



Volvo

BUY, SEK 390

3Q 2026 review

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Volvo BUY | TP of SEK 390

Sound Q3 print; 2027 outlook de-risks estimates

Volvo reported an in line Q3, with net sales of SEK 119.5bn, organic growth of 7% and adjusted EBIT of SEK 14.7bn, up 26% YoY. The adj. EBIT margin improved to 12.3% vs. 10.6% last year (despite NA truck volumes being down -4% ytd) and organic service sales grew 5% y/y. Industrial CFFO recovered to SEK 7.2bn from SEK -1.7bn, and EPS rose to SEK 5.3 (3.7). As expected, Volvo increased its 2027 forecast to 320k and 300k units for Europe and NA, respectively, in line with our pre-print estimates for both regions, and longer-term view of the cycle. This represents y/y growth of ~2% and ~13% respectively and de-risks our estimates. Following recent skepticism with regards to NA order intake going into '27; management commentary on Q3 order intake cadence, suggests a direct feed to that narrative which we see as short-term noise. Hence, we maintain our BUY rating and leave our TP unchanged at SEK 390, implying 15x '27E P/E, on ~1% upwards EPS revisions through '27-28E. The stock now trades at ~12.2x '27E P/E, which we find attractive given the earnings trajectory.

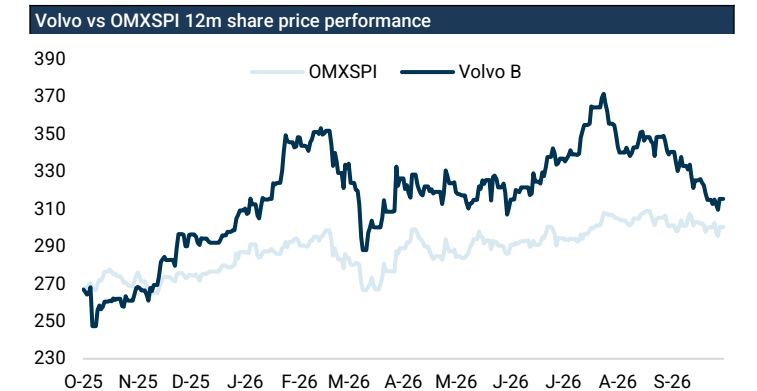
- **Trucks; deliveries catch up:** Higher volumes, service sales and pricing supported truck earnings. Adj. EBIT increased ~34% to SEK 9.1bn, with an 11.1% margin (vs. 9.1% last year) in line with consensus. Deliveries rose 11%, including 42% growth in North America, while service sales grew 8% organically. High fleet activity and past peak-cycle sales coming into service should continue to support earnings ahead. Total orders increased 26% to ~47k units, with Europe up 22% and North America up 18%. On the back of the in-line guidance, we leave our truck adj. EBIT largely unchanged through '27/28e.
- **Stronger margins and underlying demand in VCE:** VCE delivered adj. EBIT of SEK 3.2bn, up 18%, and a 16.1% margin (14.4%), exceeding consensus by ~140bps. Organic sales grew 12%, of which 13% growth in machines and 5% in services. Infrastructure and data center investment remained important demand drivers in the quarter. Volvo raised its 2026 European construction equipment guidance to growth of 5-15%, from 0–10%. Coupled with strong margins, we expect a stronger Q4 and increase our VCE adj. EBIT estimates by 7%/8% through '2027/28e.
- **Valuation:** The stock trades at ~12.2x '27E P/E and ~9.5x '27E adj. industrial EV/EBIT. As we are entering high season for order intake in NA, upcoming data will be key short-term triggers for the sector, especially considering EPA 27. On the flipside, we see sequential margin pick-ups ahead and attractive (>15%) earnings growth in 2027. At our target price of SEK 390, the stock trades at 15x '27E P/E (20% premium to 10-year average), implying ~27% upside to Friday closing.

Key data

Key data (SEKm)	2021	2022	2023	2024	2025	2026E	2027E	2028E
Revenue	372,216	473,479	552,764	526,816	479,183	497,612	542,622	581,018
% growth	10.0%	27.2%	16.7%	-4.7%	-9.0%	3.8%	9.0%	7.1%
% organic	10.0%	27.2%	16.2%	-4.6%	-8.5%	6.6%	7.3%	7.1%
% currency	0.0%	0.0%	0.6%	-0.1%	-0.6%	-1.0%	1.8%	0.0%
% acquired	0.0%	0.0%	0.0%	0.0%	0.0%	-1.7%	0.0%	0.0%
Gross profit	89,753	111,737	149,321	144,049	116,870	127,323	138,238	144,829
Adj. EBIT	43,075	45,712	66,784	66,614	48,505	55,356	68,129	74,892
Net income	33,243	32,967	49,932	50,578	34,706	42,135	51,260	56,349
EPS	16.4	16.2	24.6	24.9	17.1	20.7	25.2	27.7
DPS	13.0	14.0	18.0	18.5	18.2	16.0	19.5	21.5
Gross margin	24.1%	23.6%	27.0%	27.3%	24.4%	25.6%	25.5%	24.9%
Adj. EBIT margin	11.6%	9.7%	12.1%	12.6%	10.1%	11.1%	12.6%	12.9%
Net margin	8.9%	7.0%	9.0%	9.6%	7.2%	8.5%	9.4%	9.7%
Pre-tax ROCE	16.8%	14.8%	19.4%	17.6%	15.5%	17.0%	19.7%	20.7%
Tangible pre-tax ROCE	18.9%	16.6%	21.6%	19.6%	17.5%	19.3%	22.4%	23.6%
ND/EBITDA (inc. Fin services)	2.7x	3.1x	2.5x	2.9x	3.1x	2.8x	2.4x	2.2x
Adj. ND/EBITDA (ex. fin services)	-0.5x	-0.6x	-0.6x	-0.5x	-0.5x	-0.3x	-0.2x	-0.2x
EV/Sales						1.7x	1.6x	1.5x
Adj. EV/EBIT						15.4x	12.5x	11.4x
P/E						14.8x	12.2x	11.1x
Earnings yield						6.7%	8.2%	9.0%
FCF yield						5.7%	6.5%	7.3%
Buyback yield						0.0%	0.0%	0.0%
Dividend yield						5.2%	6.3%	7.0%

Key facts	10/25/2026
Business	Volvo AB
BB Ticker	VOLVB SS Equity
Share Price (SEK)	SEK 308
Shares Outstanding	2033
Market Cap (SEKm)	625,554
Net debt (SEKm)	227,860
Enterprise Value (SEKm)	853,414

Financial targets	
EBIT margin	10% over a cycle
Return on equity in financial services	12-15%
Leverage Industrial operations	No debt excl. leases



We make modest estimate revisions of ~1% on adj. EBIT through '26/28e

SB1M SEKmn	Old estimates			Revised estimates			Delta		
	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E
Revenues	505,087	537,638	565,108	497,612	542,622	581,018	-1.5%	0.9%	2.8%
% chg	5.4%	6.4%	5.1%	3.8%	9.0%	7.1%			
COGS	-376,876	-400,720	-420,626	-370,289	-404,385	-436,189			
Gross profit	128,211	136,918	144,481	127,323	138,238	144,829	-0.7%	1.0%	0.2%
Gross profit-margin	25.4%	25.5%	25.6%	25.6%	25.5%	24.9%			
adj. EBIT	57,530	67,557	74,945	58,490	68,129	74,892	1.7%	0.8%	-0.1%
% adj. EBIT-margin	11.4%	12.6%	13.3%	11.8%	12.6%	12.9%			
Net income	42,679	50,830	56,389	42,129	51,260	56,349	-1.3%	0.8%	-0.1%
EPS	21.0	25.0	27.7	20.7	25.2	27.7	-1.3%	0.8%	-0.1%

Financials

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Income statement

Income Statement	25Q1	25Q2	25Q3	25Q4	26Q1	26Q2	26Q3	26Q4
Revenue	121,792	122,896	110,692	123,803	110,765	126,273	119,525	141,049
% Change	-7.2%	-12.4%	-5.4%	-10.6%	-9.1%	2.7%	8.0%	13.9%
% Organic	-7.1%	-11.6%	-4.8%	-9.7%	1.5%	6.3%	7.2%	11.3%
% Currency	-0.1%	-0.7%	-0.6%	-0.8%	-7.7%	-0.8%	1.9%	2.8%
% Acquired growth	0.0%	0.0%	0.0%	0.0%	-2.8%	-2.8%	-1.1%	-0.2%
Cost of Goods Sold	-90,867	-95,261	-83,214	-92,971	-82,041	-93,819	-87,952	-106,477
Gross Profit	30,925	27,635	27,478	30,832	28,724	32,454	31,573	34,572
% Gross margin	25.4%	22.5%	24.8%	24.9%	25.9%	25.7%	26.4%	24.5%
Operating Expenses	-17,667	-17,674	-14,961	-18,063	-18,046	-18,975	-17,219	-17,727
% of Sales	14.5%	14.4%	13.5%	14.6%	16.3%	15.0%	14.4%	12.6%
Normalized OpEx	(17,689)	(17,656)	(14,939)	(18,069)	(18,047)	(18,988)	(17,251)	(17,732)
EBITDA	16,708	13,889	15,984	16,369	14,186	17,042	18,126	21,076
% EBITDA margin	13.7%	11.3%	14.4%	13.2%	12.8%	13.5%	15.2%	14.9%
D&A	5,716	6,130	5,661	5,980	5,841	5,944	6,231	7,052
EBITA	12,244	8,972	11,509	11,760	11,751	14,519	15,487	18,255
% EBITA margin	10.1%	7.3%	10.4%	9.5%	10.6%	11.5%	13.0%	12.9%
EBIT	13,258	9,961	12,517	12,769	10,678	13,479	14,354	16,845
% EBIT margin	10.9%	8.1%	11.3%	10.3%	9.6%	10.7%	12.0%	11.9%
Adjusted. EBIT	13,280	9,943	12,495	12,775	12,168	14,784	14,693	16,845
% of sales	10.9%	8.1%	11.3%	10.3%	11.0%	11.7%	12.3%	11.9%
Profit Before Tax	12,855	9,705	12,136	12,695	10,763	13,476	14,098	16,676
Income Tax	-2871	-2180	-4554	-3080	-2445	-3101	-3330	-4002
Tax Rate	22.3%	22.5%	37.5%	24.3%	22.7%	23.0%	23.6%	24.0%
Net Income Before Minorities	9,984	7,525	7,582	9,615	8,318	10,375	10,768	12,674
Less Minority Interest	0	0	0	0	2	3	1	0
Net Income	9,984	7,525	7,582	9,615	8,316	10,372	10,767	12,674
% Net Margin	8.2%	6.1%	6.8%	7.8%	7.5%	8.2%	9.0%	9.0%

Full year	2024	2025	2026	2027	2028
Revenue	526,817	479,183	497,612	542,622	581,018
% Change	-4.7%	-9.0%	3.8%	9.0%	7.1%
% Organic	-4.6%	-8.5%	6.6%	7.3%	7.1%
% Currency	-0.1%	-0.6%	-1.0%	1.8%	0.0%
% Acquired growth	0.0%	0.0%	-1.7%	0.0%	0.0%
Cost of Goods Sold	-382,767	-362,313	-370,289	-404,385	-436,189
Gross Profit	144,050	116,870	127,323	138,238	144,829
% Gross margin	27.3%	24.4%	25.6%	25.5%	24.9%
Operating Expenses	-77,435	-68,365	-71,967	-70,108	-69,937
% of Sales	14.7%	14.3%	14.5%	12.9%	12.0%
Normalized OpEx	-77,455	-68,353	-72,018	-70,172	-70,001
EBITDA	79,955	62,950	70,430	84,408	92,322
% EBITDA margin	15.2%	13.1%	14.2%	15.6%	15.9%
D&A	22,549	23,487	25,068	27,131	29,051
EBITA	62,461	44,485	60,012	73,555	80,702
% of Sales	11.9%	9.3%	12.1%	13.6%	13.9%
EBIT	66,615	48,505	55,356	68,129	74,892
% of Sales	12.6%	10.1%	11.1%	12.6%	12.9%
Adjusted. EBIT	66,635	48,493	58,490	68,129	74,892
% of Sales	12.6%	10.1%	11.8%	12.6%	12.9%
Profit Before Tax	67,213	47,391	55,013	67,448	74,143
Income Tax	-16,634	-12,685	-12,878	-16,188	-17,794
Tax Rate	25%	27%	23%	24%	24%
Net Income Before Minorities	50,579	34,706	42,135	51,260	56,349
Less Minority Interest	0	0	6	0	0
Net Income	50,579	34,706	42,129	51,260	56,349
% Net Margin	9.6%	7.2%	8.5%	9.4%	9.7%

Balance sheet

Cashflow Statement	2021	2022	2023	2024	2025	2026E	2027E	2028E
Operating income	43,075	45,712	66,784	66,614	48,505	55,356	68,129	74,892
Change in receivables	(2,062)	(5,770)	209	4,009	(2,289)	(2,851)	(3,083)	(2,630)
Change in inventories	(12,287)	(5,911)	(9,486)	2,212	1,593	5,094	(5,605)	(5,228)
Change in payables	13,174	8,031	(4,722)	(6,778)	2,563	(2,024)	6,072	5,664
Interest and similar items received	365	1,111	2,629	2,750	1,920	1,487	1,363	1,498
Interest and similar items paid	(854)	(856)	(1,158)	(1,244)	(1,458)	(1,628)	(1,363)	(1,498)
Other financial items	(309)	(199)	(200)	(410)	(398)	(201)	(681)	(749)
Income taxes paid	(9,651)	(11,614)	(20,807)	(18,439)	(11,507)	(12,878)	(16,188)	(17,794)
Cash from Operations	33,647	33,244	26,675	46,446	45,595	67,422	75,776	83,205
Investing activities								
CapEx on intangibles	(3,722)	(5,390)	(5,278)	(4,493)	(7,786)	(6,967)	(7,597)	(8,134)
Capex on tangibles	(8,809)	(11,301)	(13,120)	(13,892)	(18,344)	(14,928)	(16,279)	(17,431)
Capex of leasing assets	(9,308)	(9,155)	(10,267)			(9,952)	(11,395)	(12,201)
Investing cash flow	(16,002)	(20,288)	(22,984)	(17,904)	(25,460)	(31,847)	(35,270)	(37,766)
Operating cash flow (Volvo def.)	17,645	12,956	3,691	28,542	20,135	35,575	40,505	45,439
Investment of shares	(7,384)	(1,085)	(1,558)	(4,905)	(2,137)	(758)	0	0
Cash flow after net investments	32,158	11,758	(169)	22,309	18,118	34,817	40,505	45,439
BC net fin items	14,513	(1,198)	(3,860)	(6,233)	(2,017)	(758)	0	0
Cash flow from financing activities								
New borrowings	89,141	177,532	241,958	342,066	467,562	20,000	20,000	20,000
Repayment of borrowings	(96,113)	(143,551)	(211,157)	(327,245)	(455,247)	(10,000)	(10,000)	(10,000)
Dividends paid to Volvo owners	(49,820)	(26,435)	(28,468)	(36,602)	(37,619)	(37,079)	(45,109)	(49,587)
Dividends paid to non-controlling owners	(631)	(19)	(457)	(16)	(10)	0	0	0
Net Cash from Financing Activities	(57,555)	7,483	1,821	(21,871)	(25,387)	(27,079)	(35,109)	(39,587)
Exchange rate changes o cash and cash equivalents	2,317	2,520	(2,212)	1,405	(4,542)	0	0	0
(Decrease) increase in cash and cash equivalents	(23,080)	21,761	(560)	1,843	(11,811)	7,738	5,396	5,852
Cash and cash equivalents at BOP	85,208	62,128	83,889	83,329	85,172	73,361	81,099	86,495
Cash and cash equivalents EOP	62,128	83,889	83,329	85,172	73,361	81,099	86,495	92,347

Cashflow statement

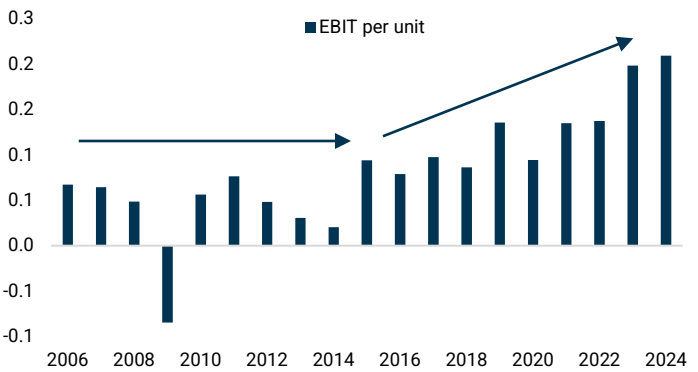
Balance sheet	2021	2022	2023	2024	2025	2026E	2027E	2028E
Assets								
Inventories	63,916	75,689	76,863	78,359	65,963	60,869	66,474	71,702
Accounts receivables	40,776	48,220	43,210	41,772	31,232	34,083	37,166	39,796
Cash and cash equivalents	62,126	83,886	83,326	85,171	73,361	81,099	86,495	92,347
Total Current Assets	255,504	323,847	351,373	358,309	305,570	311,065	325,149	338,860
Goodwill	37,070	41,544	42,512	44,340	23,659	23,659	23,659	23,659
Intangible assets					22,901	25,969	28,140	30,464
PPE	54,348	63,108	68,449	79,629	83,829	88,339	93,766	99,576
Investment property	57	54						
Assets under operating leases	39,969	43,518	41,910	45,501	40,485	40,443	40,986	41,567
Total non-current Assets	260,352	305,217	322,695	356,254	343,020	350,557	358,696	367,411
Total Assets	515,856	629,064	674,068	714,563	648,590	661,622	683,845	706,271
Shareholders Equity & Liabilities								
Equity attributable to parent company	141,045	162,717	177,791	194,049	178,395	183,451	189,602	196,364
Minority interests	3,073	3,519	2,948	3,310	82	82	82	82
Total shareholders equity	144,118	166,236	180,739	197,359	178,477	183,533	189,684	196,446
Non current liabilities								
Bond loans	79,365	102,886	96,970	109,031	82,620	82,620	82,620	82,620
Other loans	24,812	35,684	41,533	50,824	54,614	64,614	74,614	84,614
Deferred tax liabilities			4,725	4,778	5,208	5,208	5,208	5,208
Other long-term liabilities	36,831	45,549	41,542	46,583	42,867	42,867	42,867	42,867
Total non-current liabilities	141,008	184,119	184,770	211,216	185,309	195,309	205,309	215,309
Current provisions	11,954	13,119	19,623	19,690	15,039	15,039	15,039	15,039
Total current liabilities	190,457	238,977	264,738	261,299	250,874	248,850	254,922	260,586
Total liabilities	343,419	436,215	469,131	492,205	451,222	459,198	475,270	490,934
Total liabilities + equity	515,856	629,064	674,068	714,563	648,590	661,622	683,845	706,271

Investment case

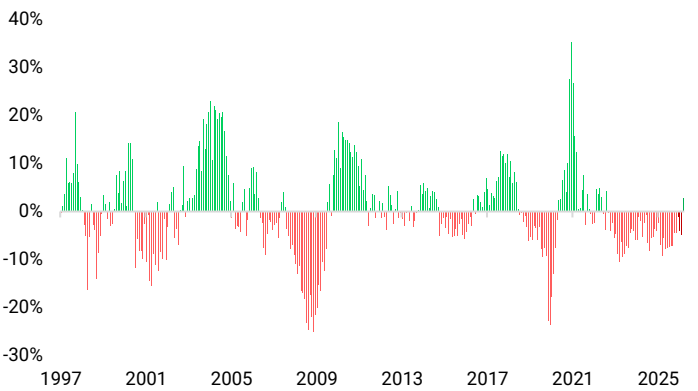
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Investment case in 6 charts

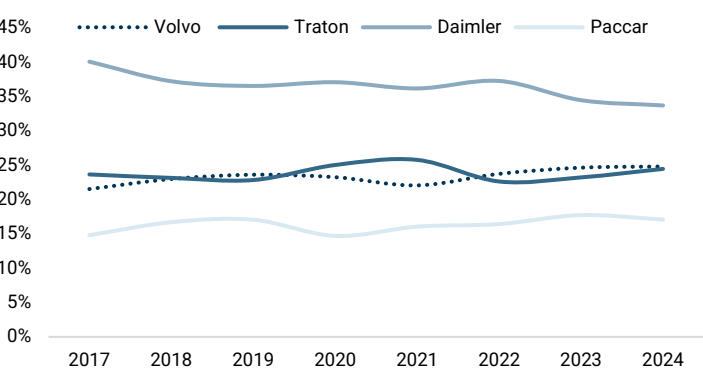
Volvo Group has structurally improved its profitability and earnings resilience over the years



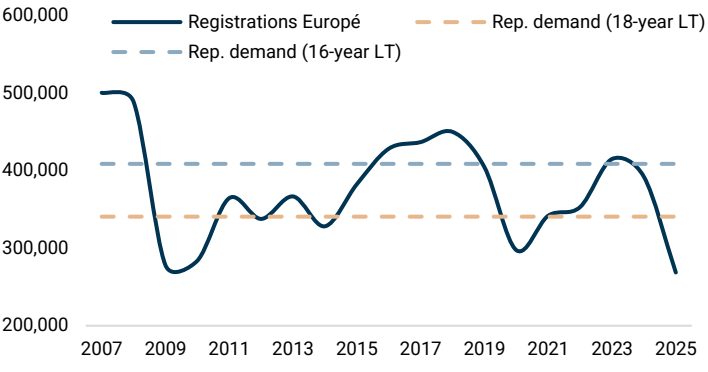
The NA outlook has been murky, but volumes has surprised on the upside over the past 2 months



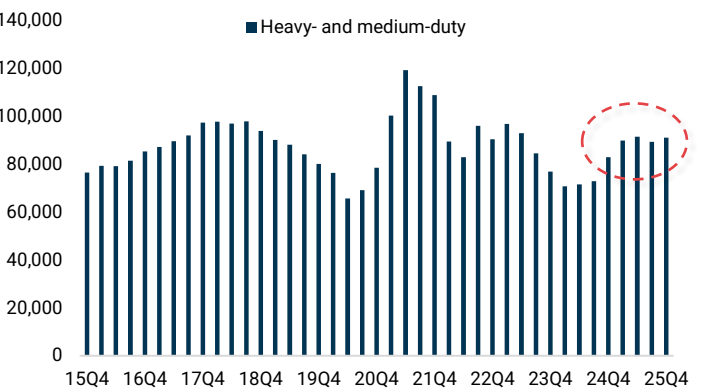
Rooted in an industry with high market shares and increased price discipline



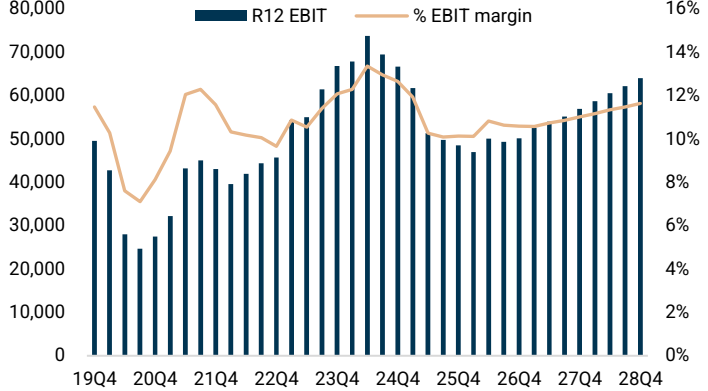
Underlying demand is replacement demand and resilient



And European orders continues to be strong but still primarily replacement driven



Set-up is attractive as were exiting a trough and expect a rebound in earnings power towards pre peak



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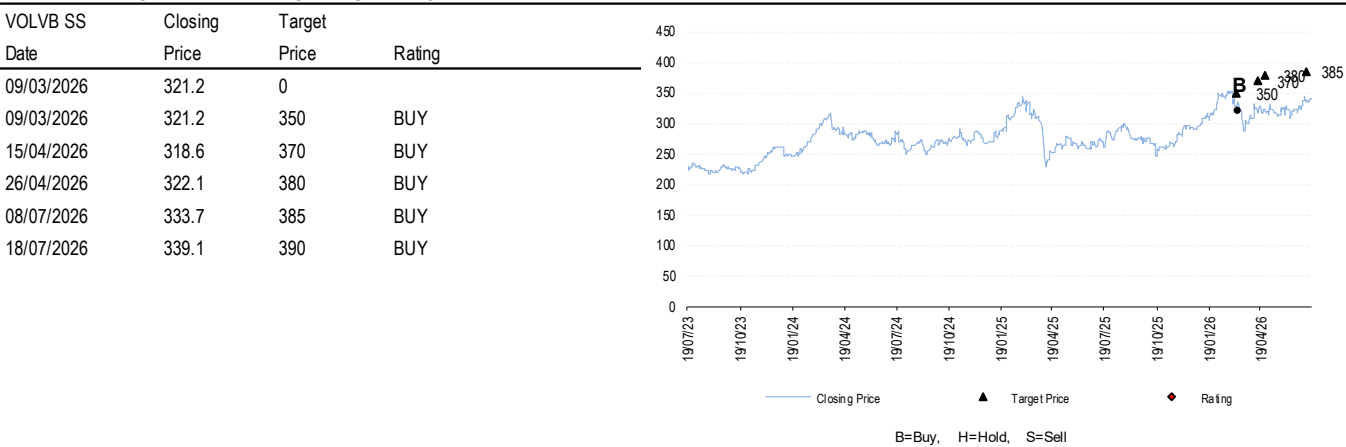
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