

Volvo Cars Q3 2024 Pre-Close Call

Below is the information that will be discussed on the scheduled call with analysts and investors before the start of the silent period on September 23 ahead of the publication of our Q3 2024 report on 23 October.

Macro-economic environment

The overall macro-economic environment has remained subdued with lacklustre labor market data and softer inflation in the USA. This has shifted the views on the FED rate cutting path of larger cuts in the upcoming FED meetings. Cyclical indicators in Europe have also pointed towards a slower underlying economy, and the consumer confidence has remained soft in the region.

Total car market registrations have fallen in Europe both in July and August, whereas US light vehicle sales increased by less than a percent in August. China saw a slight increase yoy in August, but according to external sources European OEMs underperformed the market.

Revenues

- For Q3, compared to last year QTD retail deliveries are up 4% and we are trending towards seasonally lower volumes in Q3 compared to Q2 2024 (Apr + May 133 400 RD vs July + August 110 900 RD).
- Since the EX90 is now in production with a slow ramp-up to ensure quality and stability, EX90 wholesale will be higher than EX90 RD in both Q3 and Q4. RD of the EX90 in Q3 will be very limited.
- As in in Q2, the EX30 has a negative mix impact on revenues year-on-year.
- Revenue from contract manufacturing in Q2 was 2,7 bn vs 2,0 bn in Q1. For Q3 we have no information available to share at this stage.

Gross margins consolidated

- Volumes in QTD are trending lower than Q2 and that will in itself lead to estimated lower gross margins – this is due to since some costs in gross margin are being fixed and with lower volumes you lose economies of scale.

- As stated during Q2 we built inventory ahead of the summer factory shutdown and usually sell from inventory during Q3 due to the factory summer shutdown which usually leads to lower margins.
- As communicated in Q2, we see pricing continues to normalize and maintain our focus on value over volume.
- QTD the SEK has strengthened, which all else equal, leads to lower revenues and also lower gross margins (net positive USD exposure).
- As we stated in the Q2 earnings call we have shown that we can achieve satisfactory gross margins on BEVs, reaching 20% in Q2 24. We also stated that we, from Q3 24, will no longer show the BEV/non-BEV gross margins.
- During the quarter, the EU commission also communicated that the affected OEMs will not be required to make provisions for the proposed tariffs on EV imports from China until the final decision is taken in November.

EBIT-margin excluding JVs

- Q3 is usually the weakest quarter due to seasonally lower volumes.
- As earlier communicated, we are now also entering a period when we will not benefit from declining raw material costs year-on-year, as they already fell significantly in Q3 23.

EBIT-margin including JVs

- As communicated in Q2, we stopped account for Polestar's earnings in Q2

Free cash flow

- As was communicated in our Q1 earnings call we have the ambition to reach a neutral free cash flow for the full year of 2024.
- We also said that Q1 should be the weakest and on the Q1 conf call that we should see a considerable improvement already in Q2.
- We did see an improvement in Q2, but when looking at historical cash flow seasonality, Q3 is weaker than Q2.