AACHEN INVESTMENT CLUB

Newsletter CW 29/30

News Recap

Volkswagen Cuts Revenue Outlook as China Sales Collapse

Volkswagen reported a sharp fall in second-quarter profit on Friday and lowered its revenue forecast for the year, underscoring the mounting strain on Europe's largest carmaker. Net profit dropped 32.9% to 1.54 billion euros between April and June, down from 2.29 billion euros a year earlier, when earnings had already fallen 36%. The renewed decline reflects weak sales in China and a trading environment that Chief Executive Oliver Blume described as extremely challenging.

The Wolfsburg-based group now expects revenue to fall by as much as 3% this year, having previously projected growth of up to 3%. It kept its forecast for an operating margin of 4 to 5.5%, above the 3.8% recorded in the first half, a level finance chief Arno Antlitz called too low. Antlitz warned that with the overall Chinese market shrinking by 20% and domestic competitors ramping up exports, the pressure on Volkswagen in Europe is intensifying and current measures are not enough.

The steepest losses came in China, where deliveries fell by more than a third to 424,300 vehicles. Group deliveries worldwide declined almost 9% to 2.08 million cars, though sales outside China held up somewhat better. Blume pointed to tariffs, wars, geopolitical tensions and competitive pressure as persistent headwinds.

Against this backdrop, Volkswagen is weighing deeper cuts. Up to 50,000 additional jobs and four German plants are under review, on top of the 50,000 domestic positions already set to disappear by 2030, of which 35,000 fall at the core brand and thousands more at subsidiaries such as Audi and Porsche. Blume wants supervisory board approval by year-end, but unions, the works council and the state of Lower Saxony, which holds a 20% stake and two board seats, have opposed the plans, which reportedly failed to win backing at a first attempt.

(Sources: ZEIT, Tagesschau)

ECB Holds Rates Steady, Signals Possible September Hike

The European Central Bank has decided to keep its key interest rates unchanged, pausing after its first increase in nearly three years in June. The deposit facility rate remains at 2.25%, following a quarter-percentage-point increase from 2.0%. Although the July decision was unanimous, ECB President Christine Lagarde said some policymakers had questioned whether another increase should already be considered.

The pause reflects recent signs that inflation pressures are not spreading as quickly as previously feared. Euro-area inflation declined to 2.8% in June from 3.2% in May, while inflation excluding energy and food eased to 2.4%. Wage growth remains moderate, and there is still limited evidence that higher energy costs are becoming embedded in broader price and wage developments. Economic activity also improved somewhat during the second quarter, although near-term growth is expected to remain modest.

At the same time, uncertainty remains elevated because of the conflict in the Middle East. Oil prices briefly returned to around $100 per barrel, while European natural gas prices also increased. The ECB warned that the full inflationary impact of the energy shock has yet to emerge, as higher costs could gradually feed through to food, goods, services, and wages. According to the central bank, inflation is likely to remain above its 2% target into the first half of 2027 before declining again.

Against this background, the ECB emphasized that future decisions will remain dependent on incoming economic data and will be taken meeting by meeting. It did not commit to a particular interest-rate path. Nevertheless, the internal discussion among policymakers and the continued focus on upside inflation risks were widely interpreted as leaving the door open to another increase after the summer. Bundesbank President Joachim Nagel said the June increase had placed the ECB in a good position to respond if the inflation outlook deteriorates.

Financial markets viewed the July decision as a pause rather than the end of the tightening cycle. Immediately after the meeting, traders priced in approximately a 95% probability of a quarter-percentage-point increase in September. Euro-area bond yields remained near multiyear highs amid elevated oil prices and expectations of tighter monetary policy. Economists are less certain that a longer series of increases will be necessary, particularly if wage pressures remain moderate and energy prices stabilize.

Overall, the ECB has chosen to wait for clearer evidence about the wider economic effects of the energy shock. A September increase remains possible if higher costs begin to affect wages, inflation expectations, and a broader range of consumer prices. If those pressures remain contained, policymakers may have room to keep rates unchanged again. The ECB’s next monetary policy meeting is scheduled for September 9-10.

(Sources: ECB, Reuters, Tagesschau)

VW Supervisory Board Rejects Blume's Restructuring Plan

Volkswagen's supervisory board has voted down the far-reaching restructuring proposal put forward by CEO Oliver Blume, exposing the scale of the challenge facing Europe's largest carmaker. At a meeting in Wolfsburg on July 9, the board rejected the plan by a vote of twelve to seven, with labour representatives and delegates from the state of Lower Saxony forming the blocking majority.

Volkswagen's governance structure gives union representatives and Lower Saxony, the company's second-largest shareholder, a combined majority on the supervisory board. Multiple reports indicate that Blume's proposal envisaged cutting as many as 100,000 jobs across the group and closing up to four German plants, including sites in Hanover, Zwickau, Emden, and the Audi facility in Neckarsulm. Lower Saxony reportedly considered submitting its own counterproposal during the talks but ultimately abandoned the idea.

Following the meeting, Volkswagen's Executive Board presented a separate "Future Plan" comprising twelve initiatives that did not require supervisory board approval and made no reference to job cuts or plant closures. The plan targets a reduction of the group's model lineup by up to 50% and vehicle variants by up to 75% by 2030, alongside a cut in global production capacity to around 9 million vehicles per year, down from roughly 12 million before the pandemic. The company also intends to harmonize technical platforms, electrical architectures, and software systems across its brands to reduce duplication and improve efficiency.

The rejection underscores the pressure facing Blume as Volkswagen contends with intensifying competition from Chinese manufacturers, elevated U.S. tariff costs, and questions over the competitiveness of its German factories. Group deliveries fell 8.6% year-on-year in the second quarter to roughly 2.07 million vehicles, the steepest quarterly decline in four years, while the company's operating margin has come under sustained pressure. Volkswagen's share price has continued to slide, extending losses accumulated since the start of the year.

The standoff highlights the constraints Germany's co-determination system places on management even amid financial strain, as labour representatives hold half of the supervisory board's seats. Whether Blume can secure backing for deeper cuts, or is forced toward a more incremental path, will likely shape both the company's cost trajectory and his own standing as CEO in the months ahead, without implying any specific future outcome.

(Sources: Bloomberg, Euronews, Volkswagen Group)

DAX Hovers Near Record Despite Oil-Price Alarm

Germany's benchmark index climbed for a second straight session on Wednesday even as oil prices jumped to a multi-week high, underscoring how strongly the current earnings season is offsetting geopolitical risk. The DAX closed 0.58% higher at 25,155.41 points, having touched an intraday high of 25,271 points, while the mid-cap MDAX advanced 0.53% to 31,982.03 points.

The gains came despite a sharp rise in crude prices, driven by an eleventh consecutive night of U.S. strikes on Iran and mounting concern that shipping routes through the Red Sea could also come under threat alongside the Strait of Hormuz. Brent crude rose to its highest level in roughly five to seven weeks, trading close to the mid-$90s per barrel, as investors weighed the risk of a broader disruption to Middle Eastern energy supplies. Rising fuel costs kept inflation concerns among investors elevated, yet the index still edged toward its all-time high of roughly 25,900 points, set earlier in July.

Corporate earnings provided the main counterweight. Airbus shares jumped more than 7% after the planemaker raised its medium-term targets through 2029, confirmed its 2026 outlook of around 870 aircraft deliveries and roughly €7.5 billion in operating profit, and announced a €5 billion share buyback program on the back of strong demand for passenger jets. Industrial group GEA also outperformed, rising more than 5%, after lifting its full-year guidance following a stronger-than-expected second quarter in which order intake climbed 14.2% to €1.49 billion. Smaller-cap pipeline and plant engineering firm Friedrich Vorwerk gained more than 6% in the SDAX after raising its own profit forecast. Siemens Energy was a notable laggard, falling roughly 4% as disappointing results from U.S. peer GE Vernova weighed on sentiment despite the company's own recent strong run.

The resilience of German equities in the face of an energy-driven inflation risk illustrates a broader pattern seen throughout the conflict: markets have repeatedly looked past escalation in the Middle East so long as corporate fundamentals hold up. The stakes of a sustained oil-price shock are nonetheless significant for Germany. A Brent price of $100 per barrel would be expected to lift German consumer prices by roughly 0.8% in 2026 and 1.0% in 2027, while shaving gross domestic product by an estimated €40 billion over the two years; a more extreme scenario of $150 per barrel could cut GDP by an estimated €80 billion over the same period.

Whether the DAX's current strength can be sustained will likely depend on how the conflict in Iran develops from here, alongside a heavy slate of upcoming corporate earnings and central bank decisions, without implying any specific future outcome.

(Sources: dpa-AFX, NBC News, Statista)

Airbus Shares Rise on New Profit Targets and €5 Billion Buyback

Airbus shares rose by more than 6% on July 22, 2026, after the European aircraft manufacturer announced new medium-term financial targets and a €5 billion share buyback programme at the Farnborough Airshow. Investors responded positively to the company's clearer long-term outlook. Airbus aims to achieve adjusted operating profit of between €12 billion and €13 billion by 2029, nearly double the €7.13 billion recorded in the previous year and well above its 2026 target of €7.5 billion.

A major driver of this growth is expected to be higher aircraft production. Airbus plans to increase monthly narrowbody production from around 60 aircraft to between 70 and 75 by 2027. However, the company is still negotiating with Pratt & Whitney regarding the supply of engines required to meet this target. Airbus also expects strong demand for the widebody A350 and intends to decide in 2026 whether to increase production beyond its current target of 12 aircraft per month, potentially moving closer to 20. In addition, the company is considering stretched versions of both the A350 and the smaller A220.

Airbus expects its commercial aircraft division to generate approximately €10 billion in operating profit by 2029 and has maintained its delivery target for 2026. CEO Guillaume Faury also indicated that he would be open to remaining in his role beyond the end of his current mandate in 2028 in order to support the implementation of the new targets. Overall, the announcements gave investors greater confidence in Airbus's future profitability, production growth and improving supply-chain conditions.

(Source: Reuters)

M&A/VC News

Saudi PIF's $55 billion EA acquisition wins EU merger clearance

The European Commission has approved the proposed $55 billion acquisition of Electronic Arts by a consortium comprising Saudi Arabia's Public Investment Fund, Silver Lake and Affinity Partners under EU merger rules. The Commission concluded that the transaction would not significantly reduce competition in the European gaming market. However, a separate review under the EU's Foreign Subsidies Regulation remained pending, with a decision expected by July 30.

(Source: Reuters)

Stripe and Advent submit more than $53 billion bid for PayPal

Payments company Stripe and private equity firm Advent International have jointly offered to acquire PayPal in a transaction valued at more than $53 billion. According to Reuters, the proposal values PayPal at $60.50 per share, representing a premium of roughly 28% over its previous closing price. The bid is backed by approximately $50 billion in committed bank financing, while both buyers would hold equal ownership if the transaction proceeds. The proposed acquisition reflects continued consolidation in digital payments as companies seek greater scale, broader customer reach, and stronger competitive positioning in an increasingly crowded fintech market.
(Source: Reuters)

ARC shareholders approve $16.4 billion Shell acquisition

Shareholders of ARC Resources have approved Shell's proposed $16.4 billion acquisition, marking another significant step toward completing one of this year's largest energy-sector transactions. The vote removes an important obstacle before the companies finalize the merger, which remains subject to the remaining regulatory approvals and customary closing conditions. Shell expects the acquisition to strengthen its North American natural gas portfolio and expand its long-term production capacity. The transaction also reflects continued consolidation across the energy industry as major producers pursue larger resource bases and operational efficiencies amid evolving global energy demand.
(Source: Reuters)

Etched raises $300 million at $10.3 billion valuation to scale AI inference chips

AI chip startup Etched has raised $300 million in a Series C round at a $10.3 billion valuation, led by Sequoia Capital with participation from Andreessen Horowitz, Jane Street, Diffusion, and SK hynix. Etched designs chips purpose-built for AI inference rather than general-purpose computing, positioning itself against the growing bottleneck of serving AI workloads at scale as enterprises move from training models to deploying them. The company says it has already booked $1 billion in customer orders and manufactured its first chips. The round underscores investor appetite for infrastructure that addresses inference-stage costs, latency, and throughput as AI adoption spreads across industries.
(Source: Reuters)

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Cathedral raises $160 million at $1.4 billion valuation for AI military cyber operations

Cathedral, a startup founded by former U.S. Department of Government Efficiency staffers, has closed a $160 million financing round at a $1.4 billion valuation, led by Andreessen Horowitz and Sequoia Capital. The company aims to expand U.S. military cyber capabilities using artificial intelligence, including both offensive and defensive operations. Cathedral is reportedly exploring dedicated compute capacity through a data-center acquisition or partnership to support its work. The round reflects a broader surge of venture capital into defense technology, as investors bet on AI-enabled tools becoming central to national security and military operations.
(Source: Reuters)

Anduril in talks to raise funding at $100 billion valuation

Defense technology company Anduril is in talks to raise a new funding round that could value it at around $100 billion, up from the $61 billion valuation it reached in a $5 billion raise in May. The fundraise may be structured as a two-stage process, with a second tranche bringing in investors at a higher valuation, and both stages could close within the year. The talks come amid a broader boom in defense-tech investment, driven by demand for drones, autonomous systems, and AI applications in warfare, with venture funding into the sector more than doubling in the first half of 2026 compared with a year earlier.
(Source: Reuters)

Outlook

Earnings and key events

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- 31.07.: Chevron, ExxonMobil
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