



Saving More Lives  
Fredrik Westin - CFO  
SEB Large Cap Seminar, 2020

August 26, 2020



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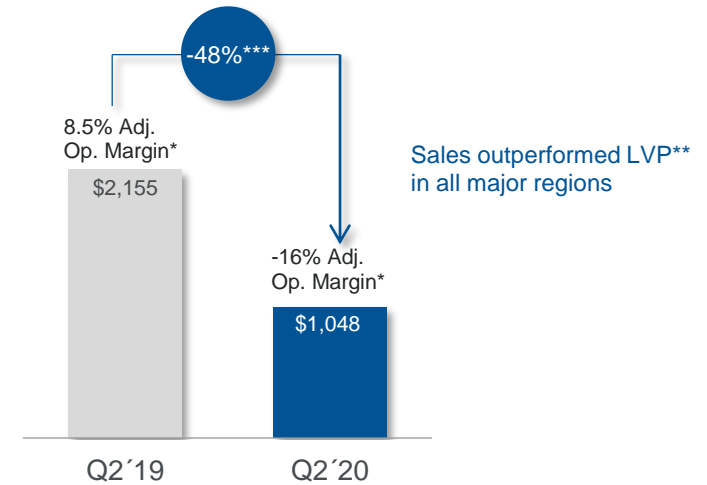
(\* ) Non-US GAAP reconciliations are disclosed in our regulatory filings available at [www.sec.gov](http://www.sec.gov) or [www.autoliv.com](http://www.autoliv.com)

# Q2'20 Highlights

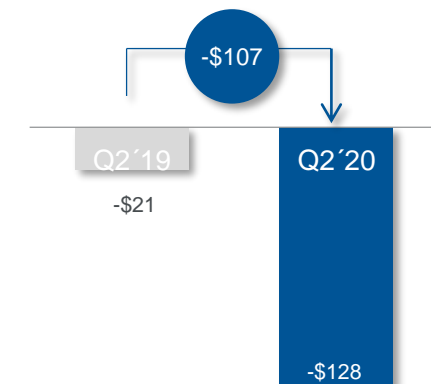
## Responding to the effects of COVID-19

- **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)



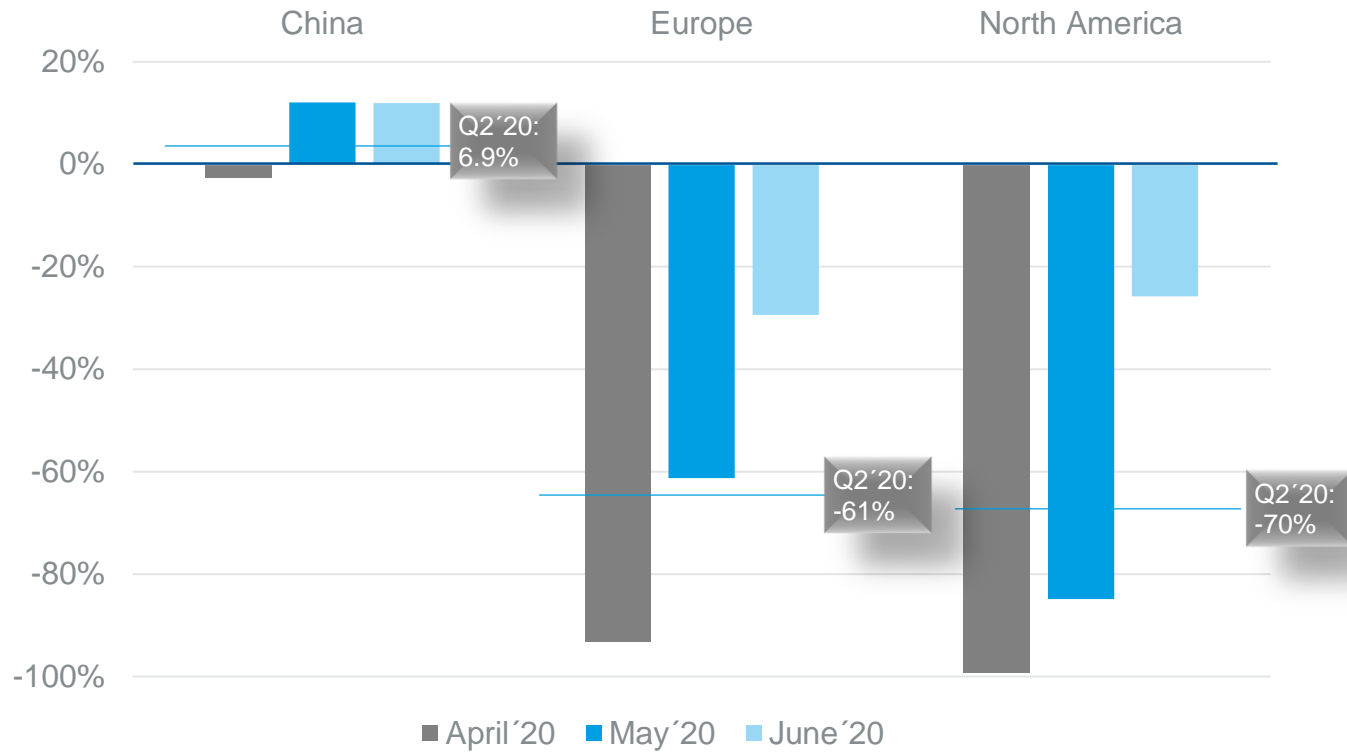
### Operating Cash Flow US\$ (Millions)



(\* 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

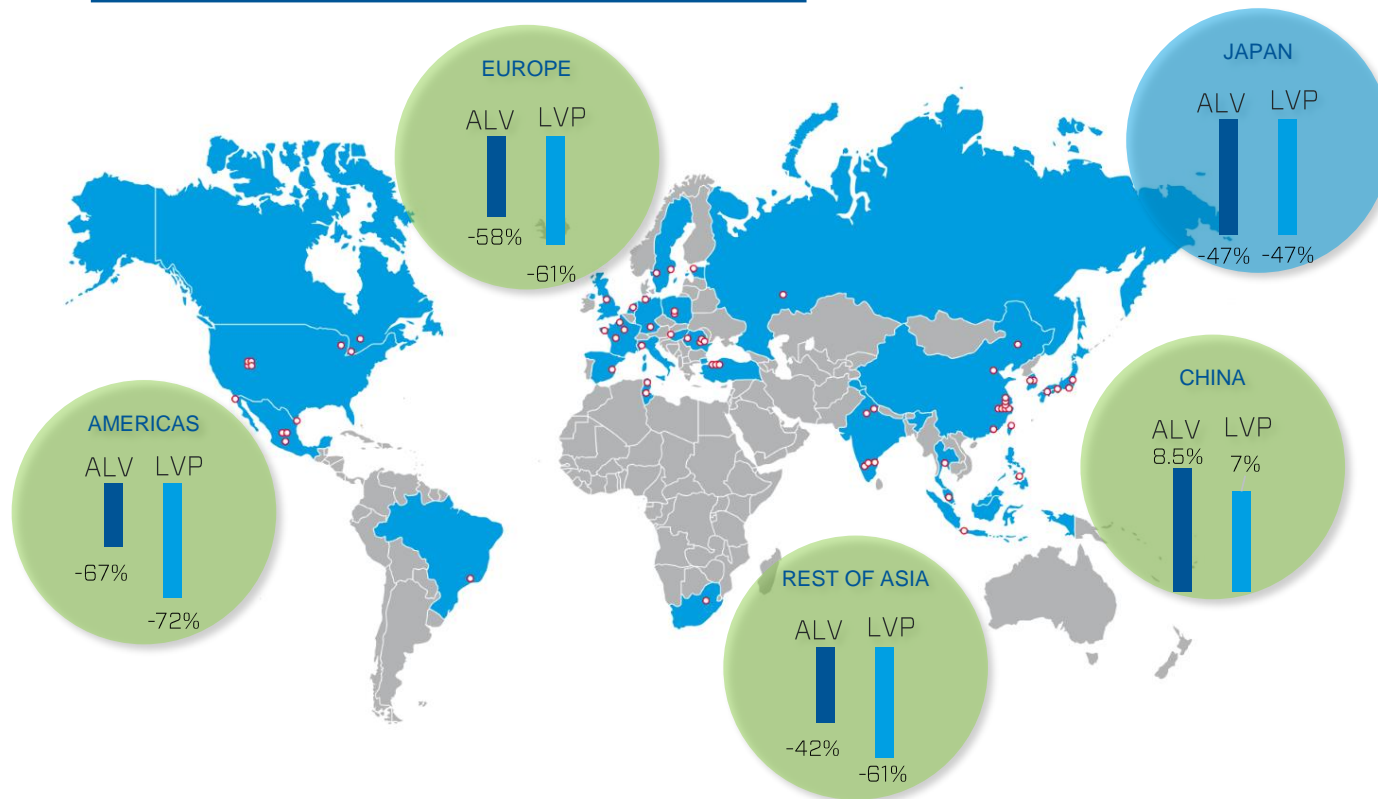




# Q2'20 Sales Growth

## Outperforming LVP in all major regions

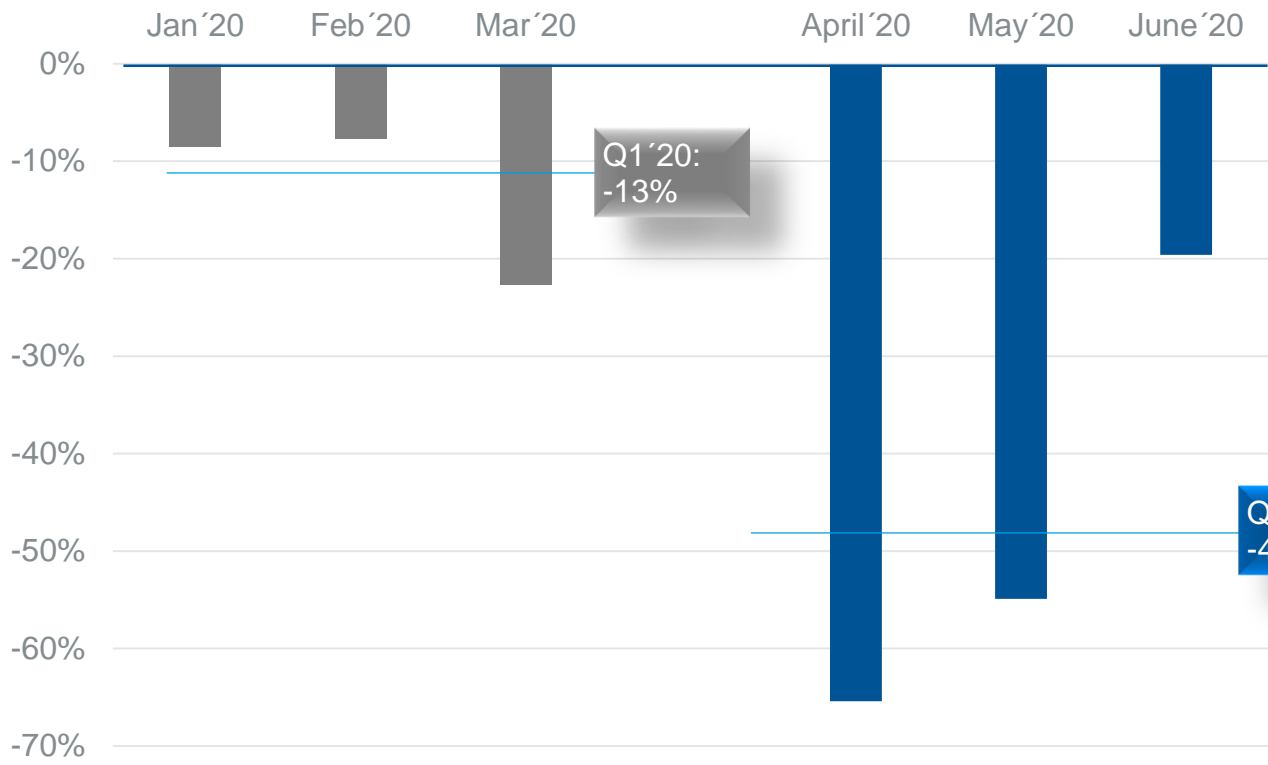
### Regional Organic Growth\*\* vs. LVP\*



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

# 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

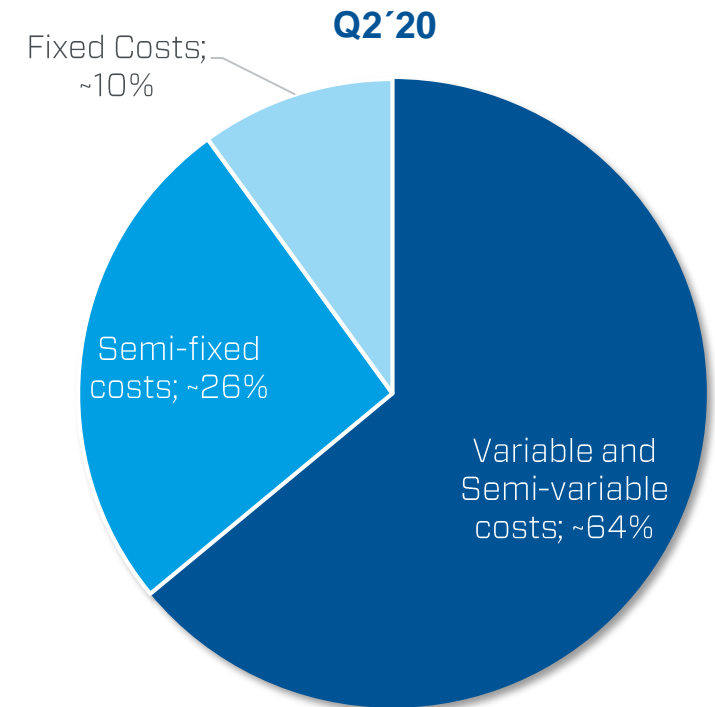
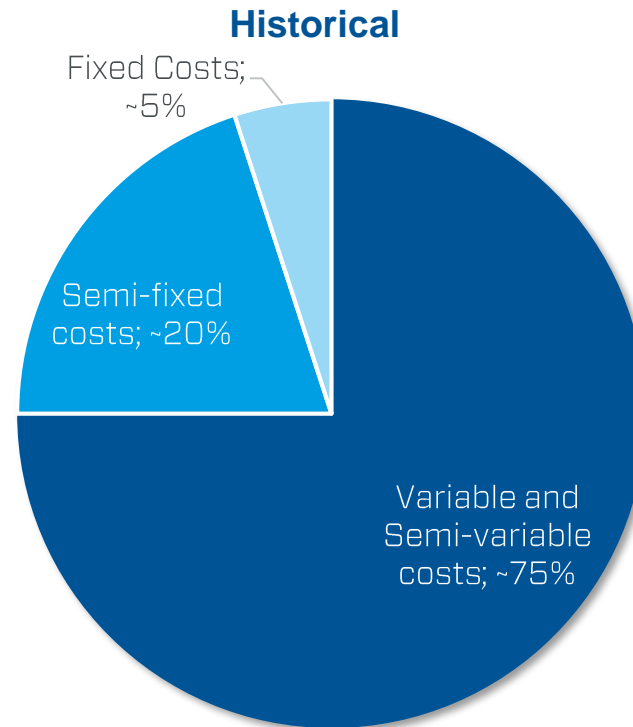
- Direct material
- Direct labor
- Freight costs

### Semi-fixed costs

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

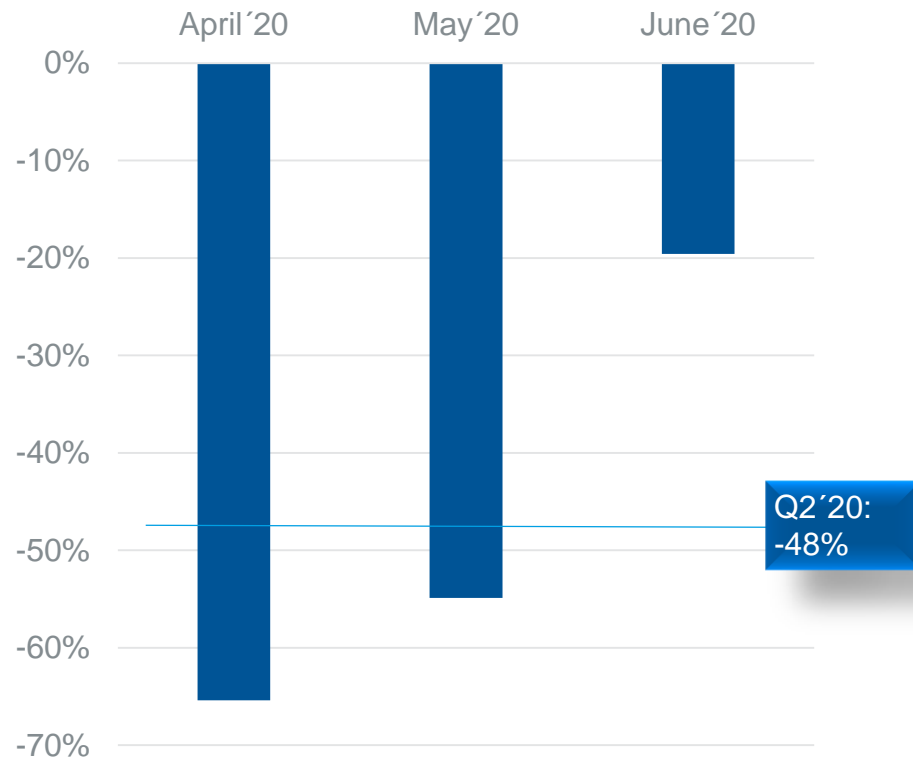
### Fixed costs

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



# 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

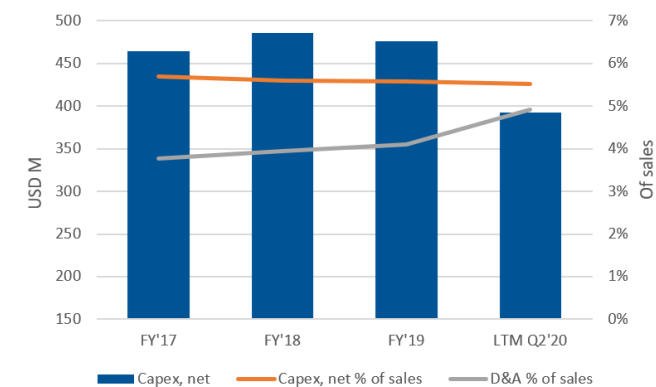
(\*) Non-US GAAP measure excludes costs for capacity alignments and antitrust related matters



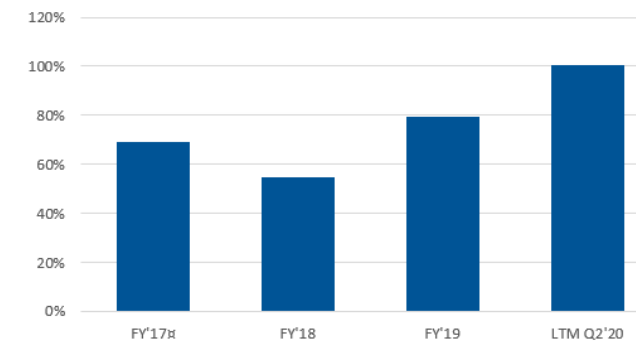
# Cash Flow

(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\*\*

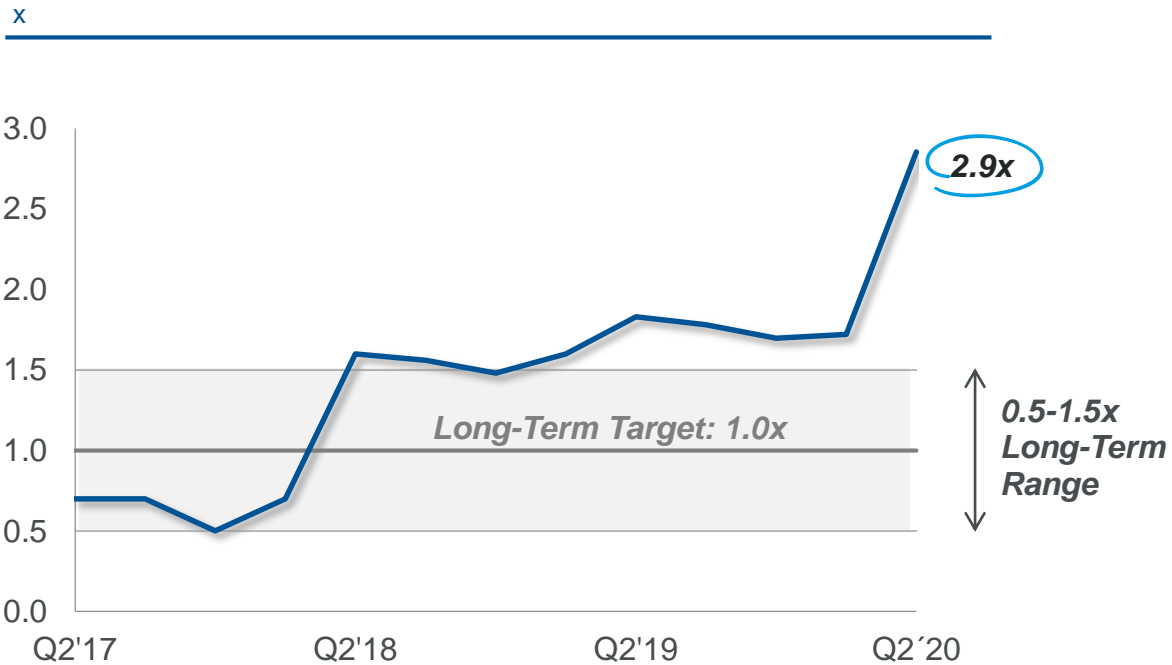


(\* Non-US GAAP measure, before acquisitions, reconciliation of free cash flow is provided above. (\*\* Non-US GAAP measure, EC antitrust payment in Q2'19)

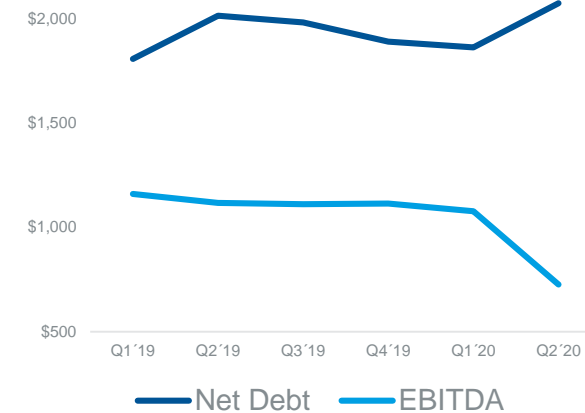
# Leverage Ratio

Lower EBITDA and higher Net Debt

## Net Debt/ EBITDA\*



## Net Debt and EBITDA per the Policy



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

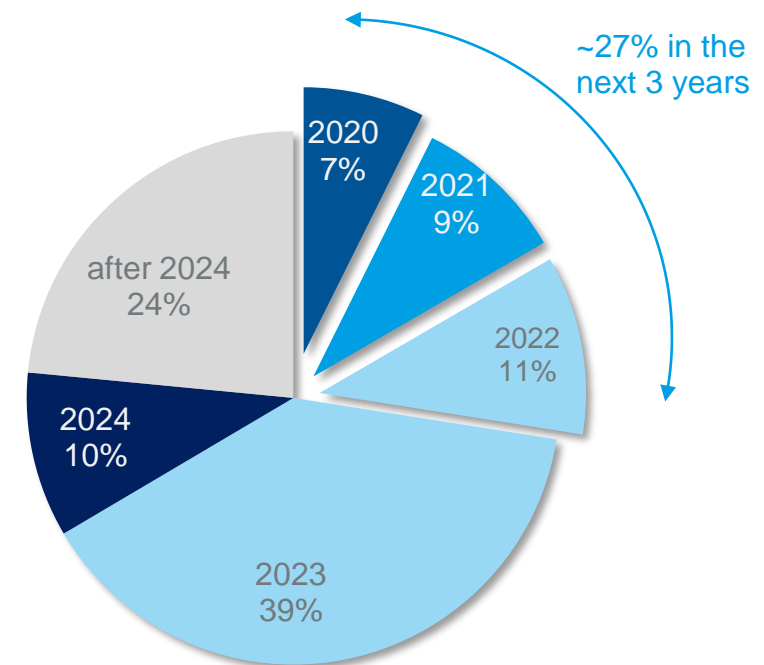
(\*) Autoliv Inc. group statistics, prior to spin; Non-US GAAP measure, Leverage Ratio and Net Debt includes Pension Liability

# 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\*

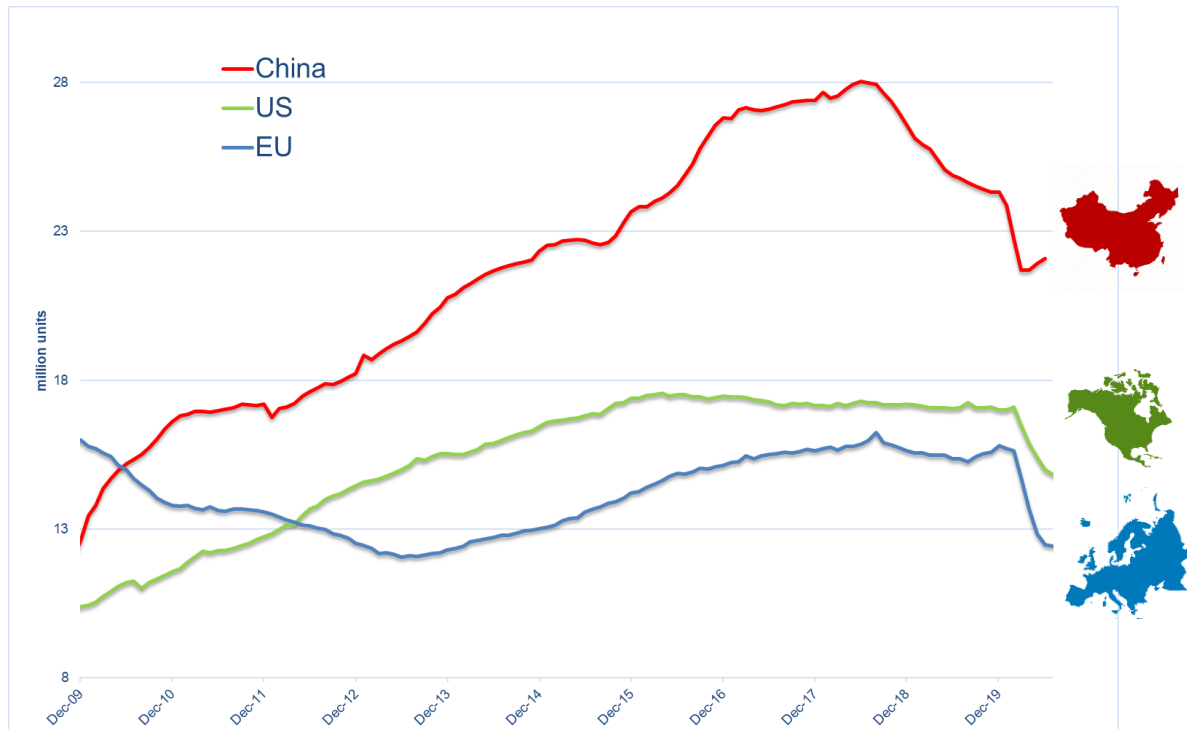
% of ~\$3 billion total debt



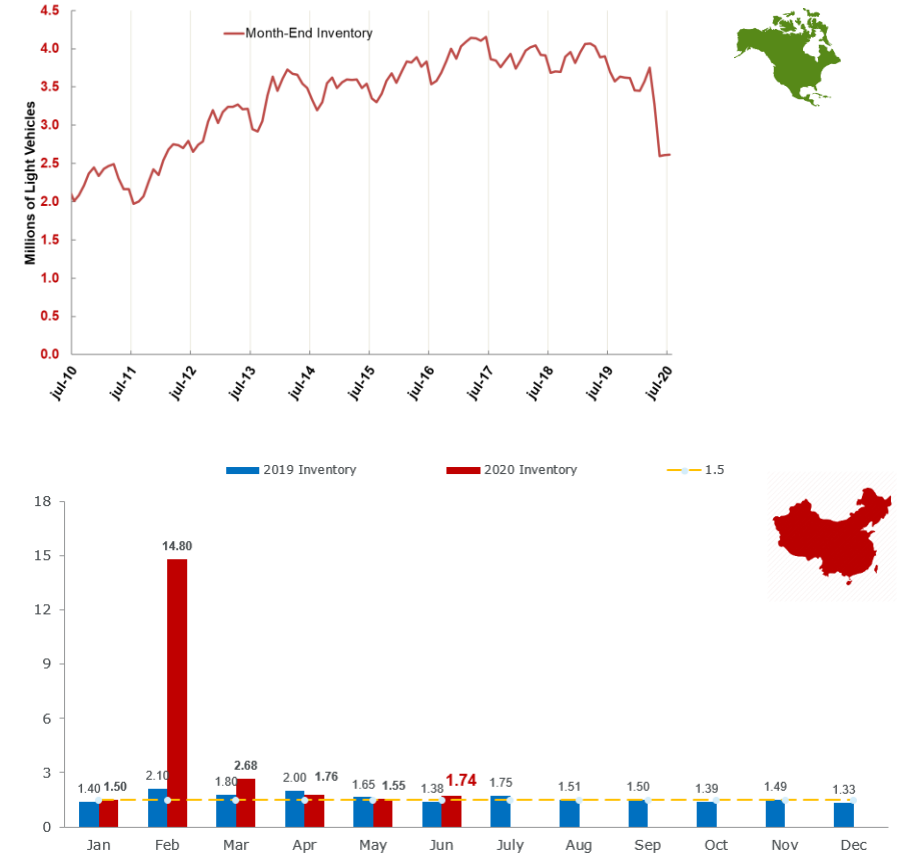
(\* None of the credit facilities are subject to financial covenants)

# Market Development

## Light Vehicle Sales LTM



## U.S. and China LV Inventory



# IHS: Light Vehicle Production\*

Region	Q3'20		Q4'20	
	Million Units	Y-o-Y Chg.	Million Units	Y-o-Y Chg.
China	5.5	0%	6.2	-9%
Japan	1.9	-15%	2.0	-9%
North America	3.6	-1%	3.4	-6%
Europe	4.2	-10%	4.8	-7%
<b>Global</b>	<b>18.6</b>	<b>-9%</b>	<b>19.9</b>	<b>-10%</b>
<b>Run rate</b>	<b>~74</b>		<b>~80</b>	

(\* Light Vehicle Production (LVP) according to IHS @ August, 2020 Year over Year (Y-o-Y)



# 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

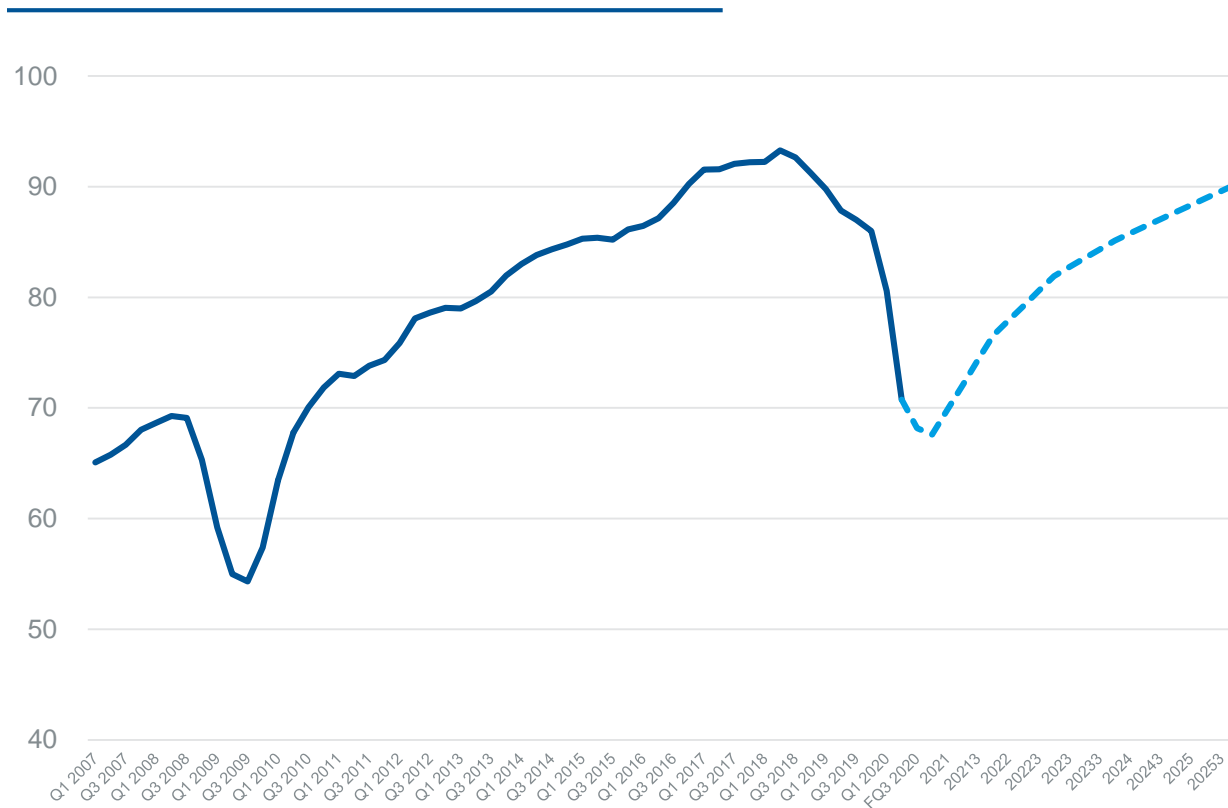
**... while ramping up production**



# Long Term Light Vehicle Production

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

Global light vehicle production LTM\* according to IHS  
(Million units)



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



# 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



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taking Autoliv to  
the next level



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30,000 lives

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