Press Release
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Carlsquare/Vontobel weekly trading note: Undervalued stock in a consolidated sector

This week's case study focuses on Ericsson, an OMX company that reported better-than-expected results for the second quarter of 2026, but whose share price has fallen since then. However, the share price now appears to be entering a positive recovery phase. The intervention by the US Treasury in the bond market has shone a spotlight on the rapidly rising interest costs associated with US government debt.

Ericsson reported Q2 2026 earnings of SEK 6.88 billion as of 14 July. This exceeded the analyst consensus by 3%. The outlook for Q3 2026 indicates a slightly higher-than-normal sales increase for Networks, with a gross margin expected to be in the 48–50% range. Given its robust financial standing, evidenced by a net cash position of SEK 59.8 billion as of 30 June 2026, Ericsson boasts an EV/EBIT valuation of approximately 8x on a debt-free basis, along with a P/E ratio of around 13. The oligopolistic nature of the telecommunications supplier sector, positions Ericsson and the rest of the industry to maintain high and stable operating margins over the long term.

On Tuesday, 18 August, the US 30-year Treasury bond reached its highest level since 2007, at the same time as US debt surpassed $40 trillion. The following day, the bond recovered after the US Treasury announced plans to double liquidity support for long-dated bond buybacks. Nevertheless, investors remain uncertain about whether the US government has a plan to reduce its mounting debt.

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