Autoliv Earnings Call Presentation 1st Quarter 2021

Friday, 23rd April 2021

Introduction

Anders Trapp

VP Investor Relations, Autoliv

Welcome

Welcome everyone to our First Quarter 2021 Financial Results Earnings Presentation. On this call we have our President and CEO Mikael Bratt and our Chief Financial Officer Fredrik Westin. I am Anders Trapp, VP Investor Relations. During today's earnings call our CEO will provide a brief overview of our first quarter results as well as provide an update on our general business and market conditions. Following Mikael, Fredrik will provide further details and commentary around the financials. We will then remain available to respond to your questions and as usual the slides are available through a link on the Home Page of our corporate website.

Turning the page we have the safe harbour statement which is an integrated part of this presentation and includes the Q&A that follows. During the presentation we will reference some non-US GAAP measures. The reconciliations of historical US GAAP to non-US GAAP measures are disclosed in our quarterly press release and the 10-Q that will be filed with the SEC. Lastly, I should mention that this call is intended to conclude at 15.00 Central European Time so please follow a limit of two questions per person. I now hand over to our CEO Mikael Bratt.

1st Quarter 2021

Mikael Bratt

President and CEO, Autoliv

Q1'21 Highlights

Operational excellence and solid growth drives strong financial performance

Before we start with the formal presentation, I would like to acknowledge our employees for their hard work and commitment to health and safety, cost control, quality and delivery precision. Our focus throughout this crisis has been the health and safety of our employees and to come out of it as a stronger company. Although the Covid-19 pandemic is not yet behind us, the performance over the past three quarters shows that we have built a solid platform towards our mid-term targets.

The global automotive industry continues to wrestle with the semiconductor shortage and other component supply disruptions, while managing a strong end-customer demand for new vehicles. In light of this, light vehicle production (LVP) in Q1 2021 according to IHS Markit exceeded expectations from a few months ago. As a consequence of the strong demand and component supply disruption the industry is facing headwinds from rising raw materials and commodity prices.

I am very pleased that our operations reported strong sales growth, profits and cash flow. We continued to execute on our strong order book and our sales increased organically by 18% which was more than four percentage points better than the increase of global light vehicle production. This was despite negative geographic light vehicle production mix with high growth in lower content per vehicle markets. The solid operating income was a result of strong sales growth, good operational execution, cost control and effects from the structural efficiency programmes. I am pleased that we improved the adjusted operating margin significantly versus both 2020 and 2019.

Our strong free cash flow generation allowed further deleveraging and our leverage ratio is now back inside our target range of 0.5-1.5x. We continue to evaluate opportunities for shareholder value creation. Our order intake was at a similar level as last year. Based on expected favourable model mix, the strong performance in the first quarter and continued tight cost control, we again confirm our full year 2021 guidance.

Q121 Financial Highlights

Strong sales and margin recovery from last year

Our consolidated net sales increased by almost $400 million or by 21% compared to Q1 2020. This was the highest passive safety business sales for a first quarter in our history. The Chinese market contributed to more than half of the sales increase as light vehicle production normalised in China and we continued to gain market share. Adjusted operating income excluding costs for capacity alignments increased by more than 70% to $237 million. The adjusted operating margin increased by 320 basis points to 10.6%. Operating cash flow increased by $30 million to $186 million.

Q1’21 Sales Growth

Outperforming global LVP by more than 4 percentage points

I am very pleased that our organic sales growth outperformed the global light vehicle production by more than four percentage points. This was achieved despite adverse geographical mix effect as light vehicle production grew strongly in lower content per vehicle markets. It was only in China, India, South Korea and South America where light vehicle production actually increased. Current light vehicle production forecast suggests a significant positive geographical mix effect in the second quarter. We had a solid sales development in all regions driven by new launches and positive vehicle mix. All regions outperformed light vehicle production by 6-23 percentage points. Sales of replacement inflators is now on a level where its impact on our sales development is insignificant.

Q1’21 – Key Model Launches

We had several important product launches during the quarter, including products for high volume vehicles such as the Jeep Grand Cherokee L, Mitsubishi Outlander and Peugeot 308. The models shown on this slide have an Autoliv content per vehicle between $130 to almost $600. Two of the vehicles are pure EVs and most of the models will be available with some sort of electrified powertrain. The long-term trend to higher content per vehicle is supported by an introduction of front centre airbags, knee airbags and more advanced seatbelts. For example, the new Mitsubishi Outlander has a front centre airbag as well as two knee airbags from Autoliv.

Financials

Fredrik Westin

CFO, Autoliv

Q1'21Financial Overview

This slide highlights our key figures for the first quarter. Our net sales were over $2.2 billion, a 21% increase compared to the same quarter last year. Compared to the first quarter 2019 it was an increase of 3% despite light vehicle production being 12% lower. Gross profit increased by $127 million, and the gross margin increased by 250 basis points. The higher gross margin was primarily driven by the higher sales and direct labour and material efficiency. In the quarter neither capacity alignments nor anti-trust related matters had an impact on the operating profit. The adjusted operating income increased by $101 million to $237 million due to the higher gross profit. The adjusted operating margin improved by 320 basis points versus Q1 2020 and improved by 290 basis points versus Q1 2019. The operating cash flow was $186 million, the second highest for any first quarter. This was achieved despite adverse effects from changes in working capital. Reported earnings per share more than doubled to $1.79 while adjusted return on capital employed was 26% and return on equity was 25%. The good performance in ROCE and ROE shows our commitment to and focus on capital efficiency.

Q1'21 Adj. Operating Margin Bridge

vs. Prior Year

Our adjusted operating margin of 10.6% was 320 basis points higher than in the first quarter of 2020. The impact of raw material price changes was small in the first quarter. FX impacted the operating margin negatively by 20 basis points. This is caused by transactional effect from a number of different currency pairs, the most significantly negative impact from a stronger Canadian dollar versus the US dollar. As illustrated by the chart, the adjusted operating margin was positively impacted by lower SG&A and RD&E of 110 basis points, mainly due to lower personnel costs in relation to sales. Operational improvements contributed with 230 basis points. This was a result of higher sales, cost discipline and effects from our structural efficiency programmes, partly offset by the negative impact of direct COVID-19-related costs of around €5 million and indirect COVID-19-related inefficiencies in both supply chain and manufacturing. Support from governments in connection with the pandemic was not material in the quarter.

Cash Flow

For the first quarter of 2021 operating cash flow was $186 million, an increase of $30 million compared to last year. The increase in operating cash flow was a result of the higher net income, partly offset by cash for the structural efficiency programmes and changes in trade working capital. Trade working capital developed unfavourably with increased inventories and receivables but lower payables. Especially inventories were impacted by the supply chain uncertainties. Capital expenditures amounted to $93 million in the quarter or 4.1% of sales. Compared to last year capital expenditures increased by $5 million or by 6%. The free cash flow was $93 million, an increase of $25 million year-over-year. The cash conversion in the last 12 months was close to 200% as a result of the low capex, positive operating working capital development and non-cash items.

Leverage Ratio

Within target range

We have, as you know, a long history of a prudent financial policy and our balance sheet focus remains unchanged. The leverage ratio improved from a peak of 2.8x at the end of the second quarter 2020 to 1.4x at the end of Q1 2021. The improved leverage in the quarter was a result of our net debt decreasing by $109 million while EBITDA over the last 12 months increased by $111 million. It is worth noting that our net debt is now $0.5 billion lower than a year ago. Our strong free cash flow generation should allow further deleveraging and provide opportunities for shareholder value creation. Note that our EBITDA calculation has been redefined to exclude other non-operating items and income from equity method investments. Historic EBITDA and leverage ratio has been recalculated resulting in minor adjustments. As we are back inside our target range for the leverage ratio, we will no longer guide for this measure.

Substantial Raw Material Headwinds

During the first quarter we have seen substantial increases in spot market prices for raw materials and commodities. As we mainly buy components the effects from changes in spot market prices are mitigated and delayed through longer-term supply contracts. Also, our volatility is normally substantially lower than the volatility in the spot market. Therefore the impact was relatively small in the first quarter. We also have some but limited contractual pass-throughs to our customers. We also mitigate raw material impacts through consolidation of and negotiations with suppliers as well as redesign of products. However, based on the current situation we estimate that for the full year 2021 we will face an operating margin headwind of around 90 basis points from raw material price changes. Our previous estimate was 40 basis points.

Global Semiconductor Shortage

The recovery in the automotive demand and production compete with increasing demand from the wider consumer electronics sector creating disruptions to the supply of systems using semiconductors. Chip makers are expanding their production capacity, but long lead times mean the supply issues will extend well into the second and third quarters. There are varying estimates as to the length of the semiconductor shortage. Our current assessment is that Q2 would be as exposed as Q1, but stabilisation of supply may not emerge until Q4. This pattern will further distort production seasonality and have an effect on the overall level of vehicle output in 2021. We assume a 2-3 percentage point negative net impact on 2021 global light vehicle production. Although we are not directly affected by the semiconductor supply issues, it impacted our sales and profitability already in Q1 and it's likely to continue to negatively impact LVP and our sales and profitability also in coming quarters. What is most essential for Autoliv is as always to be agile and to efficiently adapt to any sudden changes in our customers' production plans.

1st Quarter 2021

Mikael Bratt

President and CEO, Autoliv

Light Vehicle Production Outlook

Uncertainty prevails

Demand for new vehicles remains high and inventory levels of new vehicles remains at record low levels in some regions. For example, the inventory levels in North America are at an 11-year low, the lowest since the Cash-for-Clunkers programme in August 2009. Dealers' inventories are at a normal level in China, and we believe that European inventory levels are fairly low, especially for premium vehicles. Assuming that the component availability develops as expected we expect the good demand and low inventories support a recovery in light vehicle production in the second half of the year. We think it is worth a reminder that the second quarter last year was a virtual standstill for a number of weeks in most markets except China. Hence the very high growth rates year-over-year expected for the second quarter for 2021. As you can see in the table on the slide, light vehicle production in Europe is expected to more than double in Q2 while North America is expected to almost triple. Globally light vehicle production is forecast to grow by around 60% in Q2. The strong light vehicle production growth expected in the high content per vehicle markets such as Europe and North America should support our global growth outperformance in the second quarter.

FY'21 Indication for Organic Growth and Margin Unchanged Despite Market Headwinds

Here we highlight some positive and negative factors behind our 2021 indication. Our full-year 2021 indications for organic growth and adjusted operating margin are unchanged despite increased market headwinds. Compared to our previous guidance the light vehicle production outlook is lowered by almost two percentage points due to component shortage. Our estimate of raw material price headwinds is increased from 40 basis points to 90 basis points for 2021. Despite these negative effects we reiterate our full-year guidance as these effects are offset by an improved sales mix and improved cost structure as evidenced by the first quarter performance.

Full year 2021 indications

These indications exclude costs for capacity alignments and potential anti-trust related matters. We expect sales to increase organically by around 20% supporting a full-year mid-single digit outperformance versus light vehicle production. Our net sales increase is assumed to be around 23%, including positive currency translation effects of around 3%. We expect an adjusted operating margin of around 10%. Operating cash flow is expected to be in line with 2020. Our strategic initiatives gradually are yielding good results and we expect 2021 to be a solid stepping stone towards our 2022-2024 targets, which include a significant growth above light vehicle production as well as a solid operating margin increase.

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

This concludes our formal comments for today's earnings call and we would like to open the line for questions.

Q&A

Colin Langan (Wells Fargo): Great, thank you very much for taking the question. You are now within your target leverage range. Sales seem to be holding up relatively well. Why not bring back a dividend or a large buyback? Any thoughts there on capital allocation plans going forward?

Mikael Bratt: As you know this is a Board decision and there are no dividend or buyback decisions here as this is a quarterly call and we really set that question with the Board on a quarterly basis in connection with the Board meetings. This is not a topic for today so we will have to come back later when it is time for it.

Colin Langan: Then looking at the guidance, it implies about 8% over market. I think you are talking about mid-term 4-5%. What is driving the very strong growth over market through the rest of the year? Are launches coming in at higher levels? Are launches being pulled forward? What is the driver there? Thank you.

Mikael Bratt: It is on the back of our strong order book that we have built over the years and are continuing to build. This is in line with what we have indicated before and we continue to deliver on that. As you said, we have a slight increase of launches that contribute to that so I would say according to plan. Of course, a lot is in the mix as we talked a bit about. We see the content per vehicle increasing all the time in line with what we also said in the past.

Mattias Holmberg (DNB): Thank you. I have two questions. The first one is on the investigation that I have seen in the US where some faulty airbags of GM vehicles are looked at. Can you make any comments if you are involved in this in any way?

Mikael Bratt: We are aware of the investigation and GM is an important customer of us and we are delivering among other things airbags to the different GM models. If GM needs our help in the investigation, we will of course support but based upon our understanding we do not see this is an issue for which we should be responsible.

Mattias Holmberg: Thank you. On the recent announcement that you will make disconnect items for electric vehicles, can you perhaps elaborate a bit on what type of growth outlook potential you see for this business? If it is something that could become material or more a small side business.

Mikael Bratt: No, I do not have any numbers to give you at this point but of course it is a meaningful effort in terms of growing content per vehicle and our role in the electric vehicle development. We see this as a very interesting opportunity, for sure, to continue to grow in that market.

Mattias Holmberg: Great, thank you.

James Picariello (Key Banc): On the guide and the unchanged organic growth and operating margins, starting on the top line you are acknowledging the 2–3-point headwind from the semiconductor shortage but maintained your organic revenue growth guide. Is that just a function of new launches, the new business backlog or how much of it is attributable to favourable mix?

Mikael Bratt: I think it is several factors. First of all we had a strong start to the year. We have also seen the improved sales mix and I think that is the main factors there. We believe in the numbers that we are talking about here and see a good development when it comes to us delivering on our order book.

Fredrik Westin: Then maybe one addition to that. The 4% outperformance that we achieved here in the first quarter was with a rather significant negative country mix for us in terms of CPV and that will have a much more positive impact, especially in the second quarter as we laid out that both Europe and North America will grow substantially faster. That will then be a tailwind for us to a much larger extent especially in the second quarter.

James Picariello: Right and collectively 2-3 points better than what you expected as of last quarter. Okay. Then on the margin side, the commodities headwind has essentially from 40 basis points to 90. It is about $40 million difference. What is the offset to that? Your top line revenue growth has not changed. Are the structural savings higher? I am just curious on that. Thank you.

Fredrik Westin: First of all I think the first quarter shows that we have a very strong foundation to build on and that the structural efficiency programmes are coming through. We are basically 80% through now on the second one and aim to complete that in the second quarter. Then we see the strategic initiatives paying off as well. Then it is really about the agility to react to the demand changes which I think we have proven that we do in both the fourth quarter and the first quarter here. Then we see good progress in productivity improvement both on material but also on the direct labour side. That all combined make it possible for us to offset the higher impact we see from raw materials. That is how we confirm the guidance also on the 10% margin side.

Joseph Spak (RBC): Thank you very much everyone. I guess last quarter you talked about how this is what IHS is forecasting for the year but maybe you saw some concern to that forecast. Now you have lowered that and acknowledged that there is a bigger semiconductor headwind. I am trying to be clear. Is your guidance still actually assuming 12% or are you assuming something internally a little bit different?

Mikael Bratt: No, as always, we take a view on the visibility that we have and the further out in time you come we use then the external references to that. I think what we have seen now is that the semiconductor according to our judgement would have an impact in the range of 2-3% for the full year. That of course is baked into the outlook we are talking about here. The net effect is what you see in our guidance there.

Joseph Spak: Okay. Then as it has been alluded to a couple of times, your outgrowth actually got better versus your prior guidance. I am wondering if you could talk a little bit about the complexity of that outgrowth as you see it to light vehicle production. if it ends up being 9%, 10% or 12% do you see a meaningful change to your outgrowth there to organic growth or it should be pretty linear?

Mikael Bratt: I would not go into any details in terms of the timing and so forth, but I think once again what you see is the result of a strong order book that we are delivering on and also particularly now a combination with a good mix plus the content growth that we see coming through nicely with many new models and new developments across the globe with more safety parts coming into the vehicles.

Joseph Spak: Okay. It seems like what is keeping the outgrowth is a stronger mix of products that is helping you. You would expect something similar to continue, it would seem, going through the balance of the year.

Mikael Bratt: Yes, yes.

Joseph Spak: Thank you.

Hampus Engellau (Handelsbanken): Thank you very much, two questions from me. I am sorry for coming back on this collaboration with Mersen, but I would be interested to hear your view on the potential for having this included in the NCAPs for EVs given the quite significant step up with potentially $8.5 million maybe $11 million EBIT by 2025. Second question is coming back to the semiconductors. At least we are starting to see that some subsidise and said that even if the OEMs are stopping the production to balance the semiconductor shortage, they will take delivery from other subsidised [inaudible] because they fear that there could be other shortages for the remainder of the year. Is this something that has impacted you guys? I.e. you can still deliver airbags even if OEMs have stopped production for two weeks or three weeks. Those are my questions, thank you.

Mikael Bratt: The NCAP question first, clearly we do not see anything in the NCAP pipeline that would include this kind of product, but I think there is growing interest for this kind of product and I think with the higher voltage vehicles also we have an opportunity here to provide power safety switches into those vehicles with this collaboration. As I said, we are quite positive about this opportunity but no numbers or details further than that at this point in time here.

On the semiconductor side and the production, we are delivering to our customers according to their call-off. We do not have a detailed insight in how those vehicles ultimately are ending up either on an order or fully delivered to the dealers. However, it is nothing really that we have heard or seen to any meaningful extent. For us it is all about delivering according to the call-offs and expectations from our customers and we are doing that.

Hampus Engellau: Can I ask that question in this way instead then? For instance, given the planned stoppage that General Motors has announced, did that change the call-offs that they have provided to you guys after that announcement?

Mikael Bratt: I cannot comment on any specific OEM's call-offs but once again we are delivering according to their schedules and we are following our customers' requests there. We do not see any specific behaviour in regards to your comments there.

Hampus Engellau: Thank you.

Sascha Gommel (Jefferies): Good afternoon, thanks for taking my questions. The first one would actually be on a bit of colour on the second quarter, how that started, because I think you mentioned that Q2 is as exposed to the same shortages as Q1. Does that mean you are on a run rate in the second quarter that would be similar to the first quarter in terms of top line and earnings?

Mikael Bratt: As you know, I cannot comment on any outlook on the next quarter here.

Sascha Gommel: How has April started? Any colour on that?

Mikael Bratt: If your question is related to the semiconductors we are still in the same situation as we were a couple of weeks ago. It is not any worse or any better in that regard. We have to see how it plays out, but it will take some time before we are through the semiconductor issue, if I put I like that.

Sascha Gommel: Okay, very clear. My second question would be again on the safety switch. Technology-wise, does every car really need one or are there competing technologies that are available? I want to be clear if that technology will have a broad adoption at all.

Mikael Bratt: I think in terms of that particular feature that is the main solution, I would say. As the voltage goes up of course it becomes even more relevant. I think we have a role to play to add safety features into new types of technology that we see from the EV transformation, so to speak. I think there is a good opportunity to build the business.

Sascha Gommel: Appreciate it, thank you.

Erik Golrang (SEB): Thank you, I have a few questions. First one, coming back to your organic outperformance guidance, if I am not wrong you guided for mid-single-digit outperformance in the last quarter as well and either you say that 8% outperformance is mid-single-digit, or you are implicitly assuming a higher LVP figure than 12% growth. Which one is it?

Mikael Bratt: Mid-single-digit is mid-single-digit and no further comments to that. We have built it on the same assumptions as we always do.

Erik Golrang: Okay, so 8% would fit within mid-single digit.

Mikael Bratt: Maybe I should clarify that we also say around 20 in the calculation there, for your help.

Erik Golrang: Okay, thank you. Then two questions on the raw material side. I think last time around you made an assumption of particularly steel prices coming down at some point. Is that still the case? Then the second question is if there was zero margin impact in Q1 you would have around 120 basis points in the remaining three quarters. I guess it is right to assume there is more than 120 basis points in the second half compared to the second quarter.

Fredrik Westin: The guidance we gave of 40 basis points was on the assumption that raw material prices would not increase further from that point of time onwards, which they now of course have. We are basing the 90 basis points on a significantly higher impact on our steel components that we are buying. However, it is not only steel. It is also the impact from textile and plastics almost equally large if you compare guidance to guidance here, but we do not assume any tailwind from reduced raw material prices going forward. It is based on the prices remaining at the current levels.

Then in terms of the timing, yes, the impact in Q1 was close to zero and then it will now be a gradual increase Q2/Q3 with probably the peak in the third quarter and then come down a bit in the fourth quarter if we look at the year-over-year hit.

Erik Golrang: Very good, thank you.

Brian Johnson (Barclays): Two questions, a bit more strategic. First is around the quarter. Looking at China it was very significant growth over market. Is that just a random accident or is there something around either your mix in China or a move to more content in China that could be a more permanent tailwind?

Mikael Bratt: No, it is not random. I think it is that you see content per vehicle growing. Also, we have a good position with strong customers in China and portfolio there. It is a growing market that supports the safety products.

Brian Johnson: Okay and speaking of safety, obviously your mission and you had a great slide on lives saved, when you talk to ESG investors how do they view Autoliv as an ESG company, aside from your carbon footprint? Is your contribution to saving lives over the decades, does that come up in the E discussions? Does it come up in the S discussions or do you think investors with maybe a big focus on green energy and EVs miss the societal improvements you have been driving?

Mikael Bratt: We believe that we have a strong position in this and of course saving more lives is definitely a sustainability activity, no doubt about it. I think we are well-positioned there. With that said, we of course still have more to do altogether in all those areas you mentioned. However, we are well-positioned, and you can see in our Sustainability Report more details. I think we are well-positioned and there is good feedback.

Brian Johnson: Do you think that is reflected in your ownership in ESG funds in Europe and North America? My impression is that Europeans understand that better than the American ESG investors.

Mikael Bratt: It could be like that, yes.

Brian Johnson: Okay, thank you.

Bjorn Enarson (Danske Bank): A little bit on your development now in Q1, gross margin-wise versus the opex. Can you say something about the opex level going forward or what will lead you to your margin targets for the year? Are we at a reasonable opex level right now or are they a little bit elevated or even low?

Fredrik Westin: In terms of the gross margin development in the first quarter, of course the volume was one major contributing factor but then as we highlighted, we also had good both material and labour productivity. On the labour side we have been struggling in the previous quarters because of the constraints that we have had both from the volatility in the call-offs but also having to operate under Covid restrictions in the factories. We see that coming through now much better in the first quarter than what we have had during the year before. Then the third element is really the structural efficiency programmes where a large part of that is parked at the production overhead structure in our manufacturing setup. That has been coming through nicely. As I said, there is a little bit left from the structural efficiency programme to come in throughout the remainder of the year. Then we remain very, very focused on continuing to improve productivity both on the materials side and the labour side. However, very good development so far and it is also definitely one of the reasons we can also offset then the increased headwind from raw materials.

Bjorn Enarson: We have got nothing extraordinary in the quite solid gross margin development in the quarter. It is volumes and less of disturbances in production that we are seeing for quite some time.

Fredrik Westin: I would not call it less disturbances, but I think we are getting our arms around it better and managing it better. Nothing extraordinary in the quarter that would be of any interest.

Bjorn Enarson: Perfect. If you can say something about potential buybacks and on your year and situation now when you are within your guidance range.

Mikael Bratt: I refer to my answer earlier here. When it comes to dividends it is a Board decision in connection with quarterly reviews with the Board when we have the Board meetings. When it comes to buybacks, we announce them when they happen, so to speak. Nothing to report at this point in time.

Bjorn Enarson: No, got you. Thank you.

Vijay Rakesh (Mizuho): Briefly I know you talked about fiscal 2021 LVP at about 12% year-on-year. Do you see some effects in fiscal 2022? Any thoughts on how fiscal 2022 goes up or do you see some of the demand just going away?

Mikael Bratt: If I understand your question, it is the outlook for 2022 when it comes to LVP. Was that your question?

Vijay Rakesh: Yes.

Mikael Bratt: We have no comments on 2022 at this point. We have commented around 2021 but as we have said here, we see a positive demand situation. We have very low inventories in the supply chain with dealers, etc. Right now I think it is more of a supply situation which we are in and how that will carry into 2022 we will have to come back to.

Vijay Rakesh: Got it. On the inventory side I know you mentioned when you look at auto inventories US was an 11-year low in terms of dealer inventories. Any thoughts on where China is trending in terms of their inventories and same for Europe? I know you mentioned low, but I just want to get some concrete number there. Thanks.

Mikael Bratt: I have no numbers for you but what we see here is that China inventory seems to be stable, nothing dramatic. In Europe a little bit on the lower side but I would not say anything dramatic. It is primarily geared towards the more luxury cars or more premium cars in Europe with the lower inventory situation. That is about where we are.

Vijay Rakesh: Got it, thanks. Thank you.

Emmanuel Rosner (Deutsche Bank): Thank you very much. Sorry to come back to this but I am still trying to understand the positive offsets on the top line to the lower LVP outlook. In particular, the improved sales mix. Can you just go back and explain once again what is playing out better than you expected a few months ago from the sales mix point of view?

Mikael Bratt: One thing is of course the mix, how it comes out here and we have high content vehicles with the premium cars. That is favourable. Otherwise, as we have said here, it is on the back of a strong order book that we are delivering here. We have indicated that we should outperform this year as well, so it is really only the mix that is maybe more positive than what was indicated.

Emmanuel Rosner: Would it be in the context of chip shortages auto makers essentially steering their fewer available chips to some of the highest content vehicles? If that is the case is that something that could be sustainable longer-term or is that something that just lasts during the time where the shortages are there?

Mikael Bratt: As I indicated before, it plays out very differently between the different OEMs in terms of how they are impacted and what we can see is that we have a reshuffling in the programmes in the short term where of course they need to make their priorities where they get best use for the semiconductors that they get. It is not hard to imagine that they optimise that from that point of view. It could be but we do not have the full insight on that.

Emmanuel Rosner: Okay. Then a question on the order intake. I think you commented in the press release and in the slides that it was stable year-over-year. Was this a comment in dollar-terms or win rate? What is the expectation for this year compared to last year?

Mikael Bratt: As you know, we only give the share, so to speak, once a year when we close the year. What we are indicating here is order intake was in line with last year in dollar terms.

Emmanuel Rosner: Okay. Just remind us, last year was it impacted by Covid yet or was it a good result in Q1?

Mikael Bratt: No, there was no Covid impact in Q1 from that regard.

Emmanuel Rosner: Alright, thank you.

Chris McNally (Evercore): Thanks team, two quick ones, the first one on raw materials. Given the 90 basis points, you talked a little bit about it taking some time, 6-12 months for the tier twos to pass through things like steel and belts and fasteners. Would it make sense to think about even if raw materials stayed where they are flat right now, we would probably have some raw material pressure into next year just given the annualisation and maybe take one or two price increases to send it through? We should think about this pressure probably continuing into next year.

Fredrik Westin: We do not give guidance yet on 2022 but of course if you look at the impact, we had in the first quarter and should the raw material prices remain at the levels where they are currently then I think it would also be fair to assume that there would be a carry over effective into next year.

Chris McNally: Okay, great. Then the second is a longer-term question on your content per vehicle growth. Primarily from the market share gain, and I know you do not comment on 2022, based on your revenue projections where do you think that puts you in terms of market share for 2021? Back of the envelope it could be 44% or 45%. It sounds like some of your order book over the last 3-4 years you will probably peak out at something like 47-48%. I wanted to have a high-level view that 2022 and 2023 will still see market share gains so good content per vehicle growth.

Mikael Bratt: We do not give market share targets by year but what we have indicated is that we believe that we will grow into a market share position of around mid-40%s, around 45% in the years to come here. The pace there we have not given, so to speak, but we have built a strong order book and we continue to build the order book so we will define that market share going forward.

Chris McNally: Okay, great.

Agnieszka Vilela (Nordea): My first question is concerning your headcount situation. When I look at the number of your indirect workers, I can see that the numbers started to increase now in the quarter. Can you share with us how you think about the money situation and also is it a kind of step back from your structural action given the fact that car production on a quarterly basis is slower now than what it was in Q4, for example?

Fredrik Westin: First of all, if you compare it year-over-year if you take the support headcount it is down around 800 employees. Then it is more or less flat versus end of the year. We have had some selective additions that we have had mainly in the area of IT and digitalisation to support the strategic initiatives we have ongoing there. However, we remain very, very cost focused and also headcount focused and are very diligent about any additions. As we said also before, we are not through yet with the second step of the efficiency programme which will most likely be completed here during the second quarter.

Agnieszka Vilela: Perfect, thank you. Then also I would like to ask about the pricing environment right now for your industry. I think that historically you used to say that you meet the price pressure of 2-4% every year. Is the situation now the same and now also excluding the raw material impacts? In general do you see similar pricing pressure on your products or is it becoming a bit more positive for you guys?

Mikael Bratt: I think it is definitely within that range today and we do not expect to see any changes to that going forward in the near-term at least. 2-4% is a good reference point still.

Agnieszka Vilela: Thank you.

Mikael Bratt: Thank you. Before we end today's call, I would like to say that our progress in the past few quarters supports our confidence in our journey towards our mid-term targets and our opportunities for shareholder value creation. Despite the fact that globalised vehicle production is almost back to the 2019 level, we are still in a pandemic and our first priority remains the health and safety of our employees. Our second quarter earnings call is scheduled for Friday, 16th July 2021. Thank you everyone for participating on today's call. We sincerely appreciate your continued interest in Autoliv. Until next time, stay safe.

[END OF TRANSCRIPT]