CREDIT OPINION
18 July 2024

Update

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RATINGS

Autoliv, Inc.

Domicile	Delaware, United States
Long Term Rating	Baa1
Type	LT Issuer Rating - Dom Curr
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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Autoliv, Inc.

Update to credit analysis

Summary

On 17 July 2024, we assigned a first-time Baa1 long-term issuer rating to Autoliv, Inc. (Autoliv) and affirmed its P-2 short-term commercial paper rating.

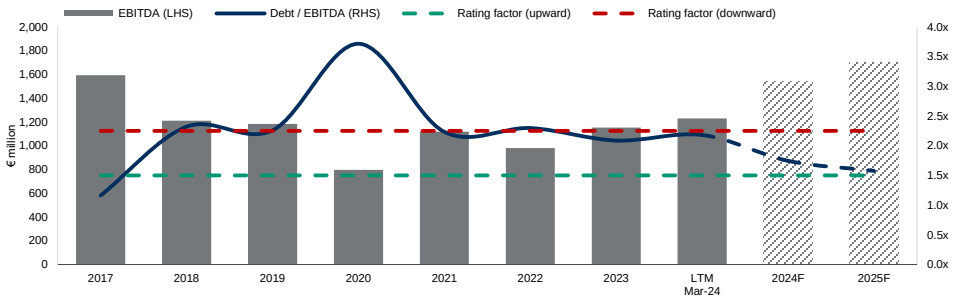
Credit strengths supporting the rating include Autoliv's leading position in the passive safety market, with a global market share of around 45% in 2023[1], giving it the size and scale of a tier one automotive supplier; above average profitability compared with other rated auto suppliers, exemplified by an expected Moody's adjusted EBITA margin of around 10% in 2024, reflecting the group's strong negotiation power versus its customers; low leverage, with a forecast Moody's-adjusted gross debt to EBITDA ratio of below 2.0x in 2024; mostly solid positive free cash flow (FCF); excellent liquidity; and commitment to a strong investment-grade rating.

Factors constraining the rating mirror Autoliv's exposure to the cyclical automotive industry; limited aftermarket activities, which could increase visibility into earnings; somewhat shareholder-friendly financial policies, with a history of high dividends and recently increased share buybacks; and a capital structure that includes a degree of subordination at the level of the holding company Autoliv, Inc. versus limited amounts of debt issued at major subsidiaries.

Exhibit 1

We expect Autoliv's leverage to reduce to a low level for the Baa1 rating category in 2024

Moody's-adjusted EBITDA (including restructuring) and gross debt to EBITDA



All figures and ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
Periods are financial year-end unless indicated. LTM = Last 12 months.
Moody's forecasts are Moody's opinion and do not represent the views of the issuer.
Sources: Moody's Financial Metrics™ and Moody's Ratings forecasts

Credit strengths

» Strong market position in passive safety

» Positive exposure to the increasingly stringent safety standards

» Good FCF and excellent liquidity

» Supportive financial policy

Credit challenges

» Exposure to the cyclicality in automotive production

» Timely pass-through of fluctuating input costs to customers

» History of relatively high dividend payments and share buybacks

» Some degree of structural subordination, reflecting debt issued at operating subsidiaries

Rating outlook

The stable outlook rests on our expectation that Autoliv will reach or maintain credit metrics at levels well in line the defined levels for a Baa1 rating, and preserve a conservative financial policy, demonstrated by measured shareholder distributions and adherence to its public leverage (0.5x-1.5x reported net debt to EBITDA) target.

Factors that could lead to an upgrade

» Moody's-adjusted EBITA margin sustainably above 10%

» Moody's-adjusted leverage declining towards 1.5x gross debt to EBITDA

» Moody's-adjusted retained cash flow (RCF) to net debt improving sustainably to at least 40%

» Financial policy that continued to conservatively balance shareholders' and creditors' interests

For an upgrade we would also expect Autoliv to further simplify its debt structure by increasingly issuing debt at the holding company level Autoliv, Inc., while reducing debt issued at operating subsidiaries, in order to further lower the existing degree of structural subordination.

Factors that could lead to a downgrade

» Moody's-adjusted EBITA margin falling sustainably below 8%

» Leverage sustainably exceeding 2.25x Moody's-adjusted gross debt to EBITDA

» Moody's-adjusted RCF to net debt falling consistently below 30%

» Weakening liquidity

» A more shareholder-friendly financial policy, as shown by excessive shareholder distributions, or a loosening of Autoliv's current 0.5x-1.5x reported net leverage target

Downgrade pressure on the rating could further build, if the level of structural subordination did not decline further over time with debt maturing at operating level, or, even increase because of the group raising additional debt at operating subsidiaries.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on https://ratings.moodys.com for the most updated credit rating action information and rating history.

Key indicators

Exhibit 2

Autoliv, Inc.

(in $ billions)	2019	2020	2021	2022	2023	LTM Mar-24	2024F	2025F
Revenue	8.5	7.4	8.2	8.8	10.5	10.6	10.9	11.4
EBITA Margin %	9.3%	5.3%	8.4%	6.5%	6.9%	7.6%	10.0%	10.8%
Debt / EBITDA	2.3x	3.7x	2.2x	2.3x	2.1x	2.2x	1.7x	1.6x
EBITA / Interest Expense	9.6x	4.6x	9.9x	7.6x	6.6x	6.8x	8.8x	10.0x
RCF / Net Debt	28.0%	31.4%	45.3%	28.6%	29.9%	30.8%	35.5%	36.8%
EBITDA Margin %	13.8%	10.7%	13.6%	11.1%	11.0%	11.6%	14.1%	14.9%
FCF / Debt	-1.2%	15.5%	5.5%	-4.4%	6.2%	12.0%	9.5%	5.0%

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Sources: Moody's Financial Metrics™ and Moody's Ratings forecasts

Profile

Headquartered in Stockholm, Sweden, and incorporated in Delaware, US, Autoliv, Inc. is the world's largest automotive suppliers of air bags, seat belts and steering wheels. The group's geographical footprint is well balanced with an even split among the Americas, Asia and Europe. For the 12 months that ended March 2024, Autoliv generated revenue of $10.6 billion and almost $1.4 billion company-adjusted EBITDA (12.9% margin).

Detailed credit considerations

Exposure to cyclical automotive production, mitigated by a track record of consistent market outperformance

Autoliv, like most global auto suppliers, relies heavily on the production rates of light vehicles. Following a steady growth during the last decade, global light vehicle sales (LVS) peaked at around 95 million in 2017 and 2018, before plummeting in 2020 due to the coronavirus pandemic. Volumes only moderately recovered thereafter until 2022, constrained by a global shortage of semiconductors, but strongly recovered by 9.9% in 2023 thanks to improving supply conditions. For 2024, we forecast global LVS to continued growing, although more muted by 1.6% after the strong finish in 2023, and by 2.1% in 2025, reaching around 93 million units (see "Outlook to stable on solid margins, slower but continuing sales recovery", published on 28 March 2024).

Exhibit 3

We expect global auto sales to expand modestly in 2024 and 2025 after the strong recovery in 2023

Global light vehicle sales projections by region

Light vehicle sales (thousand units)	2021	2022	2023	+/- %	2024E	+/- %	2025E	+/- %
Americas	**20,909**	**19,756**	**22,103**	**11.9%**	**22,712**	**2.8%**	**23,300**	**2.6%**
United States	14,902	13,727	15,552	13.3%	15,900	2.2%	16,250	2.2%
Canada	1,663	1,554	1,694	9.0%	1,725	1.8%	1,775	2.9%
Mexico	1,004	1,069	1,356	26.8%	1,387	2.3%	1,425	2.7%
EMEA	**20,114**	**18,406**	**20,923**	**13.7%**	**21,634**	**3.4%**	**22,405**	**3.6%**
Western Europe	12,404	11,630	13,279	14.2%	13,625	2.6%	14,030	3.0%
Germany	2,622	2,651	2,845	7.3%	2,900	1.9%	3,000	3.4%
France	1,659	1,529	1,775	16.1%	1,825	2.8%	1,850	1.4%
Italy	1,458	1,317	1,565	18.9%	1,600	2.2%	1,625	1.6%
Spain	859	813	949	16.7%	975	2.7%	1,000	2.6%
UK	1,647	1,614	1,903	17.9%	1,925	1.2%	1,975	2.6%
APAC	**38,003**	**39,397**	**41,716**	**5.9%**	**42,651**	**2.2%**	**43,892**	**2.9%**
China	26,275	26,864	30,094	12.0%	30,962	2.9%	31,630	2.2%
Japan	4,396	4,173	4,744	13.7%	4,600	-3.0%	5,000	8.7%
India	3,536	4,409	4,714	6.9%	4,927	4.5%	5,075	3.0%
Korea	1,726	1,684	1,713	1.7%	1,662	-3.0%	1,687	1.5%
Global	**79,986**	**78,792**	**86,570**	**9.9%**	**87,997**	**1.6%**	**89,847**	**2.1%**

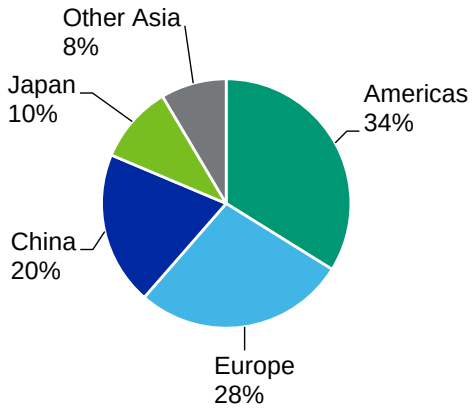
China unit sales represent auto sales, which include both passenger and commercial vehicles.
Sources: ACEA, CAAM, LMC and Moody's Ratings estimates

That said, Autoliv's exposure to the cyclicality in vehicle production, while it is lacking a more stable aftermarket business, is mitigated by its ability to typically outperform global LVP, primarily because of the automotive industry's trend of increasing safety standards.

In 2023, Autoliv's revenue increased by 18.5% year-over-year (yoy) thanks to a marked 9.4% recovery in global light vehicle production (LVP), inflation compensation payments from customers, increased safety content per vehicle and some market share gains. We expect Autoliv to continue to outperform the industry because of rising content per vehicle, also supported by increasing safety standards in developing regions, such as India, and new product launches. For 2024, the company targets to outperform global light vehicle production by around six percentage points (ppts), somewhat below last year's nine ppts, mainly owing to expected lower compensation payments from customers as input cost inflation is abating.

We further acknowledge Autoliv's well diversified geographical presence compared with other European automotive suppliers, illustrated by a high portion of its revenue coming from the Americas (around 34% as of LTM Q1 2024) and Asia (38%), leading to a more balanced and stable revenue development.

Exhibit 4
Autoliv's exposure to the Americas is among the highest across European automotive suppliers
Revenue split by geography (LTM Mar-24)



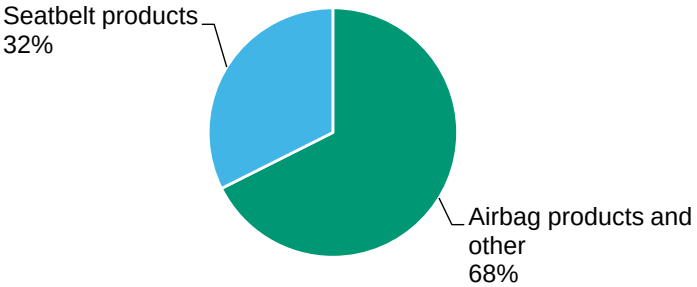
LTM = Last 12 months.
Source: Company

Strong market position in passive safety

With total revenue of around $10.5 billion in 2023, Autoliv ranks among the 40 largest tier one automotive suppliers globally. The company focuses on passive safety products (that reduce the effects of an accident), which include a variety of air bag products (driver, passenger, side air bags, among others), steering wheels and seat belt products (standard and pretensioner seat belts). For these products, Autoliv is the largest global company, with an overall market share of around 45% in 2023 (as estimated by the company), with particular strength in air bags, where it has a 47% market share, seat belts (around 45%) and steering wheels (around 40%), where the company has recently experienced the highest growth rate.

The company's main competitors are Joyson Safety Systems and ZF Friedrichshafen AG (Ba1 stable). Because of the products' critical role in safety, Autoliv's sales are driven by a combination of supportive regulations and the increasing focus of consumers on safety when purchasing a vehicle. OEMs have increased the number of air bags in their vehicles and installed more advanced seat belts over the last few years, a trend that is likely to continue and facilitate a further increase in the content per vehicle offered by Autoliv.

Exhibit 5
Revenue mix by product
Based on sales (LTM Mar-24)



LTM = Last 12 months.
Source: Company

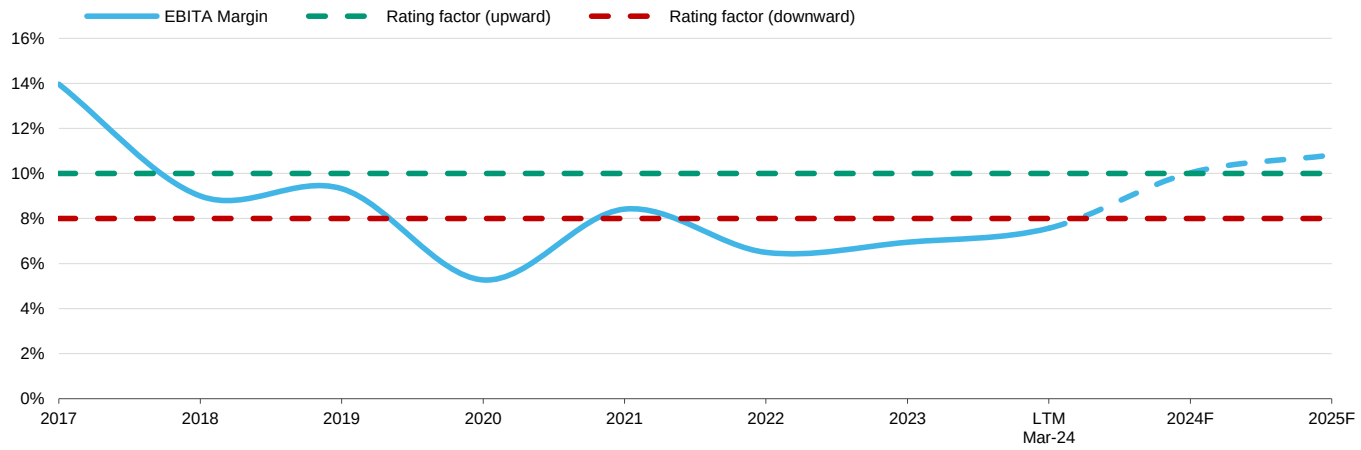
Solid and expected recovering profitability in 2024

Autoliv's strong market position is also illustrated by its relatively high profitability, expressed by a Moody's-adjusted EBITA margin mostly within our expected 8%-12% range for the P-2 rating category over the last 10 years. The margin decreased only significantly in the pandemic-hit year 2020 to 5.3% (6.6% excluding restructuring costs), before recovering to 8.4% in 2021. Following a surge in raw material costs and production inefficiencies caused by global supply challenges, the EBITA margin dropped to 6.5% in 2022 and remained burdened by significant one-off cost ($218 million) related to footprint consolidation and cost reduction measures last year. Accordingly, Autoliv's Moody's-adjusted EBITA margin only slightly widened to 6.9% in 2023, whereas its company-adjusted operating margin already clearly improved to 8.8% from 6.8% in 2022.

For 2024, management expects to further strengthen the company-adjusted operating margin to about 10.5%, supported by an improved cost base after the completion of the structural initiatives last year, execution of a profitable order backlog and compensation from customers for most of expected continued cost inflation, particularly as to labor costs. As a result, and particularly assuming much lower restructuring needs, we forecast Autoliv's Moody's-adjusted EBITA margin to materially strengthen to at least 10% in 2024. While reaching a level well in line with our defined range for a P-2 rating, we also recognize that Autoliv's profitability compares strongly with that of most other investment-grade rated parts suppliers.

Exhibit 6

Autoliv's profitability will strongly recover in 2024 on expected lower restructuring, better supply conditions and recent cost cutting
Moody's-adjusted EBITA margin



Based on financials from Autoliv Inc.
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Supportive financial policy

In general, Autoliv has a supportive financial policy, which targets a strong investment-grade credit rating. In addition, the group targets a leverage of 0.5x-1.5x net debt/EBITDA (as defined and reported by the company; net debt including pension liabilities), with a long-term target of 1.0x. This is relatively low compared with that of other investment-grade rated European parts suppliers. At the end of March 2024, Autoliv's defined net leverage was 1.3x. The measure slightly exceeded the targeted long-term range and the 1.2x ratio at year-end 2023, following a substantial (typical seasonal) working capital build-up and especially increased share repurchases of $160 million in Q1 2024, compared with $42 million in the prior year.

Autoliv has no specific dividend policy. Historically, the quarterly dividend payments resulted in a 2%-3% dividend yield for investors. In addition, the company continues to pursue share repurchases to create value for its shareholders. In November 2021, the group's board authorised share repurchases of up to $1.5 billion, or 17 million common shares (whichever is reached first), until year-end 2024. Since then, up to Q1 2024, the company repurchased 6.51 million shares at a total cost of $627 million.

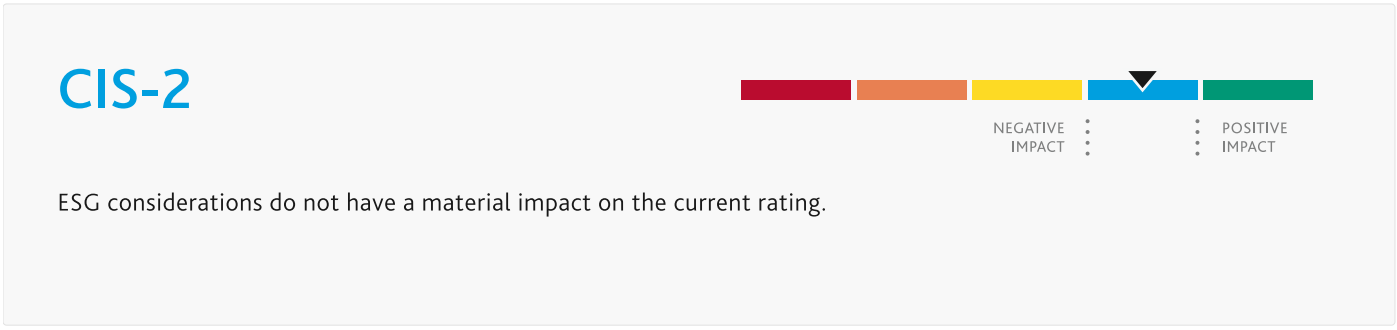
In 2020, because of the negative impact of the pandemic, the company temporarily suspended its quarterly dividend payments, which illustrates its commitment to its target leverage, especially in times of operational challenges. Following the recovery from the pandemic, the company initiated its quarterly dividend payments again from Q2 2021.

Autoliv's leverage (Moody's-adjusted gross debt to EBITDA) amounted to 2.2x for the 12 months through March 2024. The ratio only slightly reduced from 2.3x at year-end 2022 following two green bonds issued in 2023 and Q1 2024 (€500 million each), exceeding debt repayments during this period, and only limited (Moody's-adjusted) EBITDA growth due to significantly higher restructuring costs in 2023. By year-end 2024, we expect Autoliv's leverage to decline to below 2.0x, a modest level when compared with our 1.5x-2.5x guidance for the P-2 rating category. The decline should be mainly driven by a strong EBITDA recovery, supported by continued volume growth, efficiency gains following recent structural measures, as well as much lower restructuring costs.

ESG considerations

Autoliv, Inc.'s ESG credit impact score is CIS-2

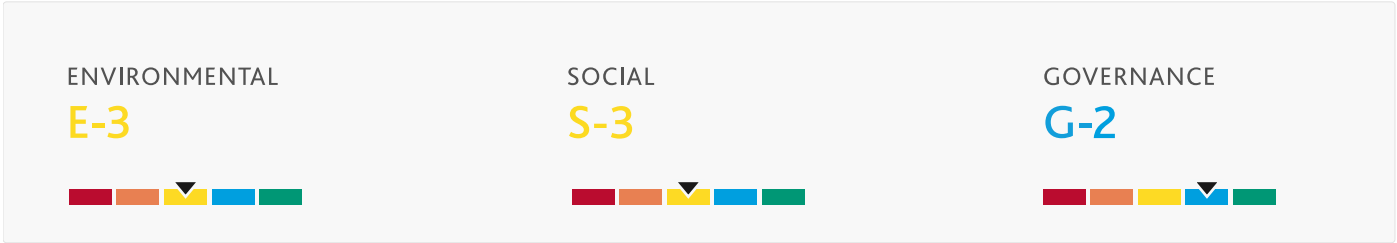
Exhibit 7
ESG credit impact score



Source: Moody's Ratings

CIS-2: Autoliv's ESG Credit Impact Score reflects the weight placed on its conservative financial policy and a strong track record in maintaining balance sheet strength. Consistent with most auto parts suppliers, Autoliv faces average social and environmental risks.

Exhibit 8
ESG issuer profile scores



Source: Moody's Ratings

Environmental

E-3: Autoliv's exposure to environmental risks encompasses carbon transition risks (also at the level of its OEM customers) and waste and pollution risks. These risks are somewhat mitigated by Autoliv's key technologies focused on passive safety products (airbags, seatbelts, etc.) that are fully agnostic to whatever type of propulsion is used for a car in order to reduce its emissions.

Social

S-3: Social risks arise from risks associated with Autoliv's need to build to the safety and quality requirements of its original equipment manufacturer (OEM) customers. The company has a very diverse global manufacturing network which mitigates issues related to retaining skilled labor and potential localized union disputes. There are moderate levels of risks related to upkeep employee safety and thereby resources required to provide protection to its factory workforce.

Governance

G-2:Autoliv has a conservative financial policy and risk management, and its management has a high credibility and strong track record. The company has a well-established governance structure, which is state-of-the-art for a publicly listed company of its size, and good disclosure practices, including financial and sustainability reporting. Autoliv has established strong ownership rights & controls, as well as compliance, controls & reporting. We expect Autoliv to sustain balanced financial policies of low leverage and strong liquidity while continuing to appropriately invest in its business.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Liquidity analysis

Autoliv's liquidity is excellent. As of 31 March 2024, the group's primary cash sources consistent of $569 million of cash and cash equivalents and its $1.1 billion committed and fully available revolving credit facility (RCF, maturing in May 2029). The RCF is not subject to financial covenants. Together with our forecast of around $1 billion of funds from operations over the next 12 months, Autoliv's total cash sources summed to over $2.6 billion at the end of March 2024. These funds comfortably cover expected short-term cash needs. Over the next 12 months, we expect Autoliv's basic cash uses to amount to around $2 billion, comprising working cash and working capital needs of around $0.3 billion, capital spending (including lease payments) of more than $0.6 billion, up to $0.3 million dividend payments and likely additional share repurchases. Autoliv's short-term debt maturities amounted to $0.3 billion as of 31 March 2024.

Methodology and scorecard

The principal methodology used in rating Autoliv is our Global Automotive Supplier Industry rating methodology. Under the methodology scorecard, Autoliv scores Baa2 for the 12 months that ended March 2024 and Baa1 based on expected credit metrics over the next 12-18-month, in line with the assigned Baa1 rating.

Exhibit 9

Rating factors

Autoliv, Inc.

Automotive Supplier Industry Scorecard	Current LTM Mar-24		Moody's 12-18 month forward view	
Factor 1 : Scale (10%)	**Measure**	**Score**	**Measure**	**Score**
a) Revenue ($ billions)	10.6	Baa	10.9 - 11.4	Baa
Factor 2 : Business Profile (15%)				
a) Business Profile	A	A	A	A
Factor 3 : Profitability and Efficiency (25%)				
a) EBITA Margin	7.6%	B	10.0% - 10.8%	Ba
b) Expected Free Cash Flow Stability	Baa	Baa	Baa	Baa
Factor 4 : Leverage and Coverage (30%)				
a) Debt / EBITDA	2.2x	Baa	1.6x - 2.0x	Baa
b) EBITA / Interest Expense	6.8x	A	8.8x - 10.0x	A
c) Retained Cash Flow / Net Debt	30.8%	Baa	35% - 40%	Baa
Factor 5 : Financial Policy (20%)				
a) Financial Policy	Baa	Baa	Baa	Baa
Rating:				
a) Scorecard-Indicated Outcome		Baa2		Baa1
b) Actual Rating Assigned				Baa1

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Appendix

Exhibit 10

Peer Comparison

Autoliv, Inc.

	Autoliv, Inc. Baa1 Stable			BorgWarner Inc. Baa1 Stable			Aptiv Plc Baa2 Stable			Continental AG Baa2 Stable			Schaeffler AG Baa3 Stable		
(in $ millions)	FY Dec-22	FY Dec-23	LTM Mar-24	FY Dec-22	FY Dec-23	LTM Mar-24	FY Dec-22	FY Dec-23	LTM Mar-24	FY Dec-22	FY Dec-23	LTM Mar-24	FY Dec-22	FY Dec-23	LTM Mar-24
Revenue	8,842	10,475	10,597	12,635	14,198	14,410	17,489	20,051	20,134	41,534	44,792	44,367	16,662	17,641	17,622
EBITDA	980	1,152	1,230	1,611	1,868	1,917	1,996	2,405	2,518	4,255	4,732	4,251	2,076	2,071	2,290
Total Debt	2,252	2,404	2,683	4,506	4,053	4,007	7,333	7,222	7,205	10,560	10,895	11,317	5,589	6,758	8,899
Cash & Cash Equivalents	594	498	569	1,083	1,534	1,037	1,531	1,640	941	2,605	2,964	2,278	877	564	1,280
EBITA Margin %	6.5%	6.9%	7.6%	8.7%	9.4%	9.5%	7.3%	8.0%	8.5%	5.2%	5.9%	4.8%	6.4%	6.0%	7.3%
EBITA / Interest Expense	7.6x	6.6x	6.8x	10.7x	12.3x	13.1x	5.0x	4.9x	5.2x	5.6x	5.2x	4.0x	4.2x	4.1x	4.0x
Debt / EBITDA	2.3x	2.1x	2.2x	2.8x	2.2x	2.1x	3.7x	3.0x	2.9x	2.5x	2.3x	2.7x	2.7x	3.2x	3.9x
Net Debt / Net Capitalization	38.7%	42.6%	46.4%	30.9%	28.8%	32.3%	39.0%	32.0%	35.4%	35.1%	33.6%	36.8%	50.5%	57.7%	61.6%
RCF / Debt	21.1%	23.7%	24.3%	24.5%	31.1%	32.5%	23.1%	31.9%	33.6%	25.6%	31.9%	25.9%	21.9%	15.5%	12.9%

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Source: Moody's Financial Metrics™

Exhibit 11

Moody's-adjusted debt reconciliation

Autoliv, Inc.

(in $ millions)	2019	2020	2021	2022	2023	Mar-2024
As reported debt	**2,094.2**	**2,412.0**	**2,008.0**	**1,765.0**	**1,862.0**	**2,140.0**
Pensions	240.2	248.0	197.0	155.0	159.0	159.0
Operating Leases	157.2	140.0	132.0	158.0	174.0	175.0
Securitization	163.0	161.0	159.0	174.0	209.0	209.0
Non-Standard Adjustments	13.2	-	-	-	-	-
Moody's-adjusted debt	**2,667.8**	**2,961.0**	**2,496.0**	**2,252.0**	**2,404.0**	**2,683.0**

All figures and ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
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Source: Moody's Financial Metrics™

Exhibit 12

Moody's-adjusted EBITDA reconciliation

Autoliv, Inc.

(in $ millions)	2019	2020	2021	2022	2023	LTM Mar-24
As reported EBITDA	**1,068.5**	**735.0**	**1,068.0**	**1,026.0**	**1,083.0**	**1,160.0**
Pensions	9.4	12.0	4.0	2.0	12.0	13.0
Operating Leases	48.5	46.0	44.0	50.0	54.0	54.0
Securitization	3.0	3.0	2.0	2.0	3.0	3.3
Unusual Items	53.6	-	-	(100.0)	-	-
Moody's-adjusted EBITDA	**1,183.0**	**796.0**	**1,118.0**	**980.0**	**1,152.0**	**1,230.3**

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Source: Moody's Financial Metrics™

Exhibit 13

Overview on selected historical Moody's-adjusted financial data

Autoliv, Inc.

(in $ millions)	2019	2020	2021	2022	2023	LTM Mar-24
INCOME STATEMENT						
Revenue	8,548	7,447	8,230	8,842	10,475	10,597
EBITDA	1,183	796	1,118	980	1,152	1,230
EBIT	788	382	683	571	726	800
Interest Expense	83	85	70	75	110	117
BALANCE SHEET						
Cash & Cash Equivalents	445	1,178	969	594	498	569
Total Debt	2,668	2,961	2,496	2,252	2,404	2,683
Net Debt	2,223	1,783	1,527	1,658	1,906	2,114
CASH FLOW						
Funds from Operations (FFO)	841	615	857	701	796	876
Cash Flow From Operations (CFO)	716	901	803	757	997	1,165
Capital Expenditures	(528)	(387)	(499)	(631)	(621)	(617)
Dividends	218	55	166	226	226	225
Retained Cash Flow (RCF)	623	560	691	475	570	651
RCF / Debt	23.4%	18.9%	27.7%	21.1%	23.7%	24.3%
Free Cash Flow (FCF)	(31)	459	138	(100)	150	323
FCF / Debt	-1.2%	15.5%	5.5%	-4.4%	6.2%	12.0%
PROFITABILITY						
% Change in Sales (YoY)	-1.5%	-12.9%	10.5%	7.4%	18.5%	15.0%
EBIT margin %	9.2%	5.1%	8.3%	6.5%	6.9%	7.5%
EBITDA margin %	13.8%	10.7%	13.6%	11.1%	11.0%	11.6%
INTEREST COVERAGE						
(FFO + Interest Expense) / Interest Expense	11.2x	8.3x	13.3x	10.3x	8.3x	8.5x
EBIT / Interest Expense	9.5x	4.5x	9.8x	7.6x	6.6x	6.8x
EBITDA / Interest Expense	14.3x	9.4x	16.0x	13.0x	10.5x	10.5x
LEVERAGE						
Debt / EBITDA	2.3x	3.7x	2.2x	2.3x	2.1x	2.2x
Net Debt / EBITDA	1.9x	2.2x	1.4x	1.7x	1.7x	1.7x

All figures and ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
Periods are financial year-end unless indicated. LTM = Last 12 months.
Source: Moody's Financial Metrics™

Ratings

Exhibit 14

Category	Moody's Rating
AUTOLIV, INC.	
Outlook	Stable
Issuer Rating	Baa1
Commercial Paper	P-2

Source: Moody's Ratings

Endnotes

1 Based on Autoliv's estimates and its defined passive safety market, including air bags, seat belts, steering wheels and pedestrian safety.

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