this question. I think it's important to analyse that our pricing policy was a bit different compared to the competitors in the past, since we've always seen very strong residual values for all our cars, across all model lines and our incentive level was always very low. Therefore, we were in a situation, also in the entire year 2022, that we didn't benefit from a one-time impact of pricing [inaudible 00:57:38] there was no intention from our side to be in a situation where a customer has to wait for more than one year for a car. Therefore, I don't expect a decrease of ASPs in future, it will be the opposite when it comes to our [inaudible 00:57:58], since we have a lot of potential when it comes to the BD [?] transition, as I already mentioned, you will see a completely different situation when it comes to the launch of the Macan and also 718, when it comes to the entry model prices.

Bjoern Scheib

On with the next, Charles of Redburn and thereafter, Michael of DZ Bank. Then we'll look at the time of this call, we've got around 15 minutes left. I do apologise for the poor conditions and technical quality of this call. I'll kindly ask you to limit yourself to one or max of two Qs because there is hereafter two more questioners.

Charles Coldicott

Thanks for taking my question, I'll just ask one. The Porsche Macan coming in 2024 on the CP architecture. Can you talk a little bit about the cost competitiveness of that architecture? Given the 15% rise in the entry price, how should we think about a gap in the return on sales between the electric Macan and the existing combustible engine Macan.

Lutz Meschke

When it comes to the Macan, I've already mentioned that we will use the access to the best [inaudible 00:59:39] to increase the prices first of all of the entry level models, and that will help a lot to not only offset the higher prices when it comes to raw materials for the battery cells, but it will also help us to further increase our operating profit when it comes to the base models. When it comes to your question regarding software, we already decided to stop the cooperation with CARIAD when it comes to

the new architecture, the 2.0. We decided to completely rely on the almost completely developed architecture 1.2. It's an architecture developed together with CARIAD and Audi and we are confident that this architecture will be ready in 24 and for the upcoming model lines in the base area [?] then for the 718 and all the other models.

Then we will use also the 1.2 architecture, but a more developed one, that we are in close contact when it comes to entertainment [inaudible 01:01:07] players in the different world regions when it comes to the western world, we are in close contact with Google and Apple. And when it comes to China, we are in quite good rapport with Tencent, Alibaba and [unclear 01:01:21]. And when it comes to autonomous driving, then we have here a very promising top-ranking in mind, a very valuable player, as with Audi [?], to [inaudible 01:01:34] names. It's a very promising project so far and therefore, we are quite confident to have a very, very successful software architecture in place, starting then with the electrified Macan in 24. We also addressed that we have a very important hire with Sajjad Khan, the former board member for Car-IT of Mercedes Benz group. I think he help a lot when it comes to the further development of our 1.2 architecture.

Bjoern Scheib With this, we now come to Michael, then we've got Daniel of Stifel, and thereafter we've got Antony of [Unclear 01:02:28]. After these three gentlemen, we close it up.

Michael Punzet Good afternoon. I have two questions. The first one is on your capitalised R&D. You mentioned there's an increase to [overtalking] in the first nine months, but at the same time, the amortisation in your P&L went down. Can you give us an idea when the higher capitalisation rates will turn into a bigger burden in your P&L amortisation. The second one was on your [inaudible 01:03:05] can you give us an adjusted figure [inaudible 01:03:11] your organic increase in the ASP [?]?

Bjoern Scheib Michael, to that degree I would say please draw your attention, as outlined before in the capital market deck on the investor relations page. Here you can see how capitalised R&D and CapEx will go percentage-wise lower in the next 2.5 years and [inaudible 01:03:41] and both lines are reflecting in 2025. This is the information that you require for your question and anything which is more detailed [inaudible 01:03:55] or any basis is not that of the company.

Lutz Meschke It's possible to understand your questions accurately [inaudible 01:04:06] worse than our lines.

Bjoern Scheib With the next one done, we move on to Daniel of Stifel.

Daniel Schwarz Thank you very much. With the lower Taycan sales, [inaudible 01:04:23] will CO2 emissions be the up year-on-year in 22 and

if so, will you pay more for Volkswagen CO2 [inaudible 01:04:31] than anything meaningful? My second question, maybe you already said this, but could you quantify the currency effect in the third [?] quarter?

Lutz Meschke

It's very difficult to understand your questions accurately, but let's try. An answer against a part of your question which I was able to understand, due to the lower sales value of the Taycan, it's also then a challenge to reach emission goals. Luckily we have support of the entire VW Group, we [inaudible 01:05:11] very good part so far in the entire VW Group, that we can reach our emission goals, despite the slight decrease of the Taycan sales in 2022. When it comes to the currency impact, I've already addressed, during this year that we will have a strong tailwind from currency, it's about 200 basis points for the entire year 22. First of all, due to the strong dollar against the euro, it's more or less the same situation with all the major currencies which we are working with in the other markets. We have also a very well [inaudible 01:06:06] and flexible FX policy in place and that gives us the confidence that we will see a similar impact also in the upcoming years in our profit and loss income statement.

Lutz Meschke

The last questioner on this call will be Anthony of [unclear 01:06:27].

Anthony

Hi and thanks for taking my questions. My first one is on the Cellforce battery cells. I saw that Cellforce increased by ten times their current capacity for battery cells. I was just wondering what prompted that change and how this will affect your strategy for which vehicles will use these cells and your overall battery sourcing strategy. Then I had a second question, I'm sorry if this has been answered already, but could you possibly break down the waiting list by product? Thank you very much.

Lutz Meschke

You're right, we decided to increase production capacity of Cellforce to 1.3 gigawatt. It's a very important step for Porsche. The part we planned for production capacity very reluctantly [inaudible 01:07:23] at the starting phase, we were on the testing phase of the chemistry. It was a very promising start, but we were not able to really decide if this chemistry that we have would be worth also when it comes to industrialisation. And now we make a big step in the right direction, therefore, we decided to increase production capacity from 100 megawatt to 1.3 gigawatt. That will allow us then to support our model lines, then we can have a coverage of about 10,000 cars in the upcoming years, end of 24, beginning 25.

As you maybe know, we decided also to invest in the vertical integration. We led a recent finance round of Group [inaudible 01:08:21], it's a very promising start when it comes to the production, when it comes to the development of [inaudible

01:08:26] panels. We've already negotiated potential [inaudible 01:08:35] when it comes to the production plant in Europe. It's a very important step for Porsche, to further invest in the battery cell development, since it has to be a differentiator in the future for our products.

When it comes to waiting times, for all model lines we have a very long waiting time at this point in time, which [inaudible 01:09:02] supply chain constraints I've already mentioned. The longest waiting time is in the 911 segment, starting with one year for the base models, up to two years for the top models and for all the other model lines, we are talking about waiting times of six to nine months.

Bjoern Scheib

Thank you very much for your time, again. Thank you very much Anja and Lutz, for [inaudible 01:09:30] on this call. In particular, Lutz, thank you very much for answering all these questions. Once again, we apologise to all joining this call of Porsche AG. It's our key ambition to return not only the best results and cash flows, but also to provide the best service to our analysts and the public [?]. Please consider this as an invitation for the next event, that we will for sure do better and, if anything should have been left out or anything should be unclear, please reach out to the publications department and Anja Wassertheurer in the IR department. We look forward to result [inaudible 01:10:13]. Thank you very much. Take care and, most important, [inaudible 01:10:17]. Bye.

Lutz Meschke

See you soon.

Anja Wassertheurer

See you, bye-bye.