



# Earnings Call Presentation 2<sup>nd</sup> Quarter 2020

July 17, 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; the impacts of the coronavirus (COVID-19) pandemic on the Company’s financial condition, business operations and liquidity, 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 restructuring or 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.

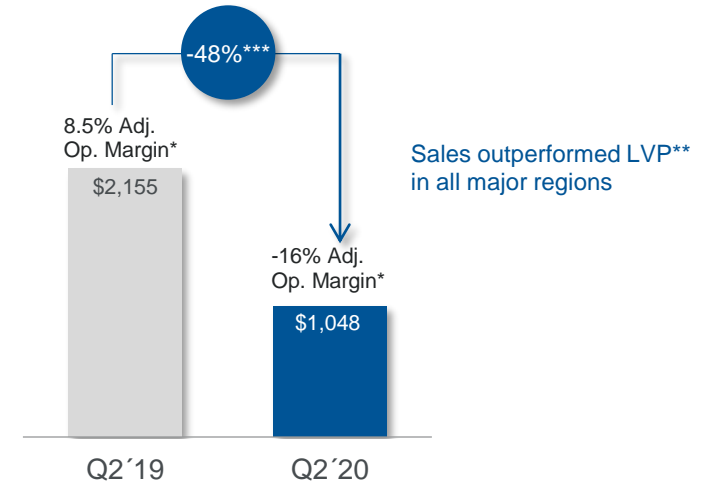
(\* Non-US GAAP reconciliations are disclosed in our regulatory filings available at [www.sec.gov](http://www.sec.gov) or [www.autoliv.com](http://www.autoliv.com)

# Q2'20 Highlights

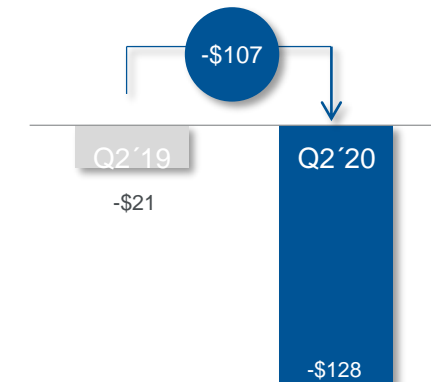
## Responding to the effects of COVID-19

- **Global Light vehicle production (LVP) fell by 45%**
  - April virtually at a standstill in Europe and Americas
  - Slow and volatile restart and ramp-up creates efficiency challenges
  - China LVP almost back to pre-COVID-19 levels
- **Continued high application engineering and sourcing activities**
  - Order intake trends continues
  - Launch plans generally on track, but some push-outs noted recently
- **Swift actions to offset LVP decline**
  - Total personnel related costs lowered by 25% since March
    - Reduced headcount
    - Extensive use of furloughs
    - Discretionary spending sharply reduced
  - Second phase of Structural Efficiency Program initiated
  - Reducing Capex by 50% Y-o-Y
- **Strong Liquidity Position**
  - Securing ~\$0.6 billion in loans from the Swedish Export Credit Corporation
  - Cash balance and unutilized credit facilities ~\$1.7 billion at the end of June

### Sales US\$ (Millions)



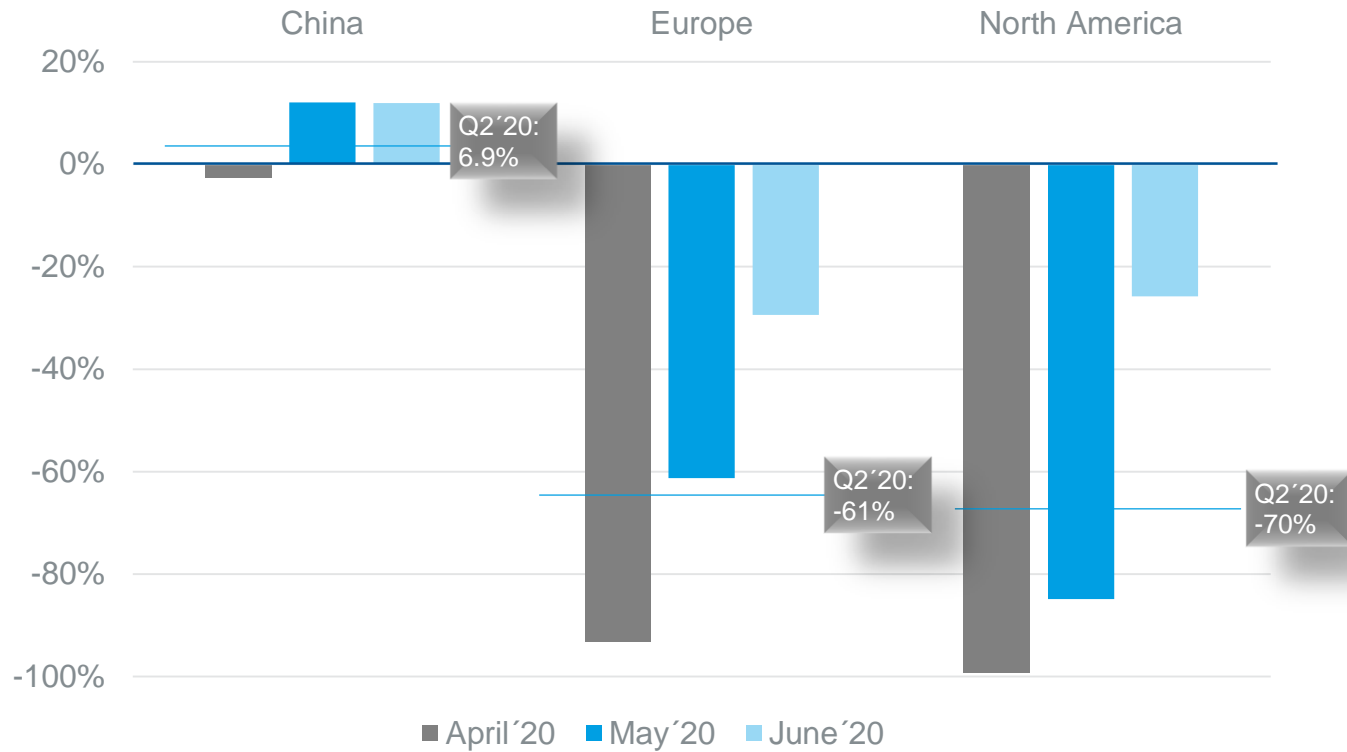
### Operating Cash Flow US\$ (Millions)



(\*) Non-US GAAP measures, (\*\*) Light Vehicle Production (LVP) according to IHS @ July, 2020, (\*\*\*) Organic sales decline, Non-US GAAP measures,

# Light Vehicle Production in Q2'20

## LVP YoY change per month

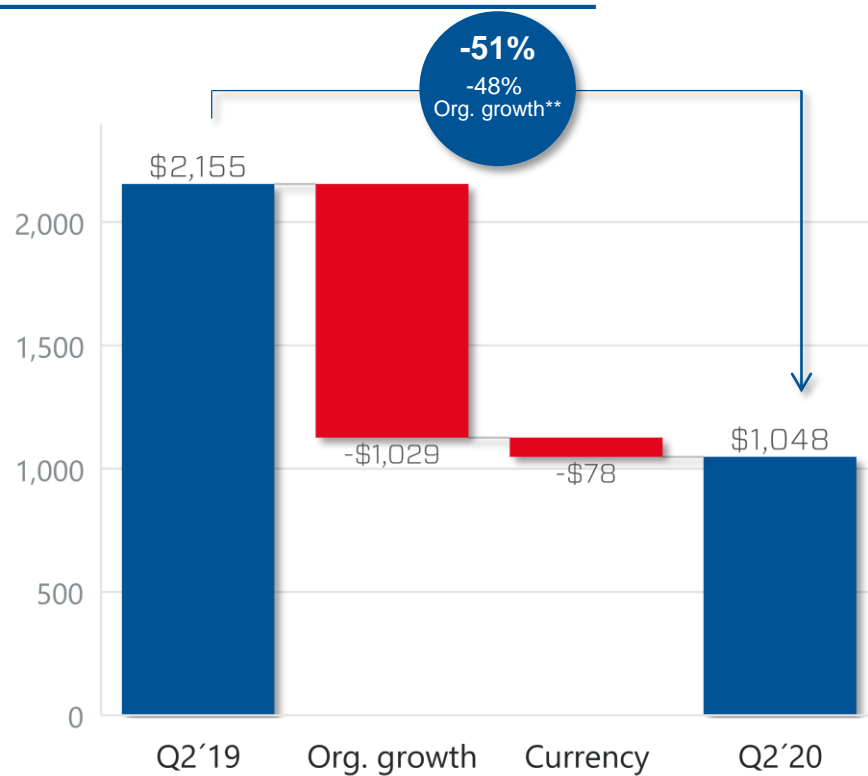


# Q2'20 Sales Growth

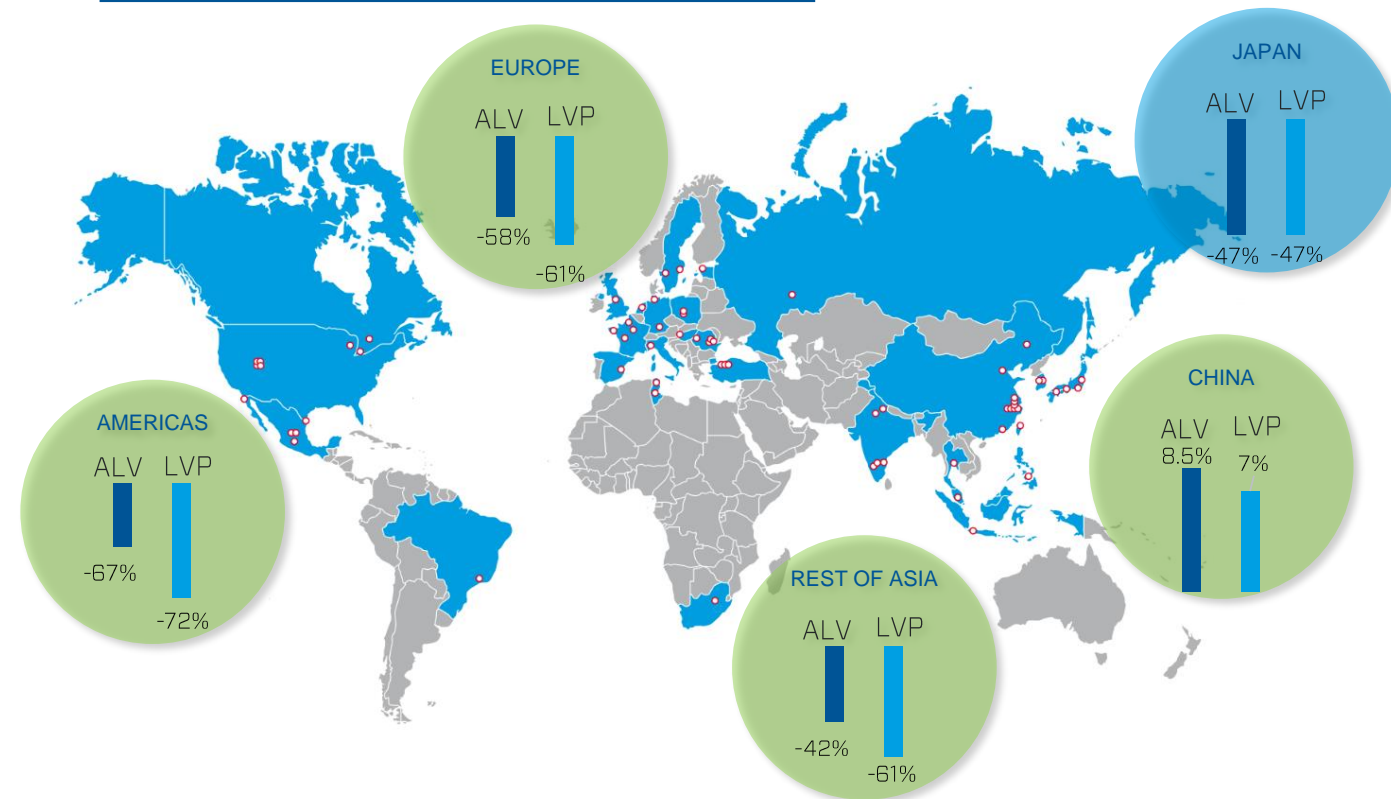
## Outperforming LVP in all major regions

### Sales Bridge

US\$ (Millions)



### Regional Organic Growth\*\* vs. LVP\*



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

(\*\*) Non-US GAAP measure

# Status of our operations and customers

## Autoliv

China

18%



- **Market and ALV status:** Production has gradually recovered to above Q2 last year. Accounted for 47% of global LVP in Q2'20
- **Cost reduction measures:** CAPEX delay, inventory reduction, discretionary spending. Expedite hiring to reduce over time. Inventory reduction.
- **Areas of concern:** Employee health. Support launches and responding to new RFQs

## Autoliv

Europe

29%



- **Market and ALV status:** Plants ramping up production in line with customer needs. Expecting slow-down due to summer holidays
- **Cost reduction measures:** Furloughs and time-off requirements implemented, close monitoring of receivables, Capex delay, inventory reductions, discretionary spending, etc.
- **Areas of concern:** Health implications of ramp-up of production. High level of customer demands on sales & engineering

## Autoliv

North America

32%



- **Market and ALV status:** All OEMs have restarted operations. Strong production of key platforms for OEMs.
- **Cost reduction measures:** Furloughs and time-off requirements implemented, close monitoring of receivables, Capex delay, inventory reduction, discretionary spending, etc.
- **Areas of concern:** Employee health. Mexico government stoplight system. Supply base. Large number of quarantine cases among our employees.

## Autoliv

Japan

9%



- **Market and ALV status:** Plants running at reduced capacity
- **Cost reduction measures:** Flex and plant closure where appropriate, reduction and suspension of Capex, inventory reduction, discretionary spending, premium freight recovery
- **Areas of concern:** Employee health. Balancing all costs with volatile demand. Managing Inventory levels

Percentage of group sales in 2019

# Q2'20 - Key Model Launches



Chevrolet Suburban/Tahoe &  
GMC Yukon/Yukon XL



Fiat 500



Audi A3 Limousine



Xpeng P7



Lynk & Co 06



Buick Envision S



Kia Sorento



VW Polo Sedan



VW Tayron X



# Q2'20 Financial Overview

(US \$ Millions unless specified)	Q2'20		Q2'19	
Sales	\$1,048		\$2,155	
Gross Profit	\$14	1.4%	\$400	18.6%
Adj. Operating Income <sup>1</sup>	-\$171	-16.4%	\$183	8.5%
EPS (assuming dilution)	-\$2.00		\$1.25	
Adj. RoCE <sup>1,2</sup>	-18%		20%	
Adj. RoE <sup>1,2</sup>	-24%		24%	
Adj. Operating cash flow <sup>4</sup>	-\$128		\$182	
Dividend paid per share	-		\$0.62	
Global LVP <sup>3</sup> (annual rate)	~47M		~86M	

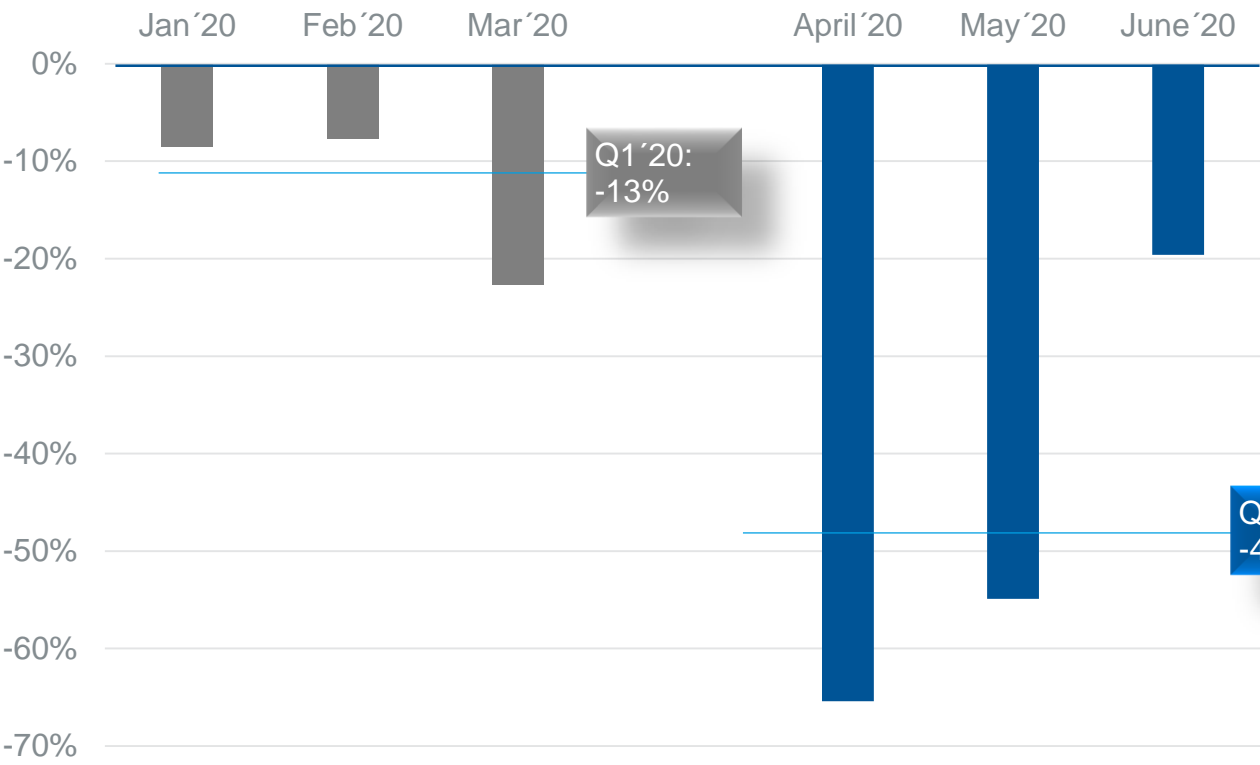


(1) Non-US GAAP measures exclude costs for capacity alignments and antitrust related matters. (2) Return on Capital Employed (RoCE) and Return on Equity (RoE), (3) Light Vehicle Production (LVP) according to IHS @ July, 2020. (4) Non-US GAAP measures excluding EC antitrust payment in Q2'19.



# Sales development per month

## Organic Sales\* Decline



(\*) Non-US GAAP measure

# Actions implemented on each & every cost line

## -Cost Breakdown

### Variable and Semi-variable costs

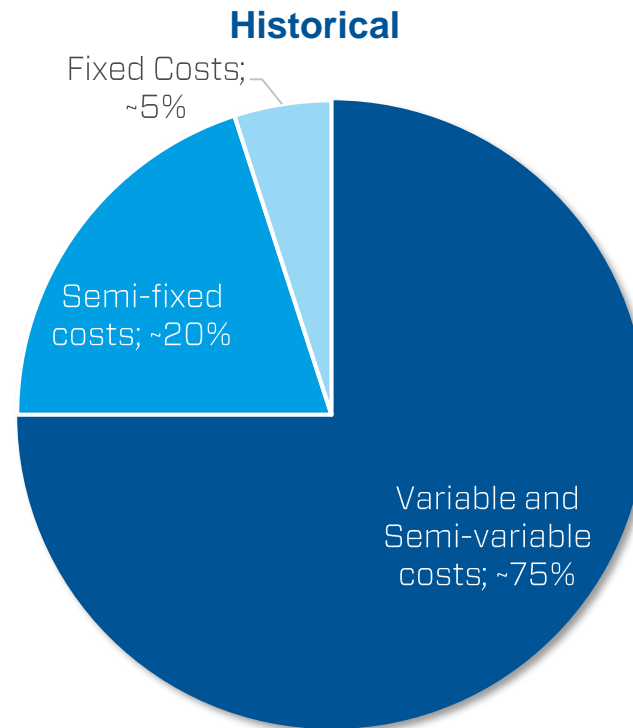
- Direct material
- Direct labor
- Freight costs

### Semi-fixed costs

- Fixed Salaries, travel expenses
- Consultant costs
- Legal fees
- Other net external expenses

### Fixed costs

- Rent buildings, machines & office
- Insurance, Property tax
- IT
- Depreciation & Amortization



- Further align headcount with customer LVP
- Reduced work week hours
- Furloughing, supported by governments where available
- General hiring freeze
- Accelerate cost saving initiatives

# Actions implemented on each & every cost line

## -Cost Breakdown

### Variable and Semi-variable costs

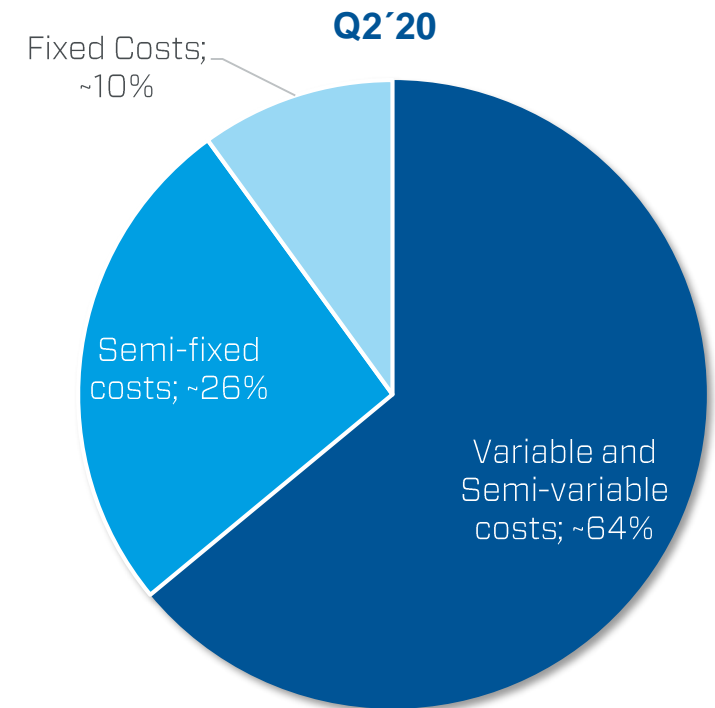
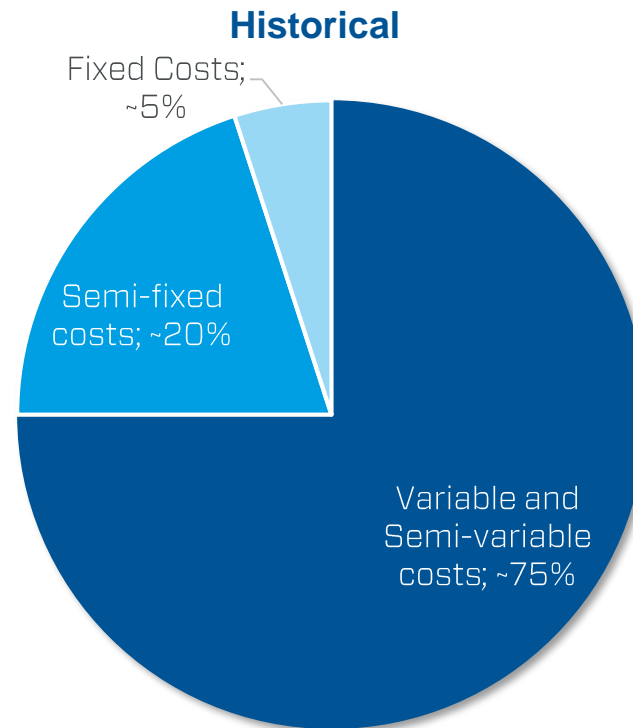
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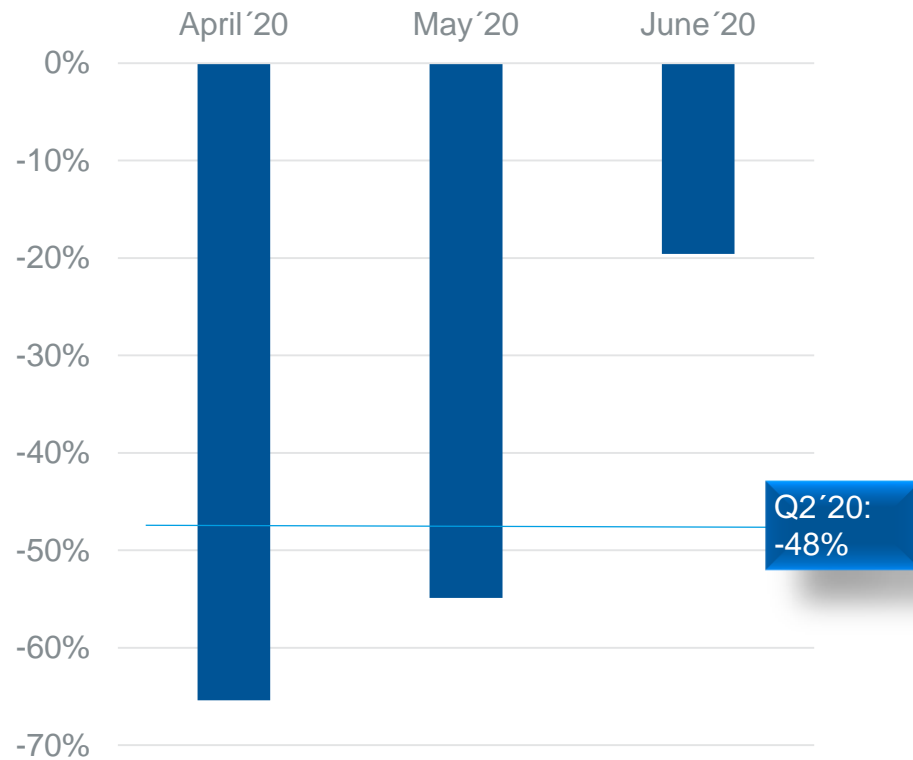
### Fixed costs

- Rent buildings, machines & office
- Insurance, Property tax
- IT
- Depreciation & Amortization



# Q2'20 Adj. Operating Income\* vs. Prior Year

## Organic Sales Decline\*



## Results drivers

### - Neg

- Volume & productivity - \$380 million
- Direct COVID-19 - \$9 million

### + Pos

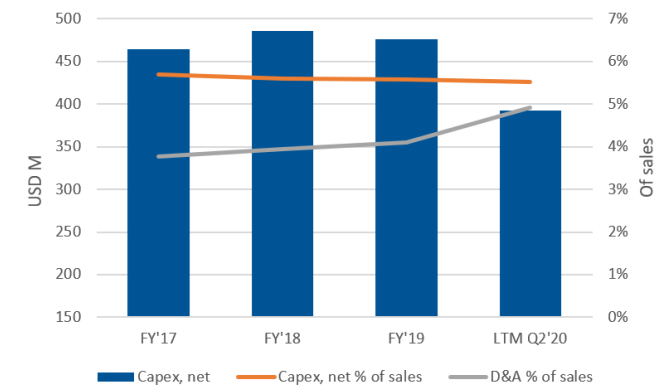
- Raw material \$6 million
- FX \$5 million
- RD&E/SG&A \$23 million

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

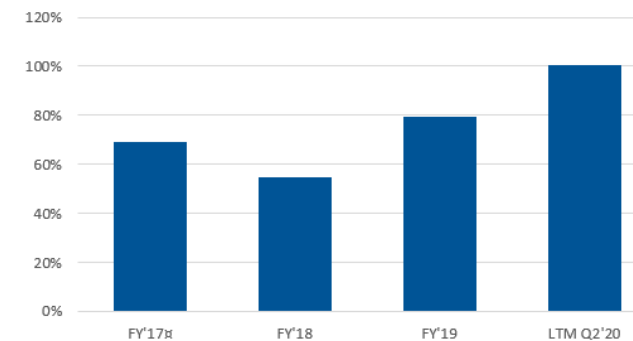
# Cash Flow

(US\$ Millions unless specified)	Q2'20	Q2'19	LTM	2019
Net Income	-174	109	143	463
Depreciation & Amortization	87	86	350	351
EC antitrust payment	-	-203	-	-203
Other, net	-85	4	-84	-17
Change in operating WC*	44	-17	127	47
Operating cash flow	-128	-21	535	641
<b>Operating cash flow excl. EC antitrust payment**</b>	<b>-128</b>	<b>182</b>	<b>535</b>	<b>844</b>
Capital Expenditures, net	-64	-128	-392	-476
<b>Free cash flow*</b>	<b>-192</b>	<b>55</b>	<b>143</b>	<b>368</b>
Dividends paid	-	54	163	217

## Capex and D&A



## Cash Conversion\*\*



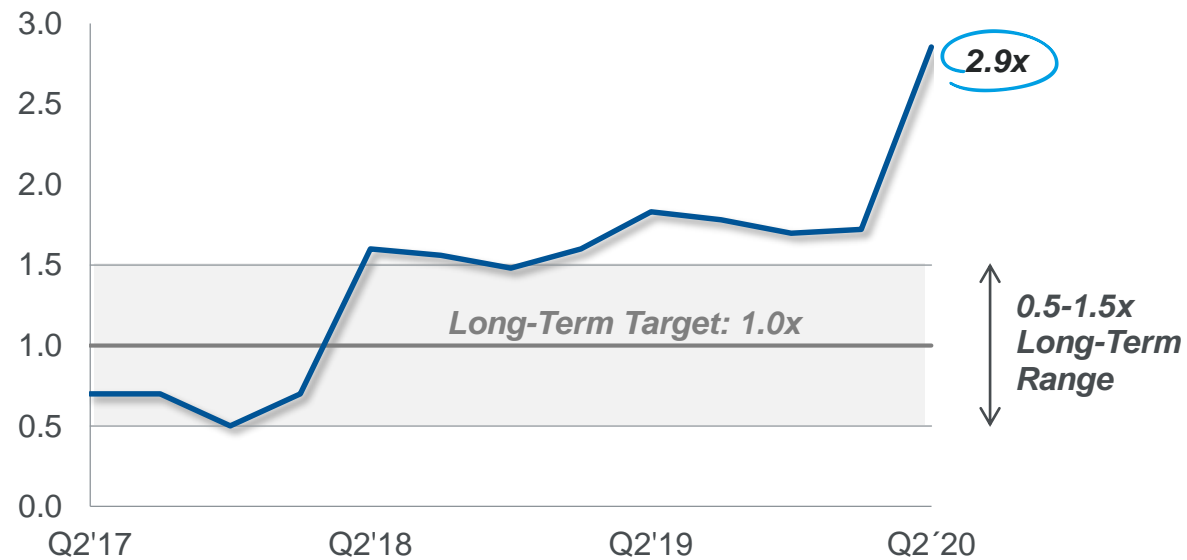
(\* Non-US GAAP measure, before acquisitions, reconciliation of free cash flow is provided above. (\*\* Non-US GAAP measure, EC antitrust payment in Q2'19)

# Leverage Ratio

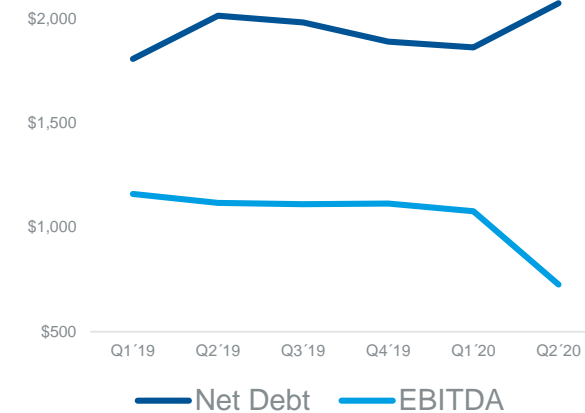
Lower EBITDA and higher Net Debt

## Net Debt/ EBITDA\*

x



## Net Debt and EBITDA per the Policy



- Our **Net Debt\*** increased by **\$208M** from Q1'20
- **EBITDA LTM** decreased by **\$350M** from Q1'20

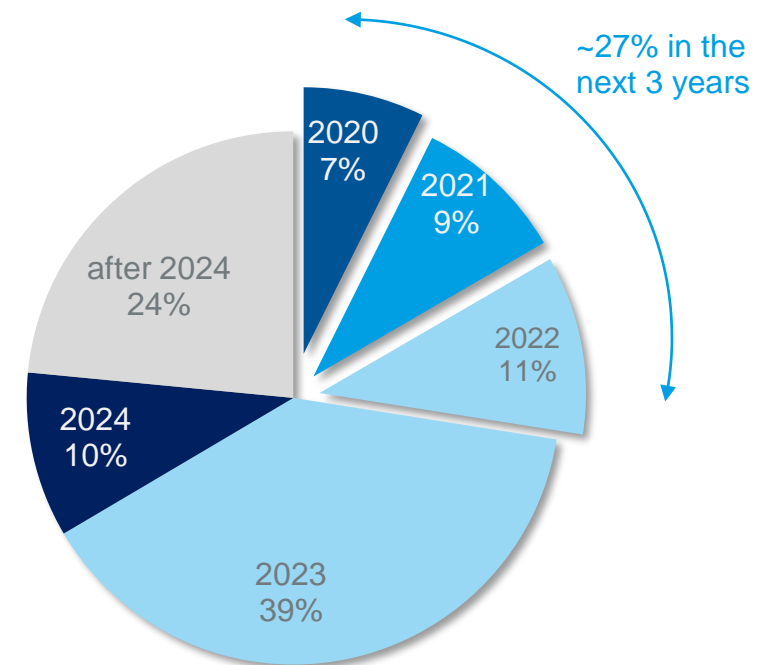
(\* Autoliv Inc. group statistics, prior to spin; Non-US GAAP measure, Leverage Ratio and Net Debt includes Pension Liability)

# Strong liquidity position

- Significant liquidity cushion with **\$1.7 billion** in cash and unutilized credit facilities at June 30
- Entered into a new lending facility of ~\$0.6 billion with the Swedish Export Credit
- No significant debt refinancing until 2023
- Revolver credit facility matures in 2023

## Debt Maturities end of Q2 '20\*

% of ~\$3 billion total debt



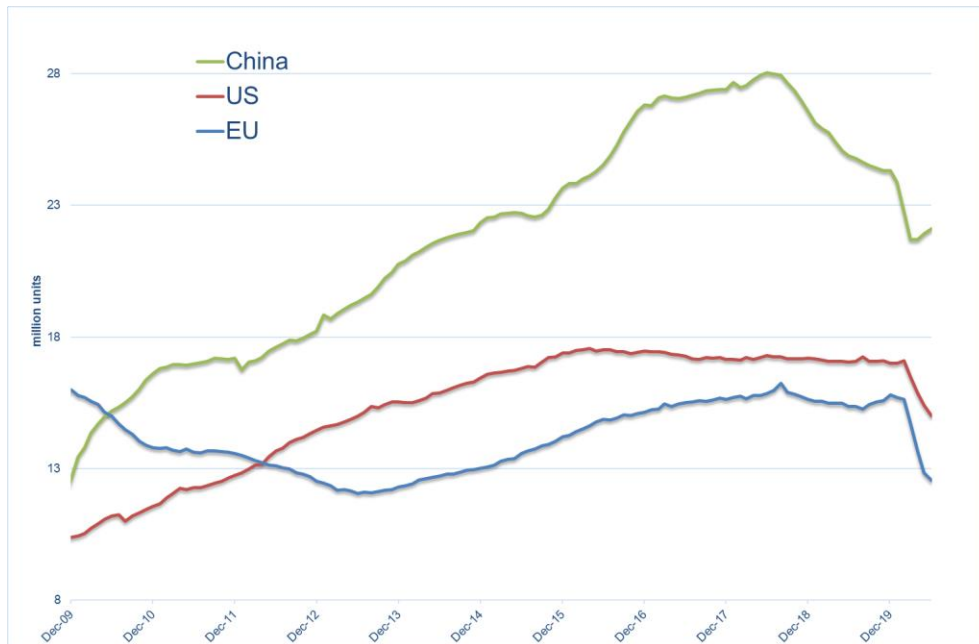
(\* None of the credit facilities are subject to financial covenants)

# Light Vehicle Sales & Production

LVP starting to resume, but ramp up and run-rates are uncertain

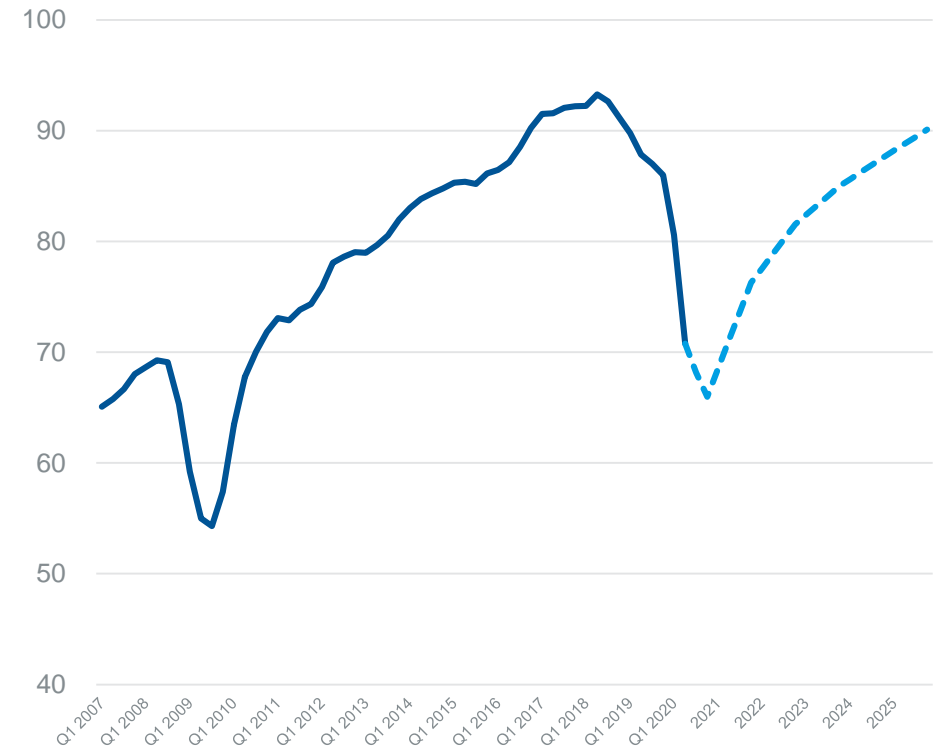
## Light Vehicle Sales LTM

(Million units)



## Global light vehicle production LTM\*\* according to IHS

(Million units)



(\*) Source: CAAM, Wards Auto, ACEA etc., (\*\*) Light Vehicle Production (LVP) according to IHS @ July, 2020



# COVID-19 Business Impact on H2'20 Adj. operating margin\* vs. H2'19

## Tailwinds

- Executing from strong order book
- Structural Efficiency Programs
- Raw materials
- Strategic initiatives

## Headwinds

- Operational headwinds from COVID-19
- Lower and unpredictable LVP
- Lower inflator replacement sales
- Investment for factory of the future
- D&A increase

**Headwinds greater than Tailwinds**

(\*) Non-US GAAP measure

# Creating Value for Shareholders

Visible Short-term  
and Long-Term  
Growth vs. LVP

Profitability  
Improvement and  
Over-the-Cycle  
Resilience

Cash Flow  
Generation Focus  
for Shareholder  
Returns

Strong Balance  
Sheet and Prudent  
Leverage Policy

# Financial Strategy

## - Operating margin Drivers

### Current Crisis Management

- Ongoing cost reduction activities to offset near-term COVID-19 effects

### The New Normal

- Adapting to new normal medium-term market

### Strategic Plan outlined in 2019

- Executing on strong order book
- Implementing Strategic Initiatives
- Stabilization of market fundamentals

# Current Crisis Management

- **Health of our Employees**

- Implementing policies to protect employees
- Raise awareness of well-being protocols and helpful practices

- **Capital Management**

- Capital expenditures delays
- Close monitoring of receivables and inventories
- Tight collaboration with suppliers

- **Margin Focus**

- Further align headcount with customer LVP
- Reduced work week hours
- Furloughing, supported by governments where available
- General hiring freeze
- Accelerate cost saving initiatives

**... while ramping up production**



# Adapting to the New Normal

## Structural Efficiency Program

### Step I

	FY2019	FY2020
Cost	\$52M	\$0
Cash out	\$29M	~\$23M
Headcount reduction	~450	~350
Savings	~\$10M	~\$50M

- Almost fully implemented
- All functions were subject to the program

### Step II

	FY2020	FY2021	Expected for program
Cost	~\$65M	\$0M	~\$65M
Cash out	~\$15M	~\$50M	~\$65M
Headcount reduction	~745	~185	~930
Savings	~\$10M	~\$45M	~\$65M annually

- Substantially completed by first quarter 2021
- All functions are subject to the program
- Mainly Europe and Americas will be impacted

# Strategic plan outlined 2019

## Continue to implement Strategic Initiatives

- Automation, Digitalization & Modularization
- Supply Chain Management Effectiveness
- RD&E Effectiveness



# Our Priorities

- Health and Safety remain top priority
- Exceptional situation requires agility and tough decisions
- Assessing the new run rate of LVP, and continuously adjust
- Executing on our long-term strategies
- Continued flawless execution in a challenging situation





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

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

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# Q2'20 Product Volumes

Autoliv Quantities Delivered (Millions unless specified)	Q2'20	vs. PY** (%)
<b>Seatbelts</b>	<b>19.7</b>	<b>(46)%</b>
▪ Pretensioners (of which)	12.0	(39)%
▪ Active Seatbelts (of which)	0.9	(37)%
<b>Frontal Airbags</b>	<b>6.8</b>	<b>(52)%</b>
▪ Knee Airbags (of which)	0.6	(54)%
<b>Side Airbags</b>	<b>13.1</b>	<b>(47)%</b>
▪ Chest (Thorax)	7.3	(46)%
▪ Head (Curtain)	5.8	(49)%
<b>Steering Wheels</b>	<b>2.4</b>	<b>(55)%</b>
<b>LVP* (Global)</b>	<b>11.7</b>	<b>(45)%</b>



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

# 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