

# VW trucks division Traton coasts on stock market launch

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Not the most polished example of a stock market launch

German auto giant Volkswagen offered part of its heavy trucks division Traton on the stock market Friday as it looks to raise fresh capital, in what could be the first step towards reshaping the sprawling 12-brand

group.

Stock in the unit, which is not listed on any of the German indexes, started at VW's initial price of 27 euros (\$30.70) but fell back to 26.45 euros by the market's close.

The flotation brought in around 1.5 billion euros.

With Traton, "the second-largest IPO in Europe so far this year has taken place in Germany" after Italian payment processor Nexi, EY analysts noted ahead of the stock market opening.

Traton sold some 233,000 vehicles in 2018, with its 81,000 employees bringing in almost 26 billion euros in revenue.

It brings together well-known brands MAN (Germany) and Scania (Sweden) as well as VW-branded trucks sold in South America and Africa.

Bosses hope to compete more strongly with Daimler and Volvo by finding savings and pressing for a faster-paced global expansion.

VW had already set the price tag for the 57.5 million shares on offer—an 11.5-percent stake—at the very bottom of the range of between 27 and 33 euros it first mooted weeks before, valuing the company at 13.5 billion.

In Stockholm, where Traton is also listed, the shares fell to trade at 279 Swedish kronor (26.41 euros, \$30.04).

"The price is much too low," analyst Juergen Pieper of Metzler bank told AFP, highlighting that the sale valued the company at just three times its annual operating profit.

Patrick Frowein of Deutsche Bank, who assisted with the IPO, said that "investors are sensitive to prices and are looking carefully at where they're prepared to invest money in the present environment."

## **Powering up electric**

The proceeds from the IPO will flow to a Volkswagen group in the middle of a costly transition towards electric mobility, autonomous driving and digital services.

Bosses plan to invest more than 40 billion euros over the coming years into next-generation vehicles, part of an ambitious strategy aimed at putting the "dieselgate" emissions cheating scandal squarely behind the company.

The group plans to launch some 70 electric models by 2028, aiming for sales of 22 million units over the coming decade.

This week it also launched a car-sharing service with a fleet of electric-powered Golf compacts in Berlin—although the move came years after competitors BMW and Daimler.

The heavy investments needed for the far-reaching transformation have weighed on VW's profit margins.

Meanwhile the simpler production processes for electric vehicles—with motors less complicated than combustion engines—will contribute to job cuts at the group in the coming years.

Opening up one of its divisions to outside investors represents a first attempt by VW to streamline its complex structure, which presently numbers 12 brands and 640,000 employees.

## VW 'undervalued'

Some investors and analysts are unhappy with the present market capitalisation of the group—at around 75 billion euros—which they feel undervalues some of its crown jewels like sports car makers Lamborghini and Porsche.

VW "ought to be valued at at least 250 euros" per share, rather than the present 146.90 euros, Metzler analyst Pieper said.

The stock remains slightly below the price it attained just before the "dieselgate" scandal broke in September 2015.

Bosses had originally slated the Traton flotation for April, but announced in March that it would hold off as market conditions looked unfavourable.

What's more, it has scaled back the size of the stake on offer, from a first-mooted 25 percent float aimed at raising up to six billion euros.

Nevertheless, "finishing the IPO in the current market environment, despite the volatility, proves Traton right", finance director Christian Schulz said Thursday.

VW looked to reassure investors by announcing that major Swedish pension fund AMF would take a 200-million-euro holding in the truck business.

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