

Autoliv

Nothing passive about the growth outlook

Reiterate Rating: BUY | PO: 128.00 USD | Price: 106.56 USD

Strong exit from '23 beating on EBIT and free cash-flow

Autoliv ended '23 on a strong note, beating on EBIT, FCF and EPS. Q4 revenue of \$2.75bn (+18%y/y) was broadly in-line (BofAe & company cons: \$2.74bn). Organic growth of +16%y/y (BofAe: 14.5%; cons 13.9%) was supported by model launches of EV newcomers such as Zeekr, Lynk & Co, Xpeng and Polestar, highlighting its alignment to market share winners. Adj. EBIT of \$334m (BofAe: \$329m, cons: \$327m) beat by c2%, resulting in a margin of 12.1% (BofAe: 12%, cons: 11.9%). Cost inflation from warranty, R&D and SG&A of c\$47m was neutralised by out-of-period compensation of \$37m and raw material tailwinds of c\$14m. FCF of \$297m was well ahead of expectations (BofAe: \$240m; VA cons: \$169m) albeit led by a working capital unwind of \$243m. Adj. EPS of \$3.74/sh was +6% above VA cons (\$3.54) helped by a reduction in tax rate to 20%. Autoliv is on our "What's big in SMID" list of top ideas.

'24 outlook and beyond supported by robust orders

Guidance implies EBIT growth of 26% y/y, slightly below our/consensus forecast (+30%/29%). However, lower net debt (interest cost) and a lower tax rate more than offset at an EPS level. KPI's for '24 are: 1) Top-line: 5% organic growth vs an LVP assumption of c-1% (S&P: -0.5%), implying 6ppts of outperformance (BofAe & consensus c5ppts); 2) Adj. EBIT margin: 'around 10.5%' is a touch light but enough to support consensus at 10.6% (BofAe: 10.9%); and 3) Operating cash flow: for \$1.2bn is above our forecast (\$1.0bn) and in-line with VA cons: (\$1.2bn), but does not include a further working capital unwind. Accordingly, full execution of the remaining c\$1.0bn share buy-back plan is possible and management struck a positive tone in this regard. Beyond 2024, the path to a 12% margin target is supported by \$100m in incremental cost savings and a record-high orderbook which supports continued outperformance of 4 to 6 ppts pa.

Quality comes at a premium. Reiterate Buy. PO: \$128/sh

At 1YR EV/Sales, EV/EBIT & P/E of 0.93x, 8.3x & 10.9x, Autoliv trades at a c5% discount to its 10YR hist. average. Positive catalysts include sequential margin improvements and acceleration in share buy-backs. Retain Buy, PO raised to \$128/sh (prev: \$126). Key takeaways from the earnings call and minor changes to our forecasts on pages 3-5.

Estimates (Dec) (USD)	2022A	2023A	2024E	2025E	2026E
EPS (Adjusted Diluted)	4.87	7.88	9.68	11.3	12.3
EPS Change (YoY)	-1.6%	61.9%	22.9%	16.3%	9.4%
Dividend / Share	2.60	2.66	2.72	2.86	3.00
EPS (Adjusted Diluted - ALIV - SEK)	49.2	83.6	101	118	129
Dividend / Share (ALIV - SEK)	26.3	28.2	28.4	29.8	31.3
Valuation (Dec)					
P/E	21.9x	13.5x	11.0x	9.46x	8.65x
Dividend Yield	2.44%	2.50%	2.55%	2.68%	2.81%
EV / EBITDA*	10.8x	8.52x	7.02x	6.47x	6.04x
Free Cash Flow Yield*	2.45%	5.37%	7.26%	7.21%	9.70%

* For full definitions of *IQmethod*SM measures, see page 7.

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Refer to important disclosures on page 8 to 11. Analyst Certification on page 6. Price Objective Basis/Risk on page 6.

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Timestamp: 29 January 2024 12:31AM EST

29 January 2024

Equity

Key Changes

(US\$)	Previous	Current
Price Obj.	126.00	128.00
2024E EPS	9.48	9.68
2025E EPS	10.70	11.26
2026E EPS	11.78	12.32

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Stock Data

Price (Common / GDR)	106.56 USD / 1,124 SEK
Price Objective	128.00 USD / 1,330 SEK
Date Established	29-Jan-2024 / 29-Jan-2024
Investment Opinion	B-1-7 / B-1-7
52-Week Range	79.66 USD-111.30 USD
Market Value (mn)	8,806 USD
Shares Outstanding (mn)	82.6 / 82.6
Average Daily Value (mn)	56.69 USD
Free Float	88.5%
BofA Ticker / Exchange	ALV / NYS
BofA Ticker / Exchange	ALIV / STO
Bloomberg / Reuters	ALV US / ALV.N
ROE (2024E)	33.1%
Net Dbt to Eqty (Dec-2023A)	50.1%
ESGMeter™	High

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to "[BofA ESGMeter Methodology](#)".

iQprofileSM Autoliv

Key Income Statement Data (Dec)	2022A	2023A	2024E	2025E	2026E
(US\$ Millions)					
Sales	8,841	10,475	11,185	11,469	12,002
EBITDA Adjusted	1,022	1,300	1,577	1,711	1,833
Depreciation & Amortization	(363)	(380)	(388)	(398)	(416)
EBIT Adjusted	659	920	1,189	1,313	1,417
Net Interest & Other Income	(55.5)	(78.0)	(104)	(82.3)	(70.9)
Tax Expense / Benefit	(178)	(123)	(274)	(335)	(367)
Net Income (Adjusted)	425	671	779	884	967
Average Fully Diluted Shares Outstanding	87.3	85.2	80.5	78.5	78.5
Key Cash Flow Statement Data					
Net Income (Reported)	425	488	704	859	941
Depreciation & Amortization	363	380	388	398	416
Change in Working Capital	58.0	235	36.2	(68.8)	1.41
Deferred Taxation Charge	0	0	0	0	0
Other CFO	(132)	(39.6)	64.0	(36.7)	0
Cash Flow from Operations	714	1,063	1,192	1,152	1,359
Capital Expenditure	(586)	(573)	(593)	(596)	(612)
(Acquisition) / Disposal of Investments	0	0	0	0	0
Other CFI	101	4.00	0	0	0
Cash Flow from Investing	(485)	(569)	(593)	(596)	(612)
Share Issue / (Repurchase)	(115)	(353)	(958)	0	0
Cost of Dividends Paid	(226)	(224)	(211)	(204)	(214)
Increase (decrease) debt	(243)	97.0	600	0	0
Other CFF	(17.2)	(29.7)	0	0	0
Cash Flow from Financing	(601)	(510)	(568)	(204)	(214)
Total Cash Flow (CFO + CFI + CFF)	(372)	(15.8)	30.4	351	533
FX and other changes to cash	(2.99)	0.09	0.09	0.09	0.10
Change in Cash	(375)	(15.7)	30.5	351	533
Change in Net Debt	132	113	569	(351)	(533)
Net Debt (Reported)	1,171	1,284	1,853	1,502	969
Net Debt (Adjusted)	1,183	1,287	1,856	1,505	972

Key Balance Sheet Data					
Property, Plant & Equipment	1,960	2,192	2,399	2,600	2,798
Goodwill	1,387	1,387	1,387	1,387	1,387
Other Intangibles	7.00	7.00	7.00	7.00	7.00
Other Non-Current Assets	662	678	678	678	678
Trade Receivables	1,907	2,198	2,300	2,041	2,168
Cash & Equivalents	594	578	609	960	1,493
Other Current Assets	1,053	1,278	1,293	1,172	1,144
Total Assets	7,570	8,318	8,673	8,845	9,675
Long-Term Debt	1,054	1,324	1,924	1,924	1,924
Other Non-Current Liabilities	394	394	394	394	394
Short-Term Debt	711	538	538	538	538
Other Current Liabilities	2,930	3,497	3,651	3,202	3,302
Total Liabilities	5,089	5,753	6,507	6,058	6,158
Total Equity	2,481	2,565	2,166	2,787	3,517
Total Equity & Liabilities	7,570	8,318	8,673	8,845	9,675

Business Performance*					
Return On Capital Employed	9.67%	15.8%	17.6%	17.9%	17.2%
Return On Equity	16.7%	26.8%	33.1%	35.9%	30.8%
Operating Margin	7.47%	6.59%	9.69%	11.1%	11.5%
Free Cash Flow (MM)	227	486	599	555	746

Quality of Earnings*					
Cash Realization Ratio	1.68x	1.58x	1.53x	1.30x	1.40x
Asset Replacement Ratio	1.62x	1.52x	1.54x	1.51x	1.48x
Tax Rate	29.4%	20.1%	28.0%	28.0%	28.0%
Net Debt/Equity	47.2%	50.1%	85.6%	53.9%	27.6%
Interest Cover	11.0x	9.89x	9.66x	13.3x	15.1x

* For full definitions of iQmethodSM measures, see page 7.

Company Sector

Auto Parts

Company Description

Incorporated in Delaware, US, and headquartered in Stockholm, Sweden, Autoliv, Inc is the leading global supplier of airbags and seatbelts with a >40% market share in Passive Safety. In 2022, unit sales by product included Airbags (51%), Seatbelts (43%), and Steering wheels (6%). Regional revenues are split as follows: Europe (27%), Americas (34%), China (21%), Japan (8%) and Rest of Asia (11%).

Investment Rationale

Following the difficulties of its key competitor, Autoliv continues to win market share in passive safety. Tight cost control and stringent capital allocation have positioned it to expand margin and FCF as LV production recovers to more normalised levels. Strong capital allocation and a focus on shareholder returns continue to drive a predictable and rising dividend stream. The completion of \$1.5bn in share buy-backs through to 2024 should further underpin share performance.

Stock Data

Shares / GDR	1.00
Price to Book Value	3.6x

Key Changes

(SEK)	Previous	Current
Price Obj.	1,320.00	1,330.00
2024E EPS	99.05	101.17
2025E EPS	111.76	117.66
2026E EPS	123.06	128.69

Key takeaways from the Q4 results and earnings call

Key positives were: 1) Passive safety market share is at 45% (from 43%); 2) a strong and well-aligned orderbook: record intake, with c45% for “future EVs”, 25% from new OEMs and c50% of China intake from ‘fast-growing’ OEMs; 3) More success in securing pass-throughs of wage inflation vs peers. Negatives for '24 were: 1) A repeat of heightened margin seasonality, with Q1 expected at c7% (BofAe: 7.2%; VA cons: 7.8%); 2) Higher costs: wage inflation to be similar to '23 and raw mat tailwinds limited; 3) Reliance on OEM compensation. Overall, the company sees limited improvements in call-off volatility (c90% vs pre-pandemic 97-98%), factoring in some conservatism on supply-chain. While Autoliv has not experienced any direct impacts from the Red Sea situation, it has observed that extended transit times, increased freight tariffs and surcharges, has led to some customers lowering their near-term production plans.

Exhibit 1: Autoliv detailed financial forecasts vs consensus – based on our pre Q4 forecasts (\$m)

Q4 23 adj EBIT margin of 12.1% was slightly ahead of expectations (BofAe: 12%, VA cons: 12.1%). Free cash flow of \$297m was also ahead (VA cons: \$169m).

Key metrics	FY22	4Q'23A	4Q'23E	VA cons	FY23E	VA cons	BofA vs VA Cons	FY24E	VA cons	BofA vs VA Cons	FY25E	VA cons
Revenue	8,841	2,751	2,741	2,727	10,465	10,451	0.1%	11,039	11,016	0.2%	11,425	11,639
% growth y/y	7.4%	18.0%	17.4%	16.8%	18.4%	18.2%		5.5%	5.4%		3.5%	5.7%
EBITDA	1,022	333	423	446	1,158	1,172	-1.2%	1,379	1,575	-12.4%	1,650	1,792
% margin	11.6%	12.1%	15.4%	16.3%	11.1%	11.2%		12.5%	14.3%		14.4%	15.4%
EBIT Adj.	598	334	329	329	916	915	0.1%	1,199	1,188	0.9%	1,290	1,349
% margin	6.8%	12.1%	12.0%	12.1%	8.8%	8.8%		10.9%	10.8%		11.3%	11.6%
Reported EBIT	660	237	327	330	782	783	-0.1%	998	1,146	-12.9%	1,256	1,334
% margin	7.5%	8.6%	11.9%	12.1%	7.5%	7.5%		9.0%	10.4%		11.0%	11.5%
Profit before tax	605	219	324	314	719	708		909	1,065		1,170	1,253
Net income	425	227	227	278	490	541	-9.3%	625	762	-18.0%	817	901
Basic EPS, in EUR	4.89	2.71	2.74	3.28	5.84	6.36	-8.1%	8.17	9.37	-12.8%	11.45	11.42
Adj EPS, in EUR	4.87	3.74	2.73	3.54	6.82	7.61	-10.4%	9.48	9.77	-2.9%	10.70	11.46
DPS, in EUR	2.60	0.68	0.68	0.62	2.66	2.59	2.5%	2.72	2.98	-8.6%	2.75	3.48
Operating cash flow (KPI)	714	447	426	362	961	906	6.1%	1,023	1,176	-13.0%	1,111	1,294
Free cash flow	229	297	240	169	355	289	23.0%	559	557	0.4%	578	646
Net debt/(cash)	1,183	1,367	1,425	1,315	1,425	1,317	8.2%	2,175	1,217	78.7%	1,853	1,011
Segments												
Airbags, Steering Wheels/Other												
Revenue	5,808	1,864	1,859	1,794	7,050	6,946	1.5%	7,437	7,405	0.4%	7,697	7,436
organic growth %	14.0%	16.0%	14.7%	12.9%	21.1%	18.8%		5.1%	5.9%	-0.7%	3.5%	5.4%
reported growth %	8.0%	18.0%	17.6%	14.3%	21.4%	19.6%	1.8%	5.5%	6.0%		3.5%	5.2%
Seatbelt Products												
Revenue	3,036	887	882	919	3,415	3,449	-1.0%	3,602	3,647	-1.2%	3,728	3,616
organic growth %	12.6%	15.0%	14.0%	11.4%	12.2%	12.8%		5.1%	5.5%	-0.4%	3.5%	4.6%
reported growth %	6.5%	18.0%	16.9%	17.8%	12.5%	13.6%	-1.5%	5.5%	5.7%		3.5%	3.7%
Revenue by region												
Asia	3,521	1,135	1,173	1,142	4,110	4,066	1.1%	4,202	4,268	-1.5%	4,271	4,496
% growth y/y	3.3%	16.0%	20.0%	16.9%	16.7%	15.5%		2.3%	5.0%		1.6%	5.3%
of which China	1,883	617	634	631	2,122	2,116	0.3%	2,234	2,216	0.8%	2,243	2,362
% growth y/y	6.6%	15.0%	18.3%	17.7%	12.7%	12.4%		5.3%	4.7%		0.4%	6.6%
of which Japan	686	220	212	225	854	838	1.9%	873	887	-1.5%	837	889
% growth y/y	-6.4%	15.2%	10.8%	17.6%	24.6%	22.2%		2.2%	5.8%		-4.1%	0.3%
of which Rest of Asia	952	299	327	367	1,133	1,335	-15.1%	1,095	1,421	-22.9%	1,190	1,498
% growth y/y	4.8%	19.6%	30.8%	46.9%	19.0%	40.2%		-3.4%	6.4%		8.7%	5.4%
Americas	2,966	861	781	843	3,446	3,434	0.3%	3,860	3,679	4.9%	4,151	3,916
% growth y/y	17.0%	16.0%	5.2%	13.6%	16.2%	15.8%		12.0%	7.1%		7.5%	6.4%
Europe	2,354	755	788	738	2,910	2,896	0.5%	2,977	3,023	-1.5%	3,003	3,144
% growth y/y	2.8%	23.0%	27.9%	19.8%	23.6%	23.0%		2.3%	4.4%		0.9%	4.0%
Revenue drivers												
LVP growth: ALIV regions	5.8%	9.1%	7.8%		9.1%			-0.1%			0.0%	
Outperformance	7.8%	7.0%	6.7%		9.4%			5.2%			3.5%	
Organic growth (KPI)	13.6%	16.0%	14.5%	13.9%	18.5%	17.3%	1.3%	5.1%	4.9%	0.2%	3.5%	5.4%
Currency	-6.1%	2.2%	2.9%	2.4%	0.3%	0.4%		0.3%	0.2%		0.0%	0.2%
Scope	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		0.0%	0.0%		0.0%	0.0%
Total revenue growth	7.5%	18.0%	17.4%	16.6%	18.8%	17.9%	1.0%	5.5%	5.4%	0.1%	3.5%	5.7%

Source: BofA Global Research estimates, Visible Alpha, Company report

BofA GLOBAL RESEARCH



We raise estimates and price objective by 2%

While we slightly trim our 2024 adj. EBIT outlook by -0.8% and margin expectation to 10.6%, our EPS forecast is 2.1% higher driven by a sustainably lower tax rate. We also raise our operating and FCF outlook by 16.5/8.0% respectively, providing more comfort that Autoliv and fully execute on its remaining \$1.0bn buy back programme. For 2025E, further visibility on cost reductions (\$100m vs \$85m) contributes to a higher adj. EBIT outlook of 1.8%. In combination this also leads us to raise our price objective by 1% to \$128/sh from \$126 (ADR: SEK 1,330 from 1,320). Valuation methodology is unchanged.

Exhibit 2: Change in estimates (EURm)

While we trim our 2024 adj. EBIT outlook by 0.8%, we raise EPS by 2.1%. Better visibility on cost reductions in 2025 sees us raise our adj. EBIT outlook by 1.8% while a lower tax rate increases our EPS by 5.3%

Key metrics	FY2023A			FY2024E			FY2025E		
	Actual	Forecast	% change	New	Prev	% change	New	Prev	% change
Revenue	10,475	10,465	0.1%	11,185	11,039	1.3%	11,469	11,425	0.4%
% growth y/y	18.5%	18.4%		6.8%	5.5%		2.5%	3.5%	-27.3%
EBITDA	1,068	1,158	-7.8%	1,470	1,379	6.6%	1,674	1,650	1.5%
% margin	10.2%	11.1%		13.1%	12.5%		14.6%	14.4%	
EBIT Adj.	920	916	0.4%	1,189	1,199	-0.8%	1,313	1,290	1.8%
% margin	8.8%	8.8%		10.6%	10.9%		11.4%	11.3%	
Reported EBIT	690	782	-11.7%	1,084	998	8.6%	1,279	1,256	1.8%
% margin	6.6%	7.5%		9.7%	9.0%		11.1%	11.0%	
Profit before tax	612	719	-14.8%	980	909	7.8%	1,196	1,170	
Net income	488	490	-0.4%	704	625	12.6%	859	817	5.2%
Basic EPS, in EUR	5.74	5.84	-1.7%	9.09	8.17	11.3%	11.90	11.45	3.9%
Adj EPS, in EUR	7.88	6.82	15.6%	9.68	9.48	2.1%	11.26	10.70	5.3%
DPS, in EUR	2.66	2.66	0.0%	2.72	2.72	0.0%	2.86	2.75	3.9%
Operating cash flow (KPI)	1,063	961	10.6%	1,192	1,023	16.5%	1,152	1,111	3.7%
Free cash flow	494	355	39.1%	599	559	7.0%	592	578	2.5%
Net debt/(cash)	1,287	1,425	-9.7%	1,856	2,175	-14.6%	1,505	1,853	-18.8%
Segments									
Airbags, Steering Wheels/Other									
Revenue	7,055	7,050	0.1%	7,533	7,437	1.3%	7,724	7,697	0.4%
organic growth %	21.2%	21.1%		6.4%	5.1%		2.5%	3.5%	-1.0%
reported growth %	21.5%	21.4%		6.8%	5.5%		2.5%	3.5%	
Seatbelt Products									
Revenue	3,420	3,415	0.2%	3,652	3,602	1.4%	3,744	3,728	0.4%
organic growth %	12.4%	12.2%		6.4%	5.1%		2.5%	3.5%	-1.0%
reported growth %	12.6%	12.5%		6.8%	5.5%		2.5%	3.5%	
Revenue by region									
Asia	4,072	4,110	-0.9%	4,326	4,202	2.9%	4,283	4,271	0.3%
% growth y/y	15.6%	16.7%		6.2%	2.3%		-1.0%	1.6%	
of which China	2,105	2,122	-0.8%	2,255	2,234	0.9%	2,243	2,243	0.0%
% growth y/y	11.8%	12.7%		7.1%	5.3%		-0.5%	0.4%	
of which Japan	863	854	1.0%	896	873	2.6%	824	837	-1.5%
% growth y/y	25.8%	24.6%		3.8%	2.2%		-8.0%	-4.1%	
of which Rest of Asia	1,104	1,133	-2.6%	1,175	1,095	7.3%	1,215	1,190	2.1%
% growth y/y	16.0%	19.0%		6.4%	-3.4%		3.4%	8.7%	
Americas	3,526	3,446	2.3%	3,914	3,860	1.4%	4,200	4,151	1.2%
% growth y/y	18.9%	16.2%		11.0%	12.0%		7.3%	7.5%	
Europe	2,877	2,910	-1.1%	2,945	2,977	-1.1%	2,986	3,003	-0.6%
% growth y/y	22.2%	23.6%		2.4%	2.3%		1.4%	0.9%	
Revenue drivers									
LVP growth: ALIV regions	10.4%	9.1%	1.3%	1.4%	-0.1%	1.5%	-1.5%	0.0%	-1.5%
Outperformance	8.3%	9.4%	-1.1%	5.1%	5.2%	-0.2%	4.0%	3.5%	0.5%
Organic growth (KPI)	18.8%	18.5%	0.2%	6.4%	5.1%	1.3%	2.5%	3.5%	-1.0%
Currency	0.3%	0.3%	0.0%	0.3%	0.3%	0.0%	0.0%	0.0%	0.0%
Scope	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total revenue growth	19.1%	18.8%	0.2%	6.8%	5.5%	1.3%	2.5%	3.5%	-1.0%

Source: BofA Global Research estimates, company report

BofA GLOBAL RESEARCH

Exhibit 3: Updated BofA estimates post 4Q'23 vs Visible Alpha consensus (EURm)

We are in-line with consensus for FY24E on adj. EBIT but 7.4% ahead on FCF

Key metrics	FY22	FY23	FY24E	VA cons	BofA vs VA Cons	FY25E	VA cons	BofA vs VA Cons
Revenue	8,841	10,475	11,185	11,016	1.5%	11,469	11,639	-1.5%
% growth y/y	7.4%	18.5%	6.8%	5.4%		2.5%	5.7%	-55.1%
EBITDA	1,022	1,068	1,470	1,575	-6.7%	1,674	1,792	-6.6%
% margin	11.6%	10.2%	13.1%	14.3%		14.6%	15.4%	
EBIT Adj.	598	920	1,189	1,188	0.1%	1,313	1,349	-2.7%
% margin	6.8%	8.8%	10.6%	10.8%		11.4%	11.6%	
Reported EBIT	660	690	1,084	1,146	-5.4%	1,279	1,334	-4.2%
% margin	7.5%	6.6%	9.7%	10.4%		11.1%	11.5%	
Profit before tax	605	612	980	1,065		1,196	1,253	
Net income	425	488	704	762	-7.7%	859	901	-4.6%
Basic EPS, in EUR	4.89	5.74	9.09	9.37	-3.0%	11.90	11.42	4.2%
Adj EPS, in EUR	4.87	7.88	9.68	9.77	-0.9%	11.26	11.46	-1.7%
DPS, in EUR	2.60	2.66	2.72	2.98	-8.6%	2.86	3.48	-17.9%
Operating cash flow (KPI)	714	1,063	1,192	1,176	1.4%	1,152	1,294	-11.0%
Free cash flow	229	494	599	557	7.4%	592	646	-8.4%
Net debt/(cash)	1,183	1,287	1,856	1,217	52.5%	1,505	1,011	48.9%
Segments								
Airbags, Steering Wheels/Other								
Revenue	5,808	7,055	7,533	7,405	1.7%	7,724	7,436	3.9%
organic growth %	14.0%	21.2%	6.4%	5.9%	0.6%	2.5%	5.4%	-2.9%
reported growth %	8.0%	21.5%	6.8%	6.0%		2.5%	5.2%	
Seatbelt Products								
Revenue	3,036	3,420	3,652	3,647	0.1%	3,744	3,616	3.5%
organic growth %	12.6%	12.4%	6.4%	5.5%	0.9%	2.5%	4.6%	-2.1%
reported growth %	6.5%	12.6%	6.8%	5.7%		2.5%	3.7%	
Revenue by region								
Asia	3,521	4,072	4,326	4,268	1.4%	4,283	4,496	-4.7%
% growth y/y	3.3%	15.6%	6.2%	5.0%		-1.0%	5.3%	
of which China	1,883	2,105	2,255	2,216	1.8%	2,243	2,362	-5.0%
% growth y/y	6.6%	11.8%	7.1%	4.7%		-0.5%	6.6%	
of which Japan	686	863	896	887	1.0%	824	889	-7.3%
% growth y/y	-6.4%	25.8%	3.8%	5.8%		-8.0%	0.3%	
of which Rest of Asia	952	1,104	1,175	1,421	-17.3%	1,215	1,498	-18.9%
% growth y/y	4.8%	16.0%	6.4%	6.4%		3.4%	5.4%	
Americas	2,966	3,526	3,914	3,679	6.4%	4,200	3,916	7.3%
% growth y/y	17.0%	18.9%	11.0%	7.1%		7.3%	6.4%	
Europe	2,354	2,877	2,945	3,023	-2.6%	2,986	3,144	-5.0%
% growth y/y	2.8%	22.2%	2.4%	4.4%		1.4%	4.0%	
Revenue drivers								
LVP growth: ALIV regions	5.8%	10.4%	1.4%			-1.5%		
Outperformance	7.8%	8.3%	5.1%			4.0%		
Organic growth (KPI)	13.6%	18.8%	6.4%	4.9%	1.5%	2.5%	5.4%	-2.9%
Currency	-6.1%	0.3%	0.3%	0.2%		0.0%	0.2%	
Scope	0.0%	0.0%	0.0%	0.0%		0.0%	0.0%	
Total revenue growth	7.5%	19.1%	6.8%	5.4%	1.4%	2.5%	5.7%	-3.1%

Source: BofA Global Research estimates, Visible Alpha

BofA GLOBAL RESEARCH

Jargon Buster:

FCF: Free Cash Flow

EPS: Earnings Per Share

EV: Electric Vehicles

R&D: Research and Development

SG&A: Selling, General and Administration

VA: Visible Alpha

KPI: Key Performance Indicators

LVP: Light Vehicle Production

OEM: Original Equipment Manufacturer

Price objective basis & risk

Autoliv (ALV / ALIV)

Our \$128 (SEK1,330) price objective is derived using a combination of peer relative multiple and DCF valuation methods (weighted 75%/25%). In our peer relative approach we apply EV/Sales, EV/EBIT and P/E multiples of 0.8x, 10.9x and 14.1x to our 2YR forward forecasts, representing a premium of 35% to global peers. We believe this premium is justified given its superior return profile and performance metrics. Our DCF valuation applies a WACC of 9.8% and a long-term growth rate of 2.4%.

Upside risks are stronger than expected light vehicle (LV) production, market share gains, falling raw material costs, industry consolidation and increasingly stringent safety regulations.

Downside risks are a decline in LV production, pricing pressure from customers, increased R&D costs, safety recalls, warranty claims and exchange rate volatility.

Analyst Certification

I, Michael Jacks, CFA, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

EMEA - Autos & Auto Components Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	ALD	ALLDF	ALD FP	Horst Schneider
	Autoliv	ALIV	ALIV SS	Michael Jacks, CFA
	Autoliv	ALV	ALV US	Michael Jacks, CFA
	Continental AG	CTTAY	CTTAY US	Horst Schneider
	Continental AG	CTTAF	CON GY	Horst Schneider
	Dowlais Group	DWLAF	DWL LN	Michael Jacks, CFA
	Forvia	FURCF	FRVIA FP	Michael Jacks, CFA
	Pirelli	PLLIF	PIRC IM	Michael Jacks, CFA
	Stellantis NV	STLA	STLA US	Michael Jacks, CFA
	Stellantis NV	XVWGF	STLAM IM	Michael Jacks, CFA
	Traton SE	TRATF	8TRA GY	Michael Jacks, CFA
	Traton SE	XTREF	8TRA SS	Michael Jacks, CFA
	Volkswagen AG	VLKAF	VOW GY	Horst Schneider
	Volkswagen AG	VLKPF	VOW3 GY	Horst Schneider
	Volkswagen AG	VWAGY	VWAGY US	Horst Schneider
	Volkswagen AG	VWAPY	VWAPY US	Horst Schneider
NEUTRAL				
	Aston Martin Lagonda	AMGDF	AML LN	Horst Schneider
	Mercedes-Benz Group AG	MBGAF	MBGAF US	Horst Schneider
	Mercedes-Benz Group AG	XQEJF	MBG GY	Horst Schneider
	Porsche	POAHY	POAHY US	Horst Schneider
	Porsche AG	DRPRF	P911 GY	Horst Schneider
	Porsche AG	DRPRY	DRPRY US	Horst Schneider
	Porsche Automobil Holding SE	POAHF	PAH3 GY	Horst Schneider
	Renault	RNSDF	RNO FP	Horst Schneider
	Valeo	VLEEF	FR FP	Michael Jacks, CFA
	Valeo	VLEFY	VLEFY US	Michael Jacks, CFA
UNDERPERFORM				
	BMW	BAMXF	BMW GY	Horst Schneider
	BMW	BMWYY	BMWYY US	Horst Schneider
	Michelin	MGDDF	ML FP	Michael Jacks, CFA
	Michelin	MGDDY	MGDDY US	Michael Jacks, CFA
	Nokian Tyres	NKRKF	TYRES FH	Michael Jacks, CFA
	Schaeffler AG Pfd	SCFLF	SHA GY	Horst Schneider

EMEA - Autos & Auto Components Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
RSTR	Vitesco Technologies	VTSCF	VTSC GY	Michael Jacks, CFA
RVW	Norma Group	NOEJF	NOEJ GY	Michael Jacks, CFA

iQmethodSM Measures Definitions**Business Performance**

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

EV / EBITDA

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

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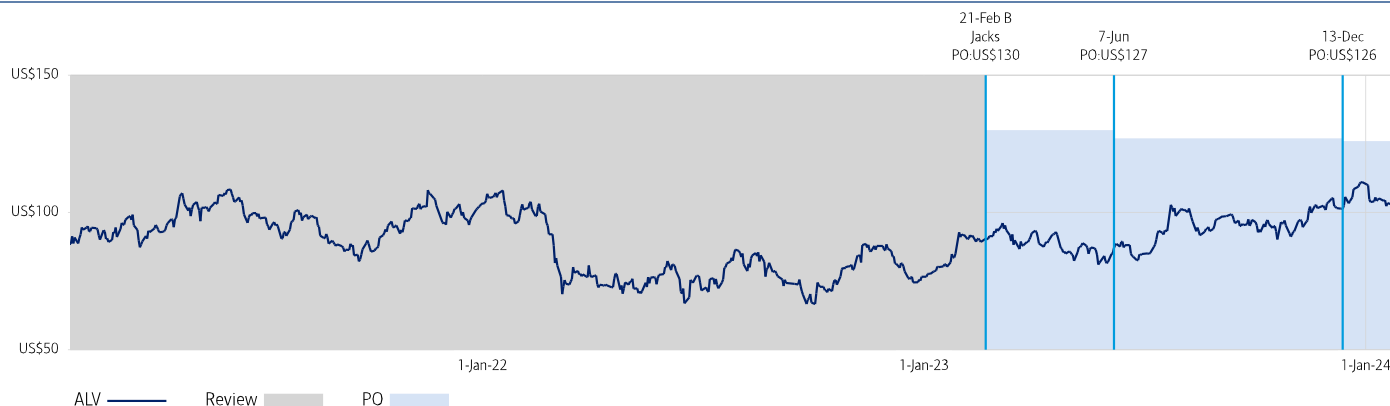
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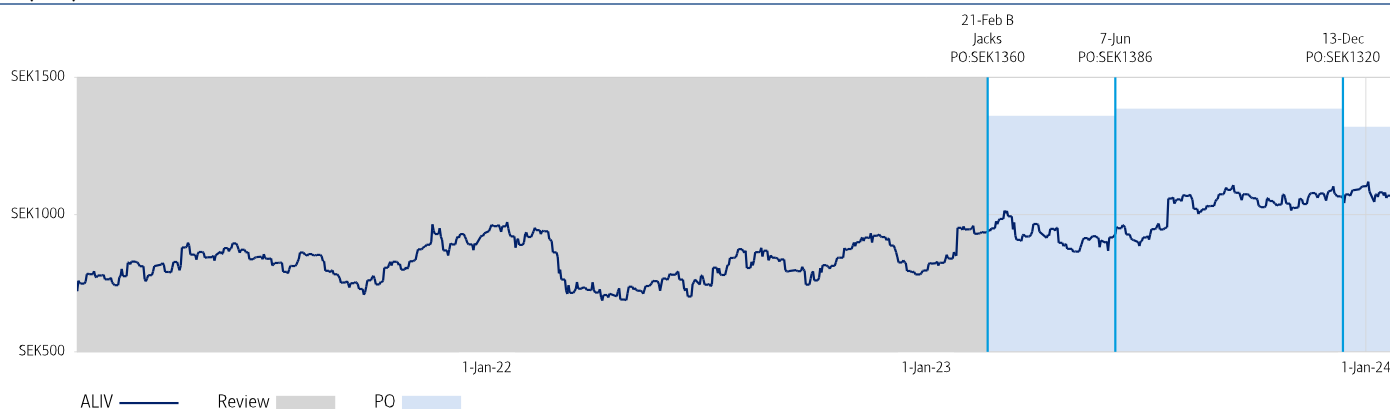
Autoliv (ALV) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Autoliv (ALIV) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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Equity Investment Rating Distribution: Autos Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	67	55.83%	Buy	39	58.21%
Hold	30	25.00%	Hold	15	50.00%
Sell	23	19.17%	Sell	12	52.17%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2}Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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