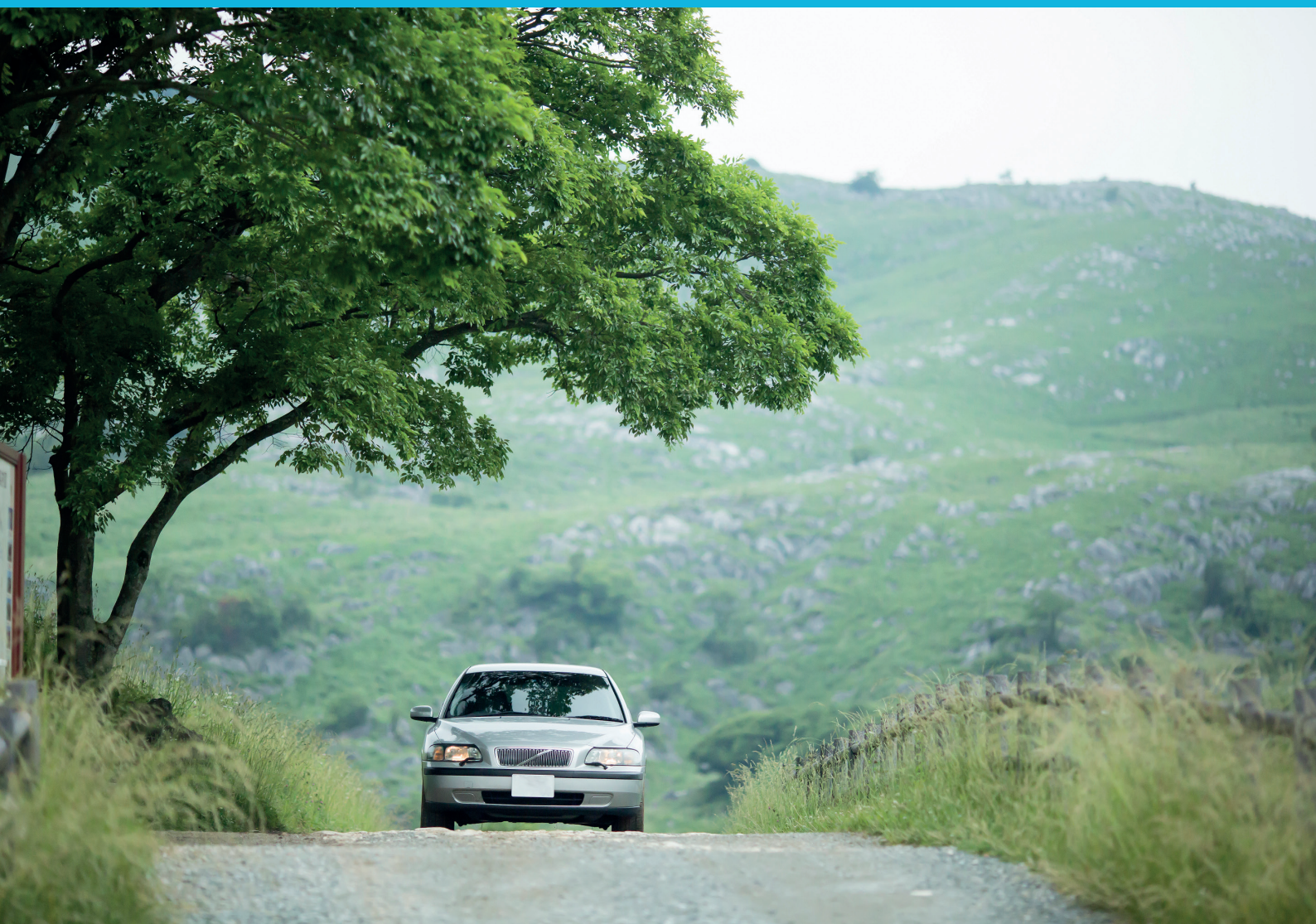




# ATLANTIC CAPITAL MARKETS



## Volvo IPO

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## Introduction

Volvo Cars is possibly one of the most well-known car brands on the planet. They are a Swedish automotive manufacturer of luxury vehicles headquartered in Torslanda in Gothenburg, Sweden. The company manufactures and sells a wide range of vehicles.

The Volvo Group was founded in 1927 as a subsidiary of the ball bearing manufacturer SKF. When AB Volvo (now a separate company) was introduced on the Stockholm stock exchange in 1935, SKF sold most of its shares in the company. Its cars are marketed and have a global reputation for being safe, solid and reliable while emphasizing their Swedish design.

The heavy truck and construction equipment conglomerate AB Volvo and Volvo Cars have been independent companies since AB Volvo sold Volvo Cars to the Ford Motor Company in 1999. The heavy truck and construction equipment conglomerate AB Volvo have been a separate entity since 1999. It's the world's second largest manufacturer of heavy-duty trucks and already trades on Nasdaq Stockholm.

In 2010, Volvo Cars became a subsidiary of the Chinese manufacturer Geely Holding Group. Both AB Volvo and Volvo Cars share the Volvo logo despite being separate entities. The firm has a huge global footprint with approximately 2,300 local dealers from around 100 national sales companies worldwide. Volvo Cars' largest markets are China, the US, Sweden, the UK and Germany.

For the first six months of 2021, the XC40, a mid-sized SUV that's also a plug-in hybrid, was its top-selling model. A total of 118,121 XC40s were sold, almost double the volume from the same period 12 months previously.

Its first fully electric car, the XC40 Recharge, was released in markets around the globe in 2020.

## The Business

Volvo Cars trades through more than 2,000 dealerships worldwide. Additionally, Volvo Cars has become a brand synonymous with safety and maintains a strong rapport with customers who are happy to put safety first and will pay a premium.

Volvo's current business strategy is possibly one of the most ambitious modernisations plans among carmakers on its level. It has pledged to sell only electric vehicles by 2030. The firm is already planning how to phase out all its cars with internal combustion engines, including hybrids.

In a press release from March 2021, it stated "legislation as well as a rapid expansion of accessible high-quality charging infrastructure will accelerate consumer acceptance of fully electric cars. Volvo Cars' move towards full electrification comes alongside an increased focus on online sales. All fully electric models will be available online only.



Its first fully electric car, the XC40 Recharge, was released in markets around the globe in 2020. Volvo Cars also has some targets it hopes to achieve by the end of 2025, including:

## Is Volvo Cars Profitable?

Volvo Cars posted a healthy profit in the first half of 2021 as demand for electric cars pushed earnings above pre-pandemic levels. The profit of \$1.52bn, more than doubled its profit in the corresponding period of 2019. Volvo Cars sold more than 770,000 vehicles in the 12 months to the end of June.

## Valuation

Volvo Cars is expected to be worth \$30bn, according to numerous media reports. Around one-third of that figure would be attributed to the firm's stake in Polestar, an electric performance car brand. Polestar spun off four years ago and has announced its own intention to float through Gores Guggenheim, a SPAC backed by billionaire private equity investor Alec Gores and Guggenheim Capital.

## Dates And Timing

Geely-owned Volvo Cars have announced its initial public offering would be priced within a range of 53 - 68 Swedish crowns per share, (446p – 572p per share) putting a value on the firm anywhere up to £17bn. This places Volvo's valuation at the top end of IPO's issued this year across Europe, but lower than the £21.77bn (\$30bn) initially reported in the media.

Volvo are planning to raise £2.1bn through the IPO and list the shares on the Nasdaq Stockholm stock exchange. The carmaker added in the statement its IPO would value the company, at between 163 billion and 200 billion crowns ( approx. £13.72bn - £16.83bn) and that shares would begin trading on Oct. 28.

"I think we have a very strong interest especially from the Nordic investors," Volvo Chief Executive Hakan Samuelsson told a news conference called at short notice as the prospectus for the offering was unveiled.

Volvo repeated that it expected the issue of new shares to provide it with gross proceeds of about 25 billion crowns before transaction costs. "This will secure that we can continue with the plan that we have," finance chief Bjorn Annwall said.

Volvo have also said its January-September operating profit (EBIT) rose to 16.6bn crowns from 3.6bn in the previous period and reconfirmed that owner Geely would remain its biggest shareholder after the listing.

**1 Swedish Krona = 0.084 GBP**





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## About Atlantic Capital Markets

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