



# Earnings Conference Call and Webcast 4<sup>th</sup> Quarter and Full year 2019 Financial Results

January 28, 2020

# Safe Harbor Statement\*

This presentation contains statements that are not historical facts but rather forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements include those that address activities, events or developments that Autoliv, Inc. or its management believes or anticipates may occur in the future. All forward-looking statements, are based upon our current expectations, various assumptions and/or data available from third parties. Our expectations and assumptions are expressed in good faith and we believe there is a reasonable basis for them. However, there can be no assurance that such forward-looking statements will materialize or prove to be correct as forward-looking statements are inherently subject to known and unknown risks, uncertainties and other factors which may cause actual future results, performance or achievements to differ materially from the future results, performance or achievements expressed in or implied by such forward-looking statements. In some cases, you can identify these statements by forward-looking words such as “estimates”, “expects”, “anticipates”, “projects”, “plans”, “intends”, “believes”, “may”, “likely”, “might”, “would”, “should”, “could”, or the negative of these terms and other comparable terminology, although not all forward-looking statements contain such words. Because these forward-looking statements involve risks and uncertainties, the outcome could differ materially from those set out in the forward-looking statements for a variety of reasons, including without limitation, changes in light vehicle production; fluctuation in vehicle production schedules for which the Company is a supplier, changes in general industry and market conditions or regional growth or decline; changes in and the successful execution of our capacity alignment, restructuring and cost reduction initiatives and the market reaction thereto; loss of business from increased competition; higher raw material, fuel and energy costs; changes in consumer and customer preferences for end products; customer losses; changes in regulatory conditions; customer bankruptcies, consolidations, or restructurings; divestiture of customer brands; unfavorable fluctuations in currencies or interest rates among the various jurisdictions in which we operate; component shortages; market acceptance of our new products; costs or difficulties related to the integration of any new or acquired businesses and technologies; continued uncertainty in pricing negotiations with customers; successful integration of acquisitions and operations of joint ventures; successful implementation of strategic partnerships and collaborations; our ability to be awarded new business; product liability, warranty and recall claims and investigations and other litigation and customer reactions thereto; (including the resolution of the Toyota recall); higher expenses for our pension and other postretirement benefits, including higher funding needs for our pension plans; work stoppages or other labor issues; possible adverse results of pending or future litigation or infringement claims; our ability to protect our intellectual property rights; negative impacts of antitrust investigations or other governmental investigations and associated litigation relating to the conduct of our business; tax assessments by governmental authorities and changes in our effective tax rate; dependence on key personnel; legislative or regulatory changes impacting or limiting our business; political conditions; dependence on and relationships with customers and suppliers; and other risks and uncertainties identified under the headings “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Reports and Quarterly Reports on Forms 10-K and 10-Q and any amendments thereto. For any forward-looking statements contained in this or any other document, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995, and we assume no obligation to update publicly or revise any forward-looking statements in light of new information or future events, except as required by law.

(\* ) Non-US GAAP reconciliations are disclosed in our regulatory filings available at [www.sec.gov](http://www.sec.gov) or [www.autoliv.com](http://www.autoliv.com)

# Q4'19 Key events

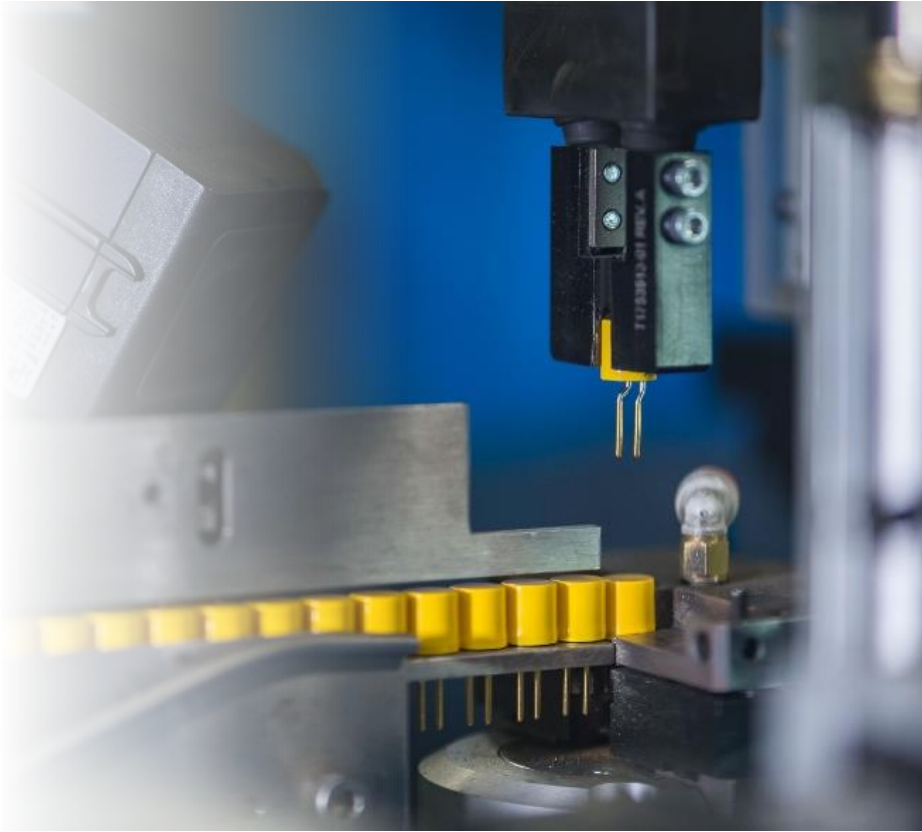
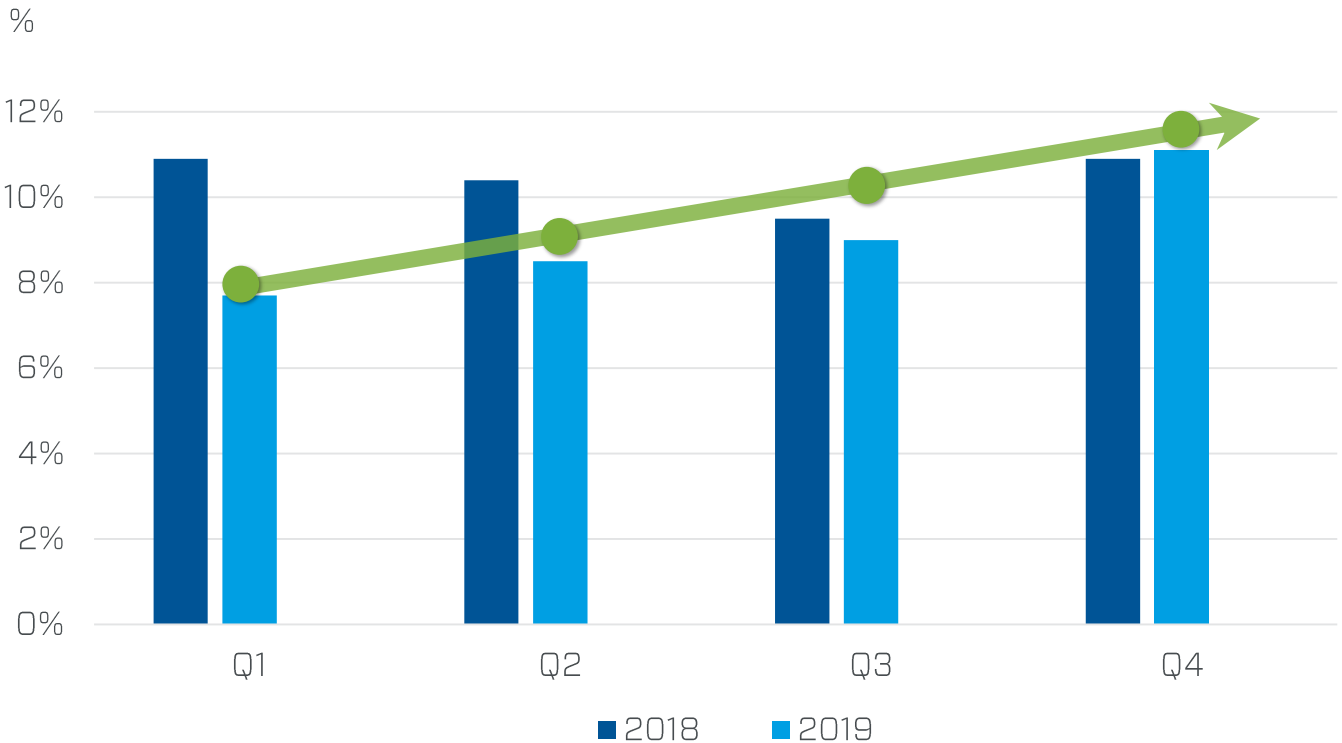
- **Positive earnings trend continues. Building towards our medium-term targets**
  - Cost reduction actions yielding results
  - Adjusted operating margin\* improving Y-o-Y
  - Organic sales\* growth of 0.5%, outperforming Global LVP\*\* by ~6 pp
  - High order intake share maintained
  - Operating cashflow\* improved from an already high level, cash conversion\* was strong
  - Met or exceeded all our updated guidance metrics for FY19
- **Deterioration of market conditions continued**
  - LVP\*\* Y-o-Y declined more than 5%
  - UAW strike contributed to LVP\*\* decline in North America of almost 9%
  - Elevated raw material costs persist, but Y-o-Y effect has slowed



(\* Non-US GAAP measures, (\*\*) Light Vehicle Production (LVP) according to IHS @ January, 2020

# Adjusted Operating Margin\* Progression

Adjusted Operating Margin\*

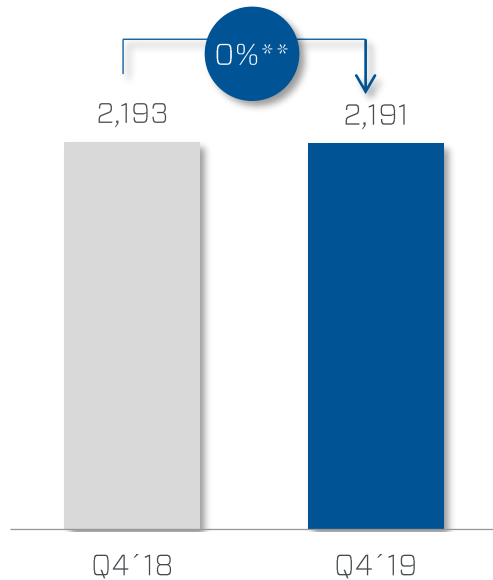


(\* ) Non-US GAAP measures exclude costs for capacity alignments, antitrust related matters and separation costs

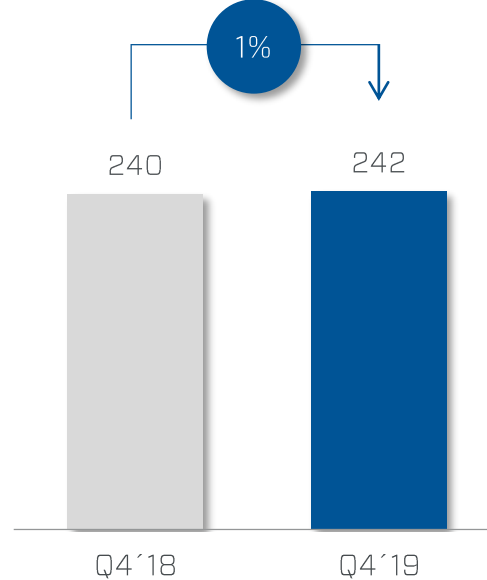
# Q4 '19 Financial Highlights

Relatively unchanged performance despite major LVP drop

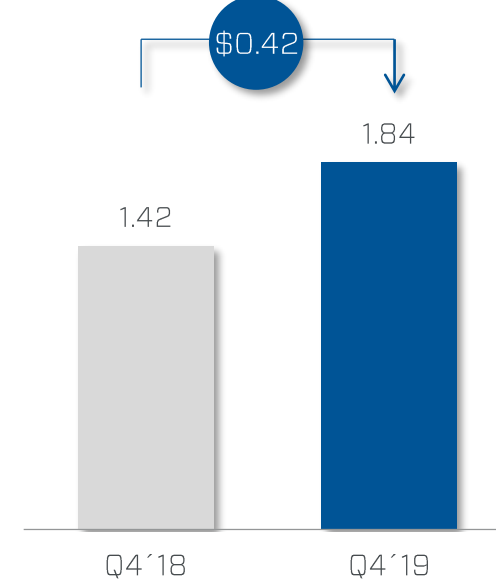
Consolidated Net Sales  
US\$ (Millions)



Adjusted Operating Income\*  
US\$ (Millions)



Adjusted Earnings per Share\*  
US\$



(\*) Non-US GAAP measures exclude costs for capacity alignments, antitrust related matters and separation costs

(\*\*) Organic sales growth, non-US GAAP measure

# Q4'19 Market Conditions

## Temporary increase in LV sales in EU ahead of new regulations

Q4'19 global LVP fell 5.4%, or by ~1.2 million units Y-o-Y

### China

- Light vehicle registrations\*\* fell for the 18<sup>th</sup> consecutive month in December. For the quarter registration fell 2.8% Y-o-Y
- LVP\* +1%, the first quarterly Y-o-Y increase since Q2'18

### Americas

- US SAAR\*\* in the quarter was around the 5-year-low of 16.7 million-units. Inventory down 9% Y-o-Y, partly due to the GM strike.
- LVP\* in North America -9% and South America -8%.

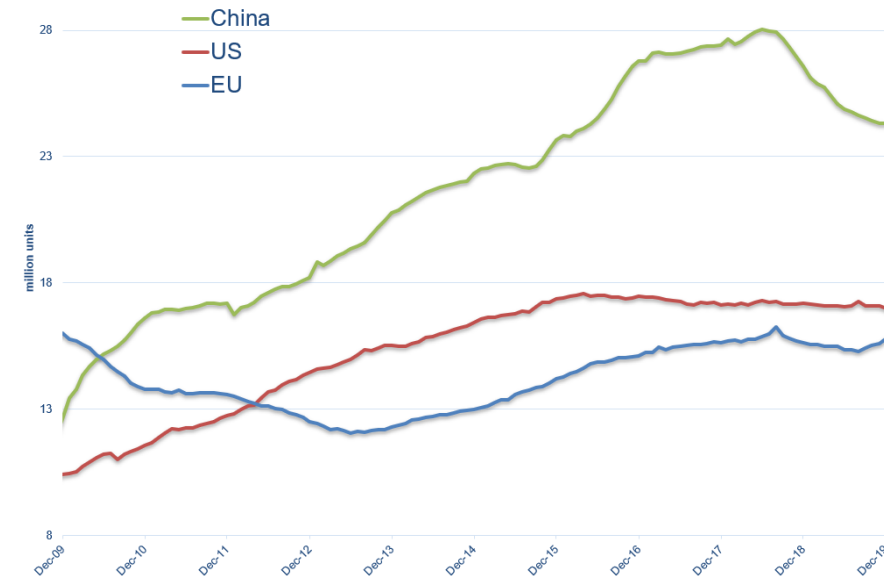
### Europe

- EU28\*\* light vehicle registrations +11%. Uncertainty remains from drivetrain choices, public policy changes and declining consumer market sentiments
- LVP\* in WEU\* -6% and -5% in EEU\*

### Other markets

- LVP\* in Japan\*\* -11% impacted by the October sales tax increase
- LVP\* in South Korea -8%

10-year Light Vehicle Sales LTM\*\*

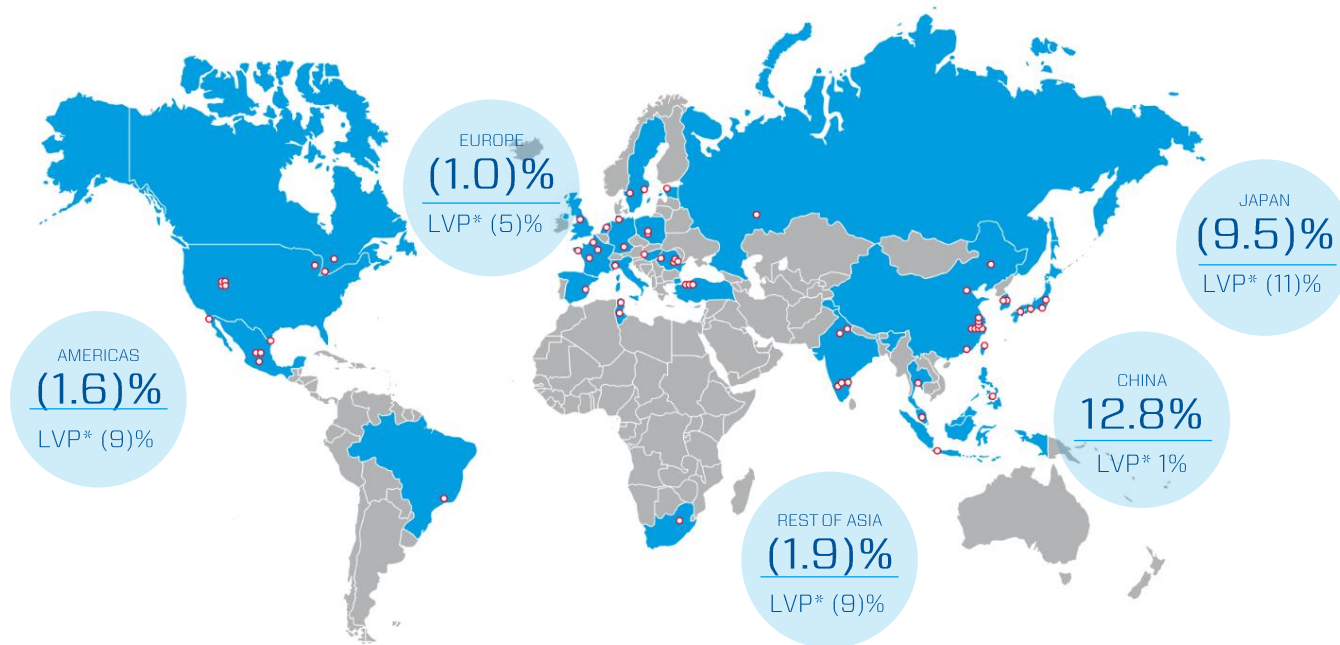


(\*) Light Vehicle Production (LVP) according to IHS @ January, 2020; Year over Year (Y-o-Y); Rest of Asia (RoA); Western Europe (WEU); Eastern Europe (EEU); Last Twelve Months (LTM),

(\*\*) Source: ACEA, Ward's Auto, CAAM, CADA

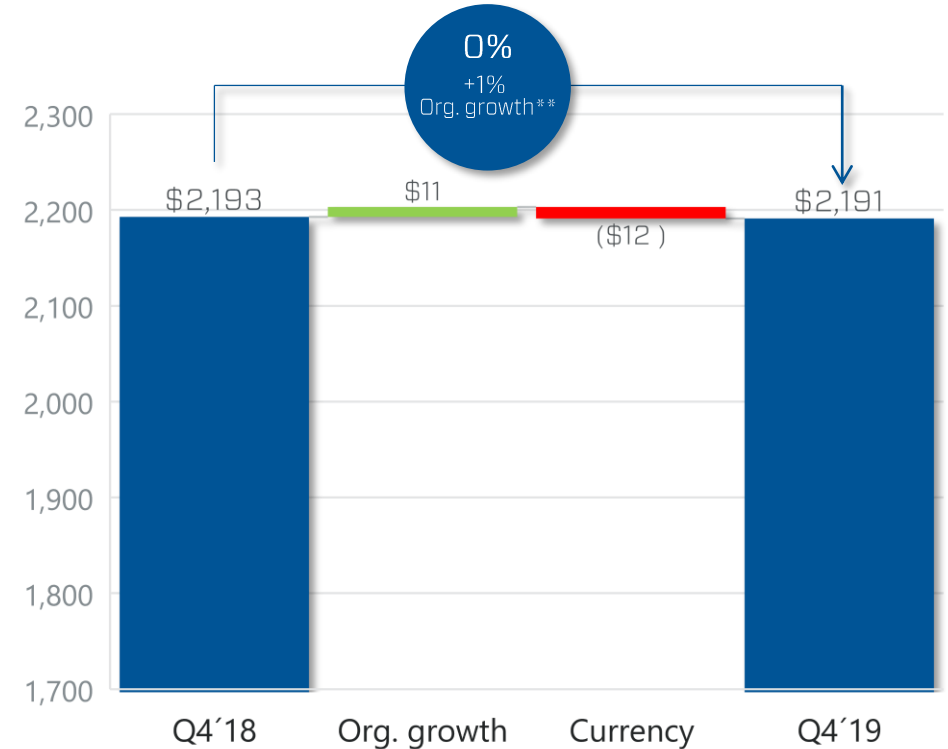
# Q4 '19 Sales Growth

## Regional Organic Growth\*\*



## Sales Bridge

US\$ (Million)

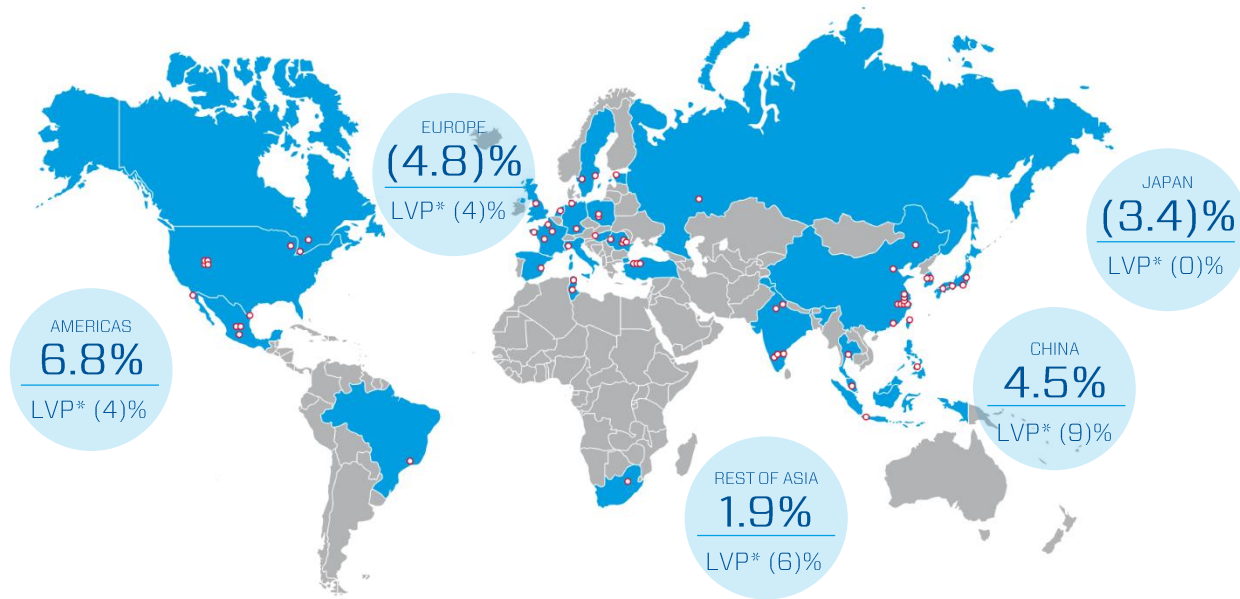


(\*) Light Vehicle Production (LVP) according to IHS @ January, 2020

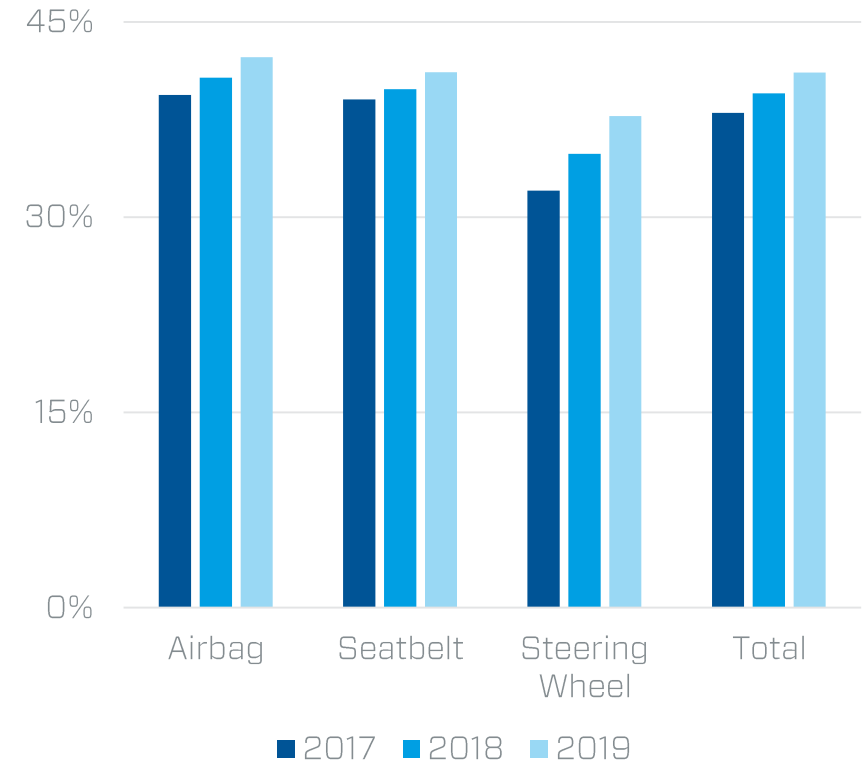
(\*\*) Non-US GAAP measure

# FY'19 Sales Growth and Market Share

## Regional Organic Growth\*\*



## Market Share Development\*\*\*



(\*) Light Vehicle Production (LVP) according to IHS @ January, 2020  
 (\*\*\*) Non-US GAAP measure  
 (\*\*\*) Company estimates



# Q4'19 - Key Model Launches



Great Wall Pao



BMW 2-Series Gran Coupé



Opel Corsa



Isuzu D-Max



Buick Enclave



Renault Clio



Honda Fit/Jazz



Nissan Juke

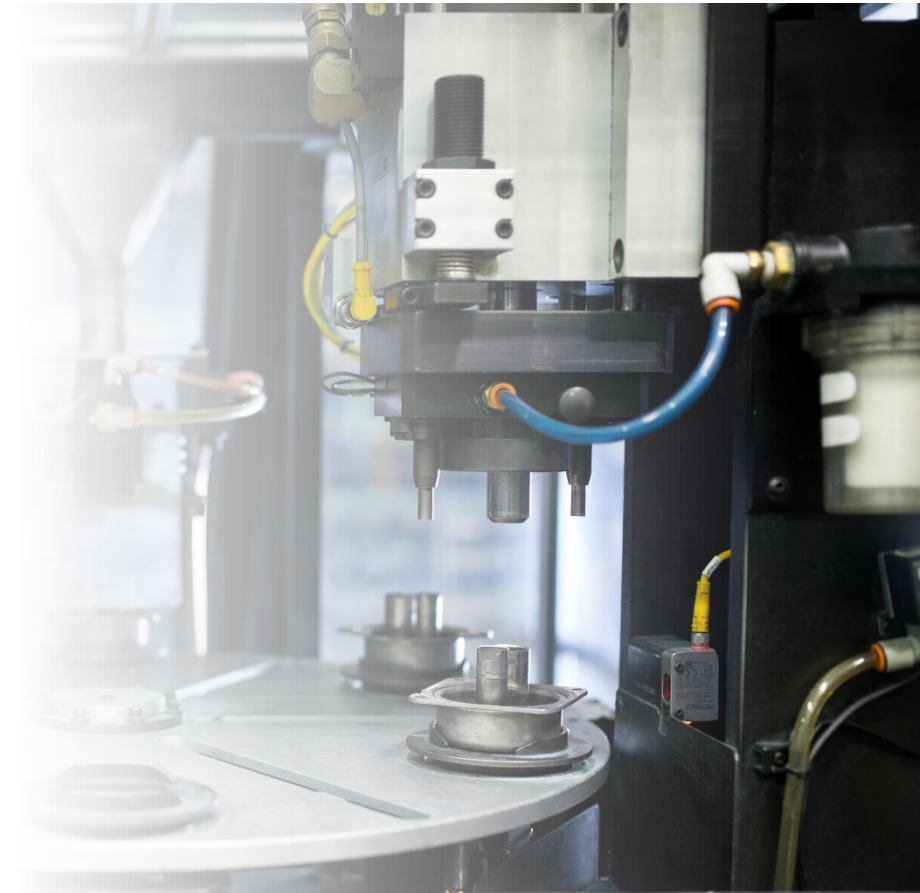


Peugeot 2008



# Q4 '19 Financial Overview

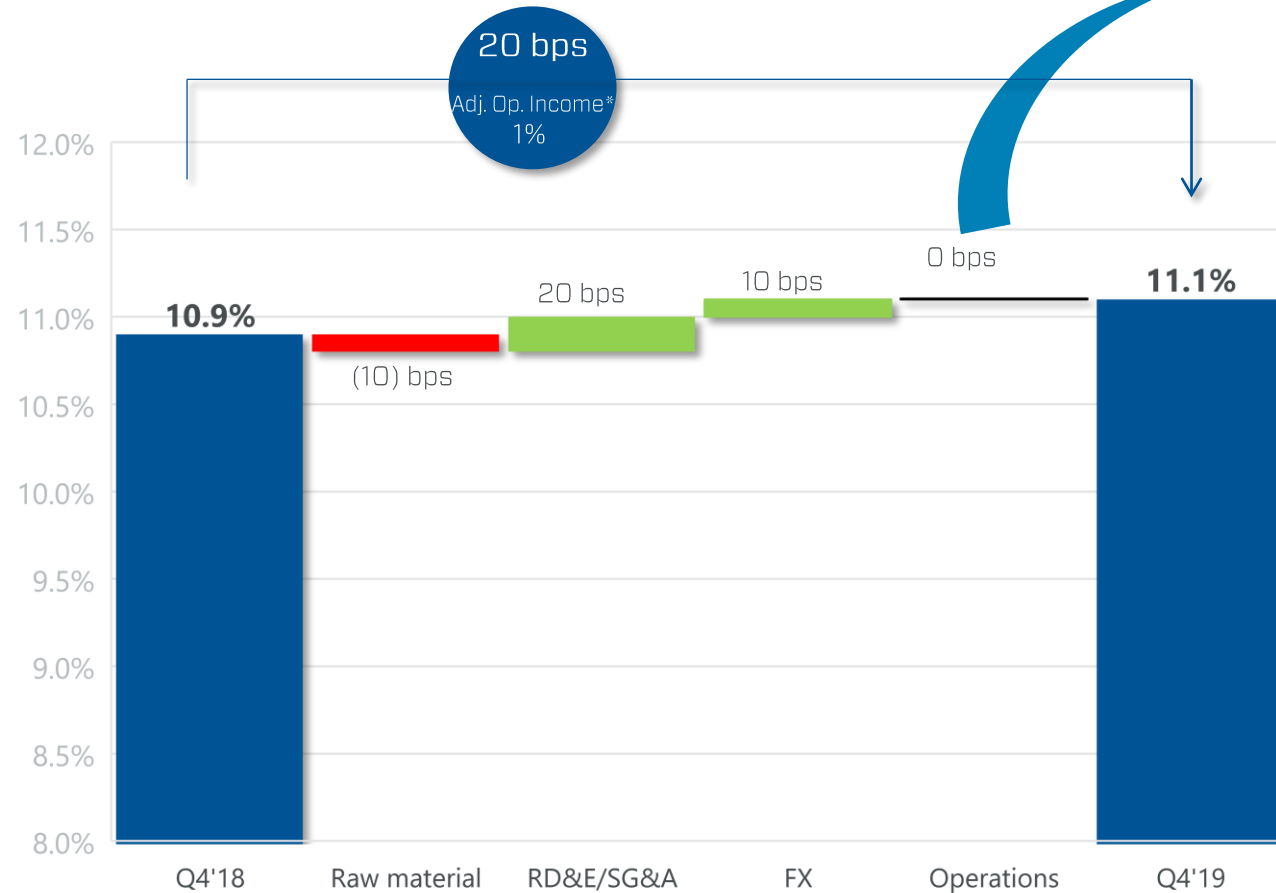
(US \$ Millions unless specified)	Q4'19		Q4'18	
Sales	\$2,191		\$2,193	
Gross Profit	\$427	19.5%	\$425	19.4%
Adj. Operating Income <sup>1</sup>	\$242	11.1%	\$240	10.9%
EPS (assuming dilution)	\$1.78		\$(1.06)	
Adj. RoCE <sup>1,2</sup>	26%		26%	
Adj. RoE <sup>1,2</sup>	31%		24%	
Operating cash flow	\$312		\$287	
Dividend per share	\$0.62		\$0.62	
Global LVP <sup>3</sup> (annual rate)	~87M		~92M	



(1) Non-US GAAP measures exclude costs for capacity alignments, antitrust related matters and separation costs. (2) Return on Capital Employed (RoCE) and Return on Equity (RoE), (3) Light Vehicle Production (LVP) according to IHS @ January, 2020

# Q4 '19 Adj. Operating Margin\* Bridge

## vs. Prior Year



### Operations

- + Pos** Business cycle management, sales growth from new launches, lower launch related costs, structural efficiency program
- Neg** LVP decline with a disproportionate negative impact on mature platforms with normal operating leverage

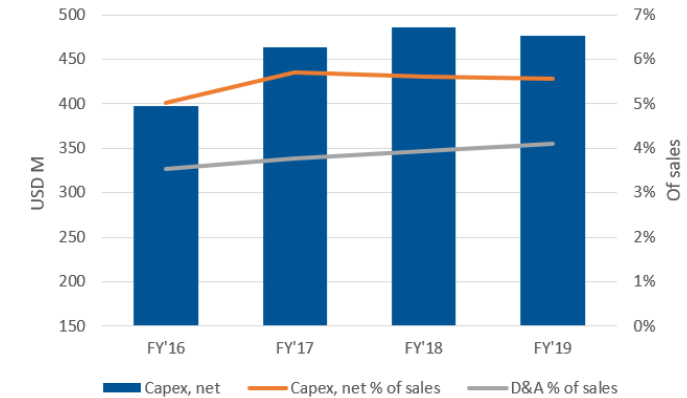
(\* ) Non-US GAAP measure excludes costs for capacity alignments, antitrust related matters and separation costs

# Cash Flow Continuing Operations

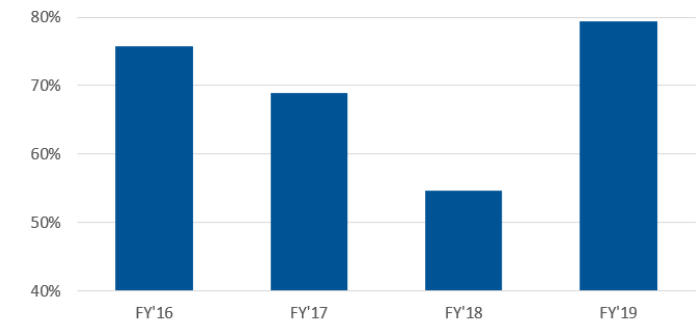
Investments for growth and shareholder returns

(US\$ Millions unless specified)	Q4'19	Q4'18	2019	2018*
Net Income	156	(93)	463	378
Depreciation & Amortization	91	89	351	342
EC antitrust payment	-	-	(203)	-
Other, net	(19)	219	(17)	236
Change in operating WC**	85	72	47	(148)
Operating cash flow	312	287	641	808
Operating cash flow excl. EC antitrust payment	312	287	844	808
Capital Expenditures, net	(118)	(133)	(476)	(486)
Free cash flow**	194	154	368	322
Dividends paid	54	54	217	214

Capex and D&A



Cash Conversion\*\*\*



(\* ) Unaudited figures. Management estimate of Continuing Operations, (\*\* ) Non-US GAAP measure, before acquisitions, reconciliation of free cash flow is provided above.

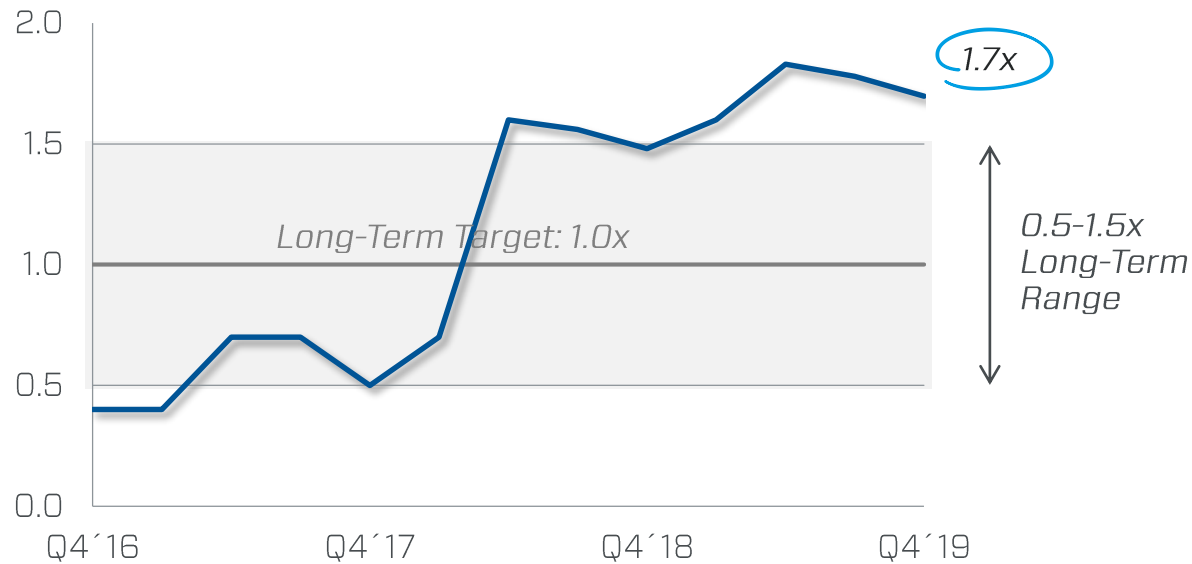
(\*\*\*) Adjusted for the EC antitrust settlement

# Debt Policy

Committed to Maintain “Strong Investment Grade” Rating Supported by High Cash Conversion\*

Net Debt/ EBITDA\*

x



- Our net debt\* decreased by \$91M in the quarter
- EBITDA LTM increased by \$2M from Q3'19

(\* ) Autoliv Inc. group statistics, prior to spin; Non-US GAAP measure, Leverage Ratio and Net Debt includes Pension Liability

# FY'19 Challenges and Achievements

Outperformance of light vehicle production and strong order intake

## Challenges

- Light vehicle markets and raw material prices
- Social unrest in Mexico and UAW strike in the U.S.

## Achievements and actions

- Business cycle management actions to offset lower LVP yielding results
- Above market growth
- Continued high order intake share supporting our strong market position longer term
- Our operating cash flow remained strong
- Driving strategic efficiency projects, building towards our target
- Updated mid-term financial targets and enlarged our mission statement beyond light vehicle markets

# Structural efficiency program update

	FY2019	Expected for program
Cost	~\$52M	~\$52M
Cash out	~\$29M	~\$52M
Headcount reduction	~450	~800
Savings	~\$10M	~\$60M annually

- Fully implemented by mid 2020
- All functions are subject to the program
- Most countries where we have operations will be impacted, though higher impact in North America and Europe



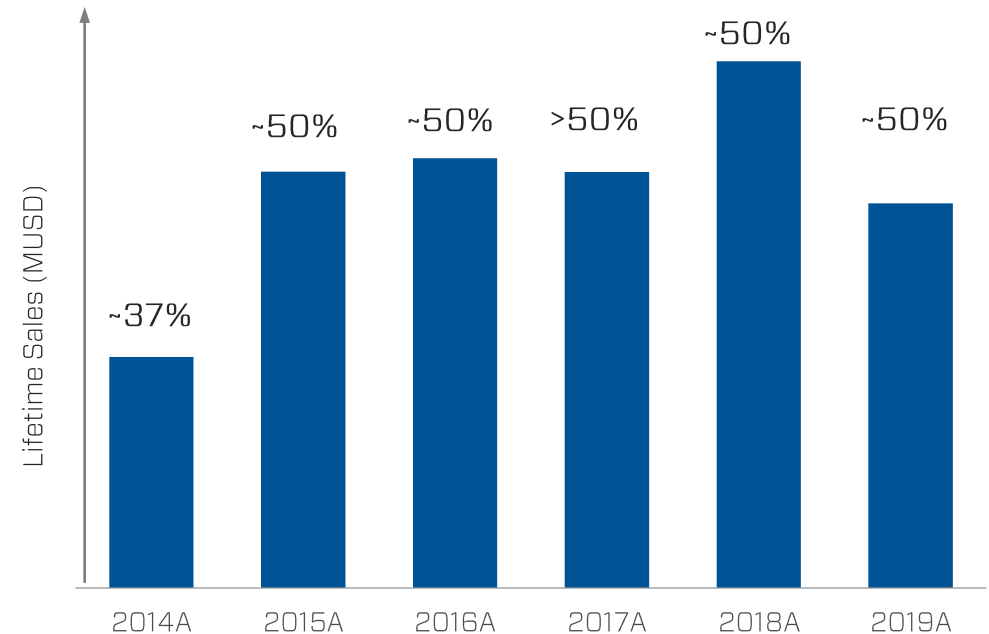
# FY'19 Order intake share remains Strong

Around 50% Order Intake Share Continued In 2019

- 2019 order intake share in line with 2018
- Win rate within all product areas and regions higher than today's market share level
- Lower sourcing activities than in 2018
- Wins with all leading OEMs
- Side airbags, Knee airbag and Front center airbags growth accelerates

## Order Intake Lifetime Sales\* and Share

2014A-19A



\* Previous year's lifetime sales not adjusted for recent LVP forecast updates with low volumes



# Light Vehicle Production Outlook

## Uncertainty prevails

- Our FY 2020 outlook is based on global LVP declining 2-3%
  - Light Vehicle production in **North America** is expected to be flat or to decline slightly
  - Uncertainty in **Europe** around the market acceptance for electrified vehicles and the underlying OEM decisions regarding CO<sub>2</sub> management continue to present a downside risk to overall volumes
  - In **China** vehicle demand is expected to remain stagnant in 2020 due to the lack of significant stimulus policies and consumer confidence as well as the reduction in NEV subsidies

IHS: 2020 Light Vehicle Production*			
Region	Q1'20	FY'20	
	YoY Chg.	Millions Units	Y-o-Y Chg.
China	(12)%	23.1	(1)%
Japan	(3)%	8.9	(2)%
RoA*	(8)%	12.2	(1)%
North America	2%	15.2	1%
South America	(3)%	3.4	4%
Europe	(6)%	20.6	(2)%
Global	(6)%	85.3	(1)%

(\* ) Light Vehicle Production (LVP) according to IHS @ January, 2020 Year over Year (Y-o-Y), Rest of Asia (RoA)

# FY'20 - Key Models

Contributing to the ramp-up of sales growth

Peugeot 208 and 2008



Opel Corsa



Chevrolet Trailblazer/Buick Encore



U.S. Crossover



Honda Fit/Jazz



Mazda CX-30



Korean Car



EU Car



Nissan Versa



Ford Escape/Kuga



EU Car



Japanese Car



# FY'20 Year-on-Year Improvement supporting our targets

## Tailwinds 2020

- Executing from strong order book
- Structural Efficiency Program
- Strategic initiatives
- Normalization of cost per launch
- Raw materials

## Headwinds 2020

- Lower inflator replacement sales
- Continued decline in LVP
- Investment for factory of the future
- D&A increase

Tailwinds greater than headwinds in 2020

# Financial Outlook 2020

	Full year indication
Sales, net	3% - 4%
Organic sales growth <sup>1</sup>	3% - 4%
Org. sales outperformance vs. LVP	~6pp
Global LVP	(2)% - (3)%
FX	~0%
Adjusted Operating margin <sup>1</sup>	At least 9.5%
Tax rate <sup>2</sup>	~28%
Operating Cash flow <sup>2</sup>	Above 2019 level
Capex, net % of sales	Below 2019 level
R,D&E, net % of sales	Below 2019 level
Leverage ratio <sup>1</sup> at year end	Within the range

Exchange rates <sup>3</sup>	FY'20
EUR / US\$	1.1159
US\$ / JPY	109.96
US\$ / KRW	1158
US\$ / MXN	18.79
US\$ / CNY	6.89



(1) Non-US GAAP measures. Adjusted Operating margin excludes costs for capacity alignments and antitrust related matters,  
 (2) Excluding unusual items,  
 (3) Mid-January 2020 exchange rates

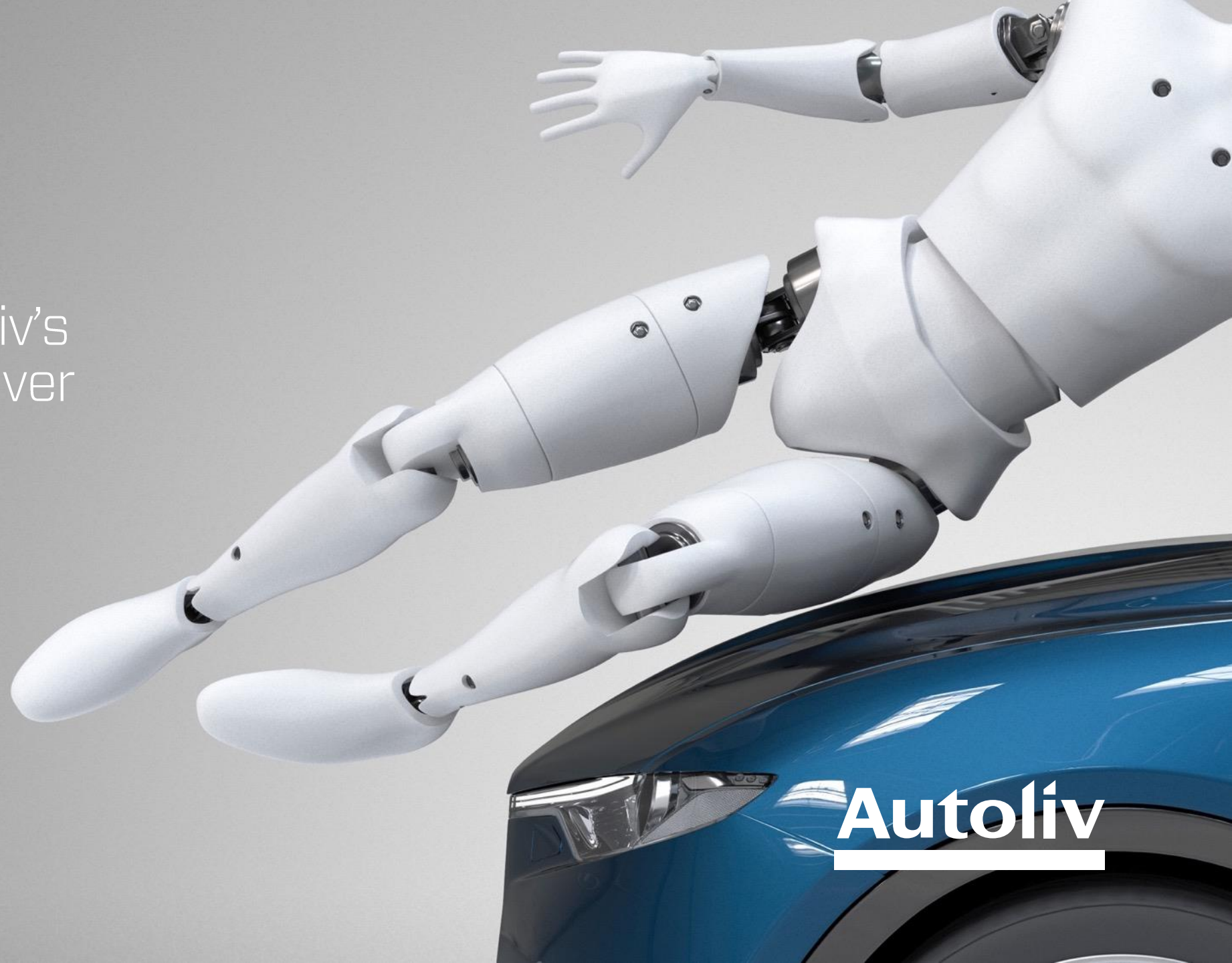
# Our focus for 2020

- Delivering flawless execution of our strong order book with a positive medium term margin contribution
- Investing for factory of the future
- Planning and implementing further structural improvements
- Manage Light Vehicle Market Volatility
- Defend our Medium term Market Share Position
- Saving More Lives



Each year, Autoliv's  
products save over  
30,000 lives

[autoliv.com](http://autoliv.com)



**Autoliv**

# Q4 '19 Product Volumes

Strong performances for all products considering the drop in LVP

Autoliv Quantities Delivered (Millions unless specified)	Q4 '19	vs. PY** (%)
<b>Seatbelts</b>	<b>38.1</b>	<b>1%</b>
▪ Pretensioners (of which)	21.8	18%
▪ Active Seatbelts (of which)	1.5	1%
<b>Frontal Airbags</b>	<b>15.0</b>	<b>2%</b>
▪ Knee Airbags (of which)	1.4	1%
<b>Side Airbags</b>	<b>25.1</b>	<b>(1)%</b>
▪ Chest (Thorax)	14.0	0%
▪ Head (Curtain)	11.1	(2)%
<b>Steering Wheels</b>	<b>5.4</b>	<b>0%</b>
<b>LVP* (Global)</b>	<b>21.8</b>	<b>(5.4)%</b>



(\*) Light Vehicle Production (LVP) according to IHS @ January, 2020,  
(\*\*) Prior Year (PY)

# FY'19 Product Volumes

Autoliv Quantities Delivered (Millions unless specified)	FY'19	vs. PY** (%)
<b>Seatbelts</b>	146.1	(3)%
▪ Pretensioners (of which)	79.4	8%
▪ Active Seatbelts (of which)	5.7	6%
<b>Frontal Airbags</b>	57.2	2%
▪ Knee Airbags (of which)	5.4	(4)%
<b>Side Airbags</b>	98.1	(1)%
▪ Chest (Thorax)	53.8	0%
▪ Head (Curtain)	44.3	(1)%
<b>Steering Wheels</b>	20.9	3%
LVP* (Global)	85.9	(5.9)%



(\* ) Light Vehicle Production (LVP) according to IHS @ January, 2020,  
(\*\*) Prior Year (PY)



# FY'19 Financial Overview

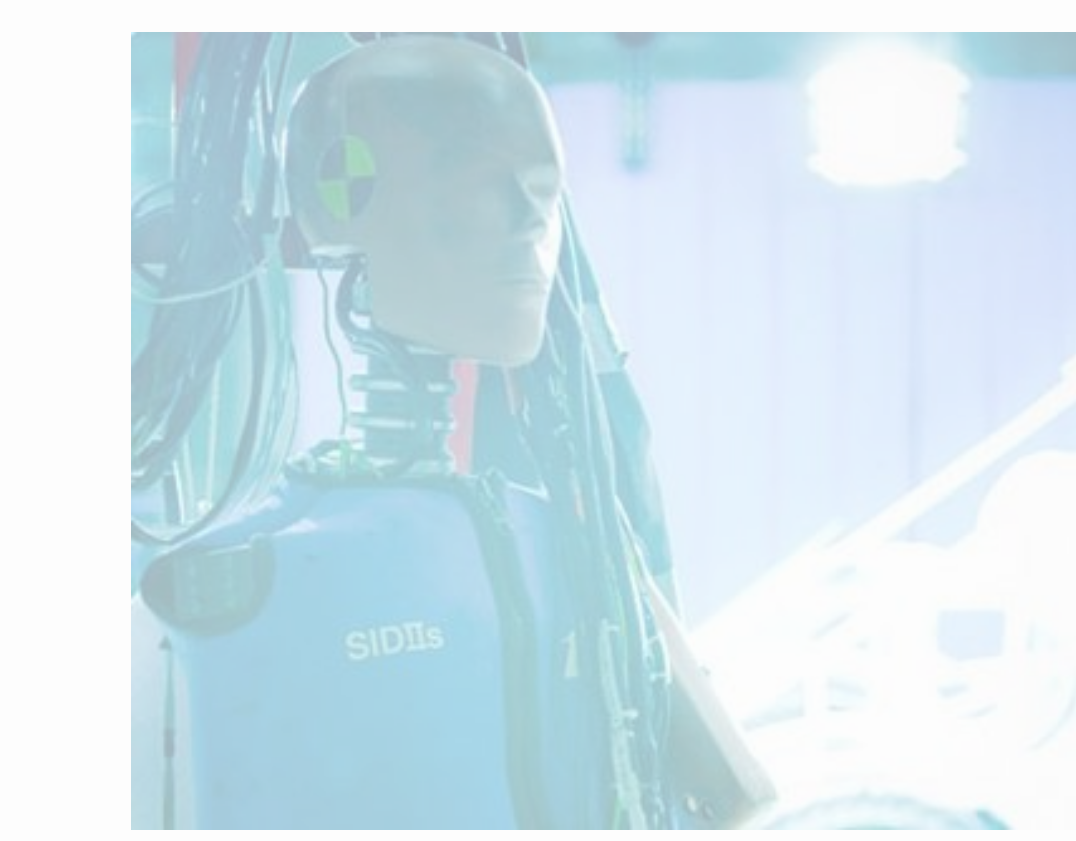
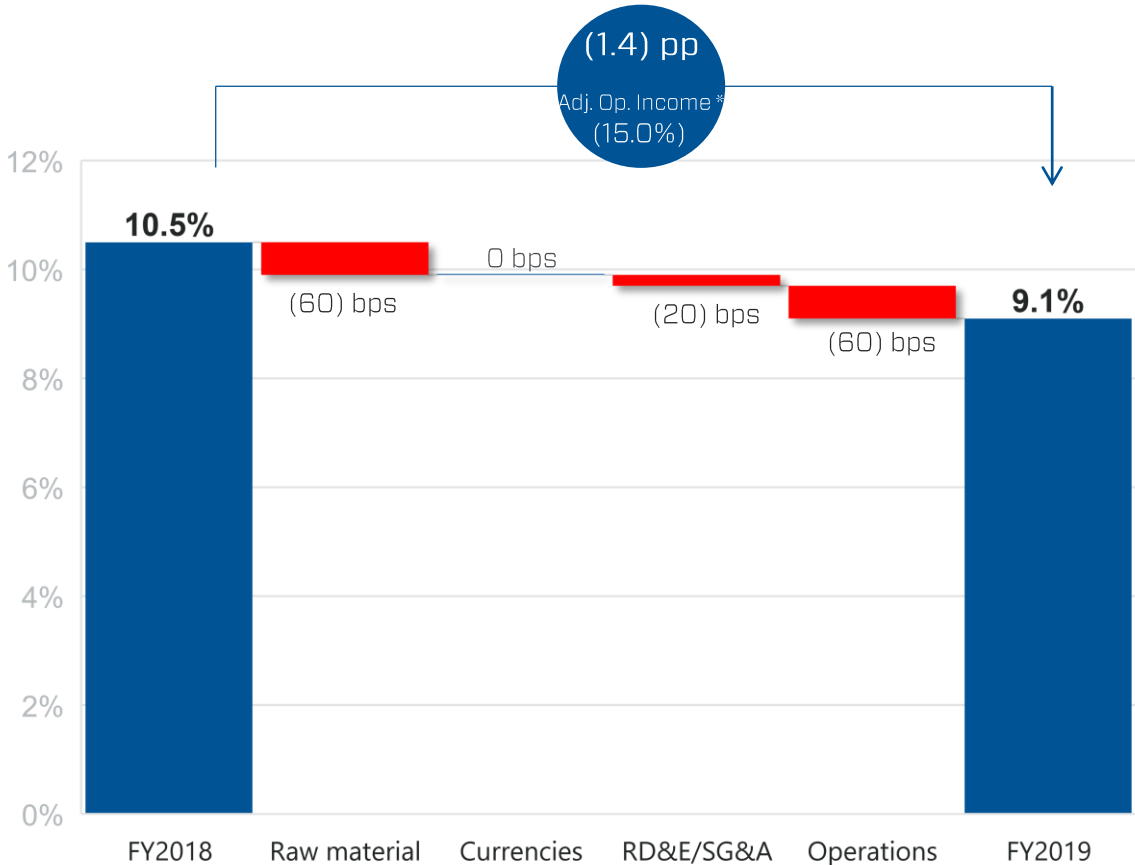
(US \$ Millions unless specified)	FY'19		FY'18	
Sales	\$8,548		\$8,678	
Gross Profit	\$1,584	18.5%	\$1,711	19.7%
Adj. Operating Income <sup>1</sup>	\$774	9.1%	\$908	10.5%
EPS (assuming dilution)	\$5.29		\$4.31	
Adj. RoCE <sup>1,2</sup>	21%		22%	
Adj. RoE <sup>1,2</sup>	25%		20%	
Operating cash flow <sup>3</sup>	\$844		\$808	
Dividend per share	\$2.48		\$2.46	
Global LVP <sup>4</sup>	86M		91M	



1) Non-US GAAP measures exclude costs for capacity alignments, antitrust related matters and separation of our business segments. (2) Return on Capital Employed (RoCE) and Return on Equity (RoE), (3) Excluding EC antitrust payment. (4) Light Vehicle Production (LVP) according to IHS @ January, 2020

# FY'19 Adj. Operating Margin\* Bridge

vs. Prior Year



(\* ) Non-US GAAP measure excludes costs for capacity alignments, antitrust related matters and separation of our business segments

# Definition of Symbols



- Driver and/or Passenger airbags



- Seatbelts



- Side airbags



- Head/Inflatable Curtain airbags



- Knee airbag



- Pyrotechnical Safety Switch



- Pedestrian Airbag



- Steering Wheel



- Front Center Airbag