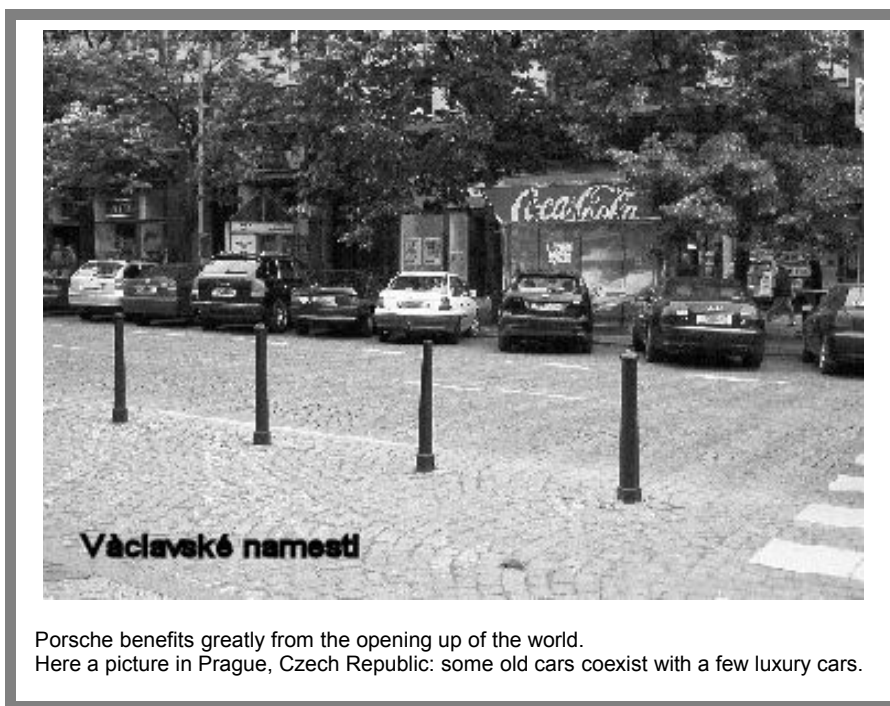


Porsche: a good stock with some spice

By Vincenzo Sciarretta

If you are contemplating buying a Porsche, perhaps you may want to know what analysts say about Porsche, the company, and perhaps discover that you would be better off buying some Porsche shares instead of the car. Of course, if the investment goes wrong, you may very well regret you are not enjoying your Porsche, the car, this time.

Porsche reconfirmed earlier press reports that it sees a chance to reach the 100,000 units sales mark already this business year, up 13% compared to a year earlier. "I like the strong and ongoing raise in volumes", says **Marc-Rene Tonn** of Warburg, who has a "buy" recommendation on the company and sees volumes setting a record of 125-130,000 units in 2009. "The mix is improving each year. Examples include the entry-level Cayenne and the new 911 Turbo." But the true revolution might be Panamera to be launched in 2009, a car which is portrayed as a high-end Maserati/Mercedes rival. This program might exceed the official targets, according to some analysts. For instance **Max Warburton** of UBS writes in a recent report that "it will compete not only with Mercedes' CLS but also with the



Porsche benefits greatly from the opening up of the world. Here a picture in Prague, Czech Republic: some old cars coexist with a few luxury cars.

E-Class and BMW 5-series."

Mr. Tonn stresses the role emerging markets are going to exert in the future: "sales

last year improved by 75% in China to over 500 units. Remember that margins are loft on these sales because wealth people in emerging nations tend to buy only the best, as a status symbol. I envision the possibility that Porsche delivers 5,000 units in China, 4 years from now." Of course that would have an impact for a company selling just 100,000 units. Emerging market sales, including the Middle East, could reach 15% of volumes shortly, and this could add some spice to the company (up and down of course). Finally, Mr. Tonn suggests that Porsche should be priced, at least in part, as a growth stock with a great visibility of its brand and therefore the valuation is not worrisome.

Porsche is expected to obtain an EPS of 52 this year and 58 in the 2006-2007 period. EV/sales should be 2.1 this year. The automaker keeps on having a strong cash flow.

Most analysts are happy with these numbers, but there are exceptions: one is **Alexander Neuberger** of CA Cheuvreux, who says: "The company is great and has a great top management. This notwithstanding, it looks expensive. With conservative multiples, Porsche ought to trade about 660 euro per share, which is substantially lower than the current price of 730 per share."

Analysts love Porsche

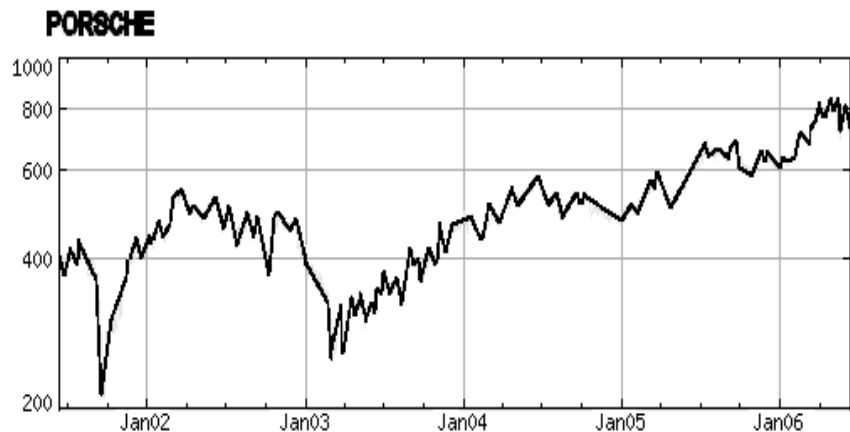
Bank	Analyst	Recommendation	Target	Released on:
Merrill Lynch	Stephen Reitman	buy	1000	02/06/2006
Credit Suisse	Mike Dean	outperform	1000	02/06/2006
UBS	Max Warburton	buy 2	950	02/06/2006
Sanford Bernstein	Stephen Cheetham	market perform	800	31/05/2006
Dresdner Kleinwort	Arndt Ellinghorst	buy	830	24/05/2006
Morgan Stanley	Adam Jonas	Overwt/Cautious	1030	23/05/2006
M.M. Warburg	Marc-Rene Tonn	buy	800	19/05/2006
BHF-Bank	Christian Breitsprecher	strong buy	1100	10/05/2006
Oppenheim	Patrick Juchemich	buy		10/05/2006
Oddo & Cie	Olivier Pouteau	buy	911	10/05/2006
CA Cheuvreux	Alexander Neuberger	underperform	660	09/05/2006
DZ Bank	Tim Schuldt	buy		02/05/2006

Source: Bloomberg

Whether you are a trend-follower or a contrarian, a large consensus always draws attention. Current Porsche's price: 740-750

When currencies count.

At the time of the boom-burst cycle of the dollar in the '80s, Porsche run the risk to go out of business because of the huge currency fluctuations and the fact that the United States was, and still is, such a large part of its market. Since then, the management has engaged in a large hedging program to avoid the problem again. Disclosures in the 2004/05 accounts suggest Porsche made around € 400 mn of pre-tax profits from currency hedges in that financial year, about 30% of all pre-tax profit. This source of profit will fall to nearly zero by July 2009, clearly a risk on the way for the company stock price. Is the problem manageable? The management insists that the company can, thanks to cost reduction and mix. "perhaps a situation similar to the one BMW has experienced through 2003-2006, where profits growth has been minimal because of the currency drag", contends Warburton of UBS. This is the major risk, analysts reported by TheEuropeanSide indicated for this superb luxury automaker.



A nice bull market for the German automaker

When the news of Porsche's investment in Volkswagen surfaced, there was a stampede to dump Porsche equities. Even to-day, experts are confused. The VW stake may remain a drag on the super-car's rating and will continue to expose the stock to fluctuations in VW's fortunes. Instead of being only a drag, now it looks like the agreement may help. "Porsche" writes Warburton "is in the position to demand that VW builds the Panamera probably at a price advantageous for Porsche. We have been here before with the Touareg/Cayenne project, where Porsche has made disproportionate profits. We expect the same outcome from the Panamera project: VW takes the capital risk, Porsche extracts the profits."

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