Q4 & Full Year 2024 Financial Results Call

Friday, 31st January 2025

Introduction

Anders Trapp

Vice President, Investor Relations, Autoliv

Introduction

Welcome everyone to our Fourth Quarter and Full Year 2024 Earnings Call. On this call, we have our President and Chief Executive Officer, Mikael Bratt, our Chief Financial Officer, Fredrik Westin, and me, Anders Trapp, VP, Investor Relations.

During today's earnings call, we will cover several key topics, including our sales and record earnings, strong cash flow and balance sheet. We will outline the expected margin improvement in 2025, as well as how our strong balance sheet and asset returns will support continued high levels of shareholder returns. Following the presentation, we will be available to answer your questions. As usual, the slides are available on www.autoliv.com.

Safe Harbour Statement

Turning to the next slide, 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 non-US GAAP measures. The reconciliations of historical US GAAP to non-US GAAP measures are disclosed in our quarterly earnings release available on www.autoliv.com and in the 10-K 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 will now hand over to our Chief Executive Officer, Mikael Bratt.

Business Update

Mikael Bratt

President and Chief Executive Officer, Autoliv

Q4 2024 Key Highlights – Record Profit & Margins

Thank you, Anders. Looking on the next slide, I am very happy to present a record-breaking quarter. This is a testament to our employees' hard work, dedication and commitment and I want to thank them for their outstanding contributions and for consistently driving our success forward. Meeting our full-year guidance despite accelerated market headwinds showcases the company's adaptability and resilience, driven by our diverse product portfolio and strong customer relationships. This achievement not only highlights our current success, but also lays a solid foundation for 2025 with continued margin expansion.

Despite light vehicle production mix deterioration leading to lower sales, we reached new record highs in the quarter for operating profit, operating margin and earnings per share. For the full year, we also had a record high operating cash flow. I am also pleased that we generated an exceptional level of return on our capital employed.

Our strong performance was mainly a result of strict cost control. Our structural cost reduction programme enabled us to reduce our indirect workforce by 1,400 since Q1 2023. We managed

to accelerate our operating efficiency improvement, partly supported by an improved customer call-off accuracy, which contributed to a reduction of direct headcount by 4,500 in one year, which is a reduction of almost 9%. The strong results were also supported by agreements we reached with all major customers on excess inflation compensation.

Cash flow continued to be strong, supporting a high level of shareholder returns.

In the quarter, we repurchased shares for $102 million and retired 3 million shares. The Board of Directors has approved an extension of the shares repurchase programme until the end of 2025. Under the extended repurchase programme, $480 million remains. Autoliv was rated BBB+ with a stable outlook by Fitch Ratings in November.

Q4 2024 Financial Overview

Margin expansion despite lower sales

Looking now on financials in more detail on the next slide. Sales in the fourth quarter decreased by 5% year over year for several market-related reasons. This includes negative effects from currency translations, LVP developments, as well as the regional and customer mix development. Despite this, the adjusted operating income for Q4 increased by 5% to $349 million from $334 million last year. The adjusted operating margin was 13.4%, a record for the company. Operating cash flow was a solid $420 million.

Continued Significant Sequential and Year-over-Year Cost Improvements

Looking now on the next slide, we continue to generate broad-based improvements. Our direct labour productivity continues to improve as we reduce our direct production personnel by 4,500 year over year. This is supported by the implementation of our strategic initiatives, including automation and digitalisation.

Our gross margin was 21%, an increase of 180 basis points year over year. The improvement was mainly the result of direct labour efficiency and headcount reductions, partly offset by lower sales and a supplier settlement, as communicated in the previous quarter. As a result of our structural efficiency initiatives, the positive trend for RD&E and SG&A from the beginning of the year continued. Combined with the gross margin improvement, this led to the substantial improvement in adjusted operating margin.

Q4 2024 Light Vehicle Market Development

At least 4 pp of headwinds from regional mix; Improved call-off accuracy

Looking now on the market development in the fourth quarter on the next slide. According to S&P Global, total global light vehicle production for the fourth quarter increased by 40 basis points, exceeding the expectation from the beginning of the quarter by over 4 percentage points. Most of this improvement was driven by local OEMs in China, supported by the scrapping and replacement subsidy policy, as well as high growth in South America. Key markets in North America and Europe performed in line with expectations. This resulted in a more unfavourable regional light vehicle production mix of around 4 basis points in the quarter, significantly impacting our outperformance negatively.

In the quarter, we did see call-off volatility improving, both from the third quarter and year over year. We will talk about the market development more in detail later in the presentation.

Q4 2024 Sales Growth and Regional Sales Split

Lower sales on unfavourable currency translations effects, lower LVP and a negative regional LVP mix

Looking now on our sales growth in more detail on the next slide. Our consolidated net sales were $2.6 billion. This was $136 million lower than a year earlier, driven by lower light vehicle production, negative currency translation effect, and lower out-of-period cost compensation. The negative currency translation effect reduced sales by almost 2% in the quarter. Out-of-period cost compensation contributed with approximately $24 million in the quarter. This was $21 million lower than in the same period last year. Out-of-period compensations are retroactive price adjustments and other compensations that mainly related to the first three quarters but were settled in the fourth quarter.

Looking on the regional sales split, it reflects the high growth of automotive markets in Asia and our strong market position there. China accounted for 23%, Asia excluding China accounted for 20%, Americas for 30% and Europe for 27%. We outline our organic sales growth compared to light vehicle production on the next slide.

Q4 2024 Organic Sales Growth – Impacted by Regional and Customer Mix

Our quarterly sales were robust but slightly below our expectations, primarily due to a more unfavourable regional and customer mix. We continued to outperform light vehicle production significantly in Japan, rest of Asia, and in Europe, fuelled by product launches and pricing. The outperformance in rest of Asia was driven by India and South Korea. We expect a continued strong outperformance in 2025 in India from a number of launches.

In China, we underperformed as the light vehicle production growth mix continued to be tilted towards lower CPV models from Chinese domestic OEMs.

In America, we underperformed light vehicle production by 3 percentage points, mainly as a result of dealer inventory reductions by major customers and strong South American growth. Among the primary growth drivers for the company this quarter, five were Chinese OEMs and two were Japanese, underscoring the significance of the Asian market and its customers.

On the next slide, we have the organic sales growth for the full year 2024.

FY2024 Organic Sales Growth – Outperforming Global LVP by 2 percentage points

For the full year, we outperformed global light vehicle production by around 2 percentage points. We estimate that the regional light vehicle production mix was 2 to 3 percentage points worse than expected in the beginning of the year.

We outperformed in Japan by 13 percentage points, in rest of Asia by 10 percentage points, and in Europe by 6 percentage points. Our sales to domestic Chinese OEMs grew by 24%, and they accounted for more than 37% of our China sales, up from 28% in 2023. Even so, the negative market mix still resulted in an underperformance of 7 percentage points in China. We expect this to improve in 2025, as our strong order intake with Chinese OEMs should result in a record number of new launches in 2025, leading to significantly better sales performance compared to light vehicle production in China.

Our global market position is strong, and we are the market leader in all regions and product categories. In 2024, our global market share was around 44%. This excludes sales of components such as inflators. This is almost 5 percentage points higher than in 2018.

Supported by new launches, especially with Chinese OEMs and CPV growth, we expect sales to outperform light vehicle production by 2 to 3 percentage points in 2025.

Q4 2024 Key Model Launches

On the next slide, we see some key model launches from Q4. We saw a record number of significant launches in 2024. For 2025, we also anticipate a high number of launches, especially with Chinese OEMs. In this slide, three of these models are from Chinese OEMs and three from OEMs in India. This highlights our growing position with Chinese OEMs and our success in capturing growth in the Indian market. The models shown here have an Autoliv content per vehicle from around US$100 to over US$400.

In terms of Autoliv sales potential, the Toyota 4Runner and Suzuki Dzire are the most significant. This is the first time we have a model in India with the highest sales potential. The long-term trend to higher CPV is supported by front ~~centre~~center airbags on six of these models.

OEMs Reconsidering their Future Product Offerings – Resulting in Temporarily Low Sourcing Activities in 2024

Now looking on the next slide. In 2024, the industry's sourcing of new business was at its lowest level since 2018. This was driven by technological and geopolitical uncertainties, causing the sourcing of several large platforms to be postponed until 2025. In addition, model lifetime is shortening as Chinese OEM's share of the order book increases. Models from Chinese OEMs typically have an average lifetime that is a couple of years shorter. In order intake, market share with the rapidly growing Chinese OEMs exceeded 40%, a significant improvement compared to our current market share of close to 25% with this group.

FY2024 Order Intake Highlights

Looking on the order intake more in detail on the next slide. In 2024, order intake f~~o~~rom new automakers, mainly in North America and China, accounted for almost one-third of our order intake. We won multiple awards supporting new markets and industry trends like foldable steering wheels for self-driving vehicles, including a new type of driver airbag that deploys from the dashboard or ceiling.

Autoliv has successfully secured business in the commercial vehicle sector, bolstering our mobility safety solutions business. This expansion not only strengthens our market position, but also enhances our ability to deliver innovative safety solutions to a broader range of customers.

We also won airbag contracts featuring low-carbon cushion material, a significant step towards sustainability in automotive safety. These innovative airbags not only reduce the environmental impact but also lower the cost of the airbag module.

Thanks to the robust order intake in recent years, we anticipate the number of product launches in 2025 to be on a similar level as in 2024. This progress supports our long-term success.

Sustainability Highlights 2024

Let us now look at the sustainability programme during 2024 on the next slide. Sustainability is an integral part of our business strategy and an important driver for market differentiation and stakeholder value creation. Our sustainability approach is based on four focus areas, with clear ambitions and targets defined for each area. During 2024, we initiated and concluded a number of activities within these areas.

For example, we continue to expand our addressable users by expanding testing, including diverse body shapes, ages and genders. Through collaborations, we address protection for vulnerable road users. We significantly improved our recordable incidence rate.

Greenhouse gas emissions in own operations were reduced by 15% compared to 2023 and the share of renewable electricity increased to 30%, having positive environmental and financial effects. We conducted our annual supplier climate survey to assess their readiness for our net-zero supply chain goals. And we also integrated climate performance into supplier selection and launched a climate accelerator programme to support them.

Turning the slide, I will now hand it over to Fredrik Westin.

Financials

Fredrik Westin

Executive Vice President, Finance and Chief Financial Officer, Autoliv

Q4 2024 Financial Overview

Thank you, Mikael. I will talk about the financials more in detail on the next few slides. So, turning to the next slide, this slide highlights our key figures for the fourth quarter of 2024 compared to the fourth quarter of 2023.

The net sales exceeded $2.6 billion, representing nearly a 5% decrease. The gross profit increased by $20 million and the gross margin increased by 1.8 percentage points. The adjusted operating income increased from $334 million to $349 million, and the adjusted operating margin increased by 120 basis points to 13.4%. The reported operating income of $353 million was $4 million higher than the adjusted operating income, thanks to a positive impact from reversal of capacity alignment accruals.

Adjusted earnings per share diluted decreased by $0.70, where the main drivers were $.90 from higher taxes and $0.10 from higher financial and non-operating items, partly compensated by $0.11 cents from higher operating income and $0.19 cents from lower number of shares.

The adjusted return on capital employed was a solid 35% and our adjusted return on equity was 41% driven by share buybacks impacting total equity.

We paid a dividend of $0.70 per share in the quarter, and we repurchased shares for around $102 million and retired 3 million shares.

Q4 2024 Adjusted Operating Income Bridge

Looking now on the adjusted operating income bridge on the next slide. In the fourth quarter of 2024, our adjusted operating income increased by $60 million, despite market headwinds from lower light vehicle production.

Operations contributed with $57 million, mainly from improved call-off accuracy and higher operational efficiency, as well as lower recall costs. The largest offsetting factor to the increase was lower net sales. The net currency effect was $1 million negative as the positive effects, mainly from the Mexican peso versus US dollar, was offset by translation effects and negative transaction effects from the Mexican peso versus the euro, the Japanese yen versus the Thai baht and the US dollar versus the Korean won. The impact from raw materials was around

$6 million negative. Out-of-period cost compensation of $24 million was $21 million lower than last year.

Costs for SG&A and RD&E net increased slightly on higher costs for SG&A personnel, despite the offset from higher engineering income. The impact of the supply settlement Mikael mentioned earlier was around $10 million in the fourth quarter.

FY2024 Financial Overview

Looking now at the full-year results on the next slide. 2024 was again impacted by labour and supplier cost inflation, lower and volatile ~~net~~ light vehicle production and customer price negotiations. Our net sales were $10.4 billion, a 1% decline on negative currency translation effects. The adjusted operating income increased by 9.5% to over $1 billion. The adjusted operating margin was 9.7% compared to our guidance of around 9.5-10%. The operating cash flow was $1.1 billion, in line with the guidance.

Adjusted earnings per share increased to $8.32 per share, partly as a result of the share repurchases. Dividends of $2.74 per share were paid. Despite market headwinds and lower sales, adjusted operating profit, operating cash flow, as well as the earnings per share were all the highest we have ever achieved.

Cash Flow

Continued strong performance from higher net income

Looking now at the cash flow in more detail on the next slide. For the fourth quarter of 2024, the operating cash flow decreased by $27 million to $420 million compared to the same period last year, mainly due to a less favourable working capital development.

Capital expenditures net decreased by $18 million compared to the same period the previous year. Capital expenditures net in relation to sales were 5.0% versus 5.4% a year earlier. The free operating cash flow was positive $288 million compared to positive $297 million in the same period the prior year.

For the full-year 2024, operating cash flow increased by $77 million to $1.1 billion, mainly on higher net income. The free operating cash flow was almost $0.5 billion.

Capital expenditures net decreased by $6 million. Capital expenditures net in relation to sales was unchanged at 5.4%. This level is slightly above what we expect for the longer term, due to investments in capacity made in Asia and a footprint optimisation.

The cash conversion in 2024, defined as free operating cash flow in relation to net income, was around 77%, in line with our target of 80%.

Trade Working Capital in Relation to Sales

Now looking at our trade working capital development on the next slide. Trade working capital decreased by $117 million compared to the same period last year, where the main drivers were $204 million in lower accounts receivables, $179 million in lower accounts payables, and $91 million in lower inventories.

In relation to sales, trade working capital decreased from 11.2% to 10.7%. The improvement in trade working capital is a result of our multi-year working capital improvement programme and an improvement in customer call-off accuracy, enabling a more efficient inventory

management. Our capital efficiency programme aims to improve working capital by $800 million, and to date, we have achieved around $700 million.

Strong Balance Sheet & Cash flow Supporting Shareholder Returns

Repurchased 10.2 million shares since the beginning of 2022 for $1,019 million under current mandate

Now looking on our shareholder returns on the next slide. Over the years, Autoliv has demonstrated its capability to generate solid cash flow across different market conditions. During 2024, we returned over $770 million to shareholders through dividends and share buybacks, setting a new record for the company. Over the last five years, we have significantly reduced our net debt while returning $1.9 billion directly to shareholders. This includes stock repurchases totalling over $1 billion.

Since initiating the current stock repurchase programme in 2022, we have reduced the number of outstanding shares by over 12%. When executing the programme, we consider several factors including our balance sheet, the cash flow outlook, our credit rating, and the general business conditions, as well as the debt leverage ratio. We always strive to balance what is best for our shareholders in both the short and the long term.

Debt Leverage Ratio

Remains within the long-term target range

Now looking on our debt leverage ratio development on the next slide. Autoliv has consistently prioritised maintaining a strong leverage ratio, reflecting our prudent financial management and commitment to a strong balance sheet. This approach has enabled the company to navigate economic fluctuations, invest in innovation, and continue delivering value to stakeholders. While investing in our footprint and returning over $770 million to shareholders during 2024, our leverage ratio is unchanged at 1.2x. Compared to the third quarter, our debt leverage ratio decreased by 0.2x as our net debt decreased by $227 million while the 12-month trading adjusted EBITDA increased by $17 million.

With that, I hand it back to you, Mikael.

Outlook

Mikael Bratt

President and Chief Executive Officer, Autoliv

Light Vehicle Production Outlook

Autoliv expects global LVP in 2025 to decline in line with S&P's forecast

Thank you, Fredrik. On to the next slide. As we enter 2025, the full-year outlook for global light vehicle production by S&P Global stands at minus 0.5%. The light vehicle production outlook factors in regional-specific influences, particularly the recent extension of the vehicle scrappage and replacement policy in China, persistent headwinds in Europe and North America, and a slower EV adoption growth. The latest forecast indicates an LVP decline of almost 2% for the first quarter versus last year.

LVP in China is projected to increase 4% in the first quarter, following a particularly strong performance in the fourth quarter of 2024. The ongoing trend of global OEMs losing market share is expected to persist, but to moderate in the following quarters.

The forecast for North America first-quarter LVP is minus 6%. The main reason is the continued need for more vehicle inventory corrections.

The light vehicle production in Europe is expected to drop 9% for the first quarter, mainly due to inventory adjustments.

From the fourth quarter to the first quarter, global LVP is projected to decline by 14%, a reduction of over 3 million vehicles. This drop is significantly higher than what we have observed over the past three years, where it has averaged around 7%.

Based on S&P Global's forecast and our own analysis, our 2025 guidance is built on a global light vehicle production decline of around 0.5%, and the regions in line with S&P's forecast for the full year.

2025 Business Outlook – Further Margin Expansion Expected

Now looking on the business outlook on the next slide. We expect 2025 to be a challenging year for the automotive industry, with LVP declining and geopolitical risks remaining. However, our continued efficiency focus is expected to support further improvement of our profitability. We expect to significantly improve our sales performance in China, and that the continued strong cash flow and balance sheet sets a solid foundation for our continued commitment to a high level of shareholder returns and our financial targets.

We expect cost pressure from inflation to moderate in 2025, but we still expect some pressure coming mainly from labour, especially in Europe and the Americas. We expect call-off volatility in 2025 on average to be slightly lower than it was in 2024 but remaining higher than the pre-pandemic level. We also anticipate a challenging first quarter in terms of operating margin, which should gradually improve throughout the year, similar sequential development as we have seen in the past few years with a relatively weak first quarter and gradual improvement throughout the year.

FY2025 vs. FY2024 Improvement Supporting our Adj. Operating Margin Target

Turning to the next slide. In closing, to summarise our 2025 outlook, we expect continued sales outperformance versus light vehicle production, improved profitability compared to 2024.

This improvement is primarily supported by structural cost reduction and strategic initiatives, higher sales, as well as favourable currency effects. We remain mindful of the risk of deteriorating economic conditions and potential tariffs, but I am confident that our leading position, the work we have done to become more resilient and our experience and agility, will enable us to manage future challenging conditions.

Full Year 2025 Guidance & Assumptions

Now looking on the 2025 guidance in detail on the next slide. This slide shows our full-year 2025 guidance, which excludes effects from capacity alignment, anti-trust related matters and other discrete items. Our full-year guidance is based on a global light vehicle production decline of around 0.5%, a tax rate of around 28%, and that the net currency translation effect on sales will be around minus 2%.

Based on this, we expect our organic sales to increase by around 2%. The guidance for adjusted operating margin is around 10 to 10.5%. Operating cash flow is expected to be around $1.2 billion. Our positive cash flow trend and our strong balance sheet support our continued commitment to a high level of shareholder returns.

The guidance for 2025 does not include any new or increased tariffs or other trade limitations which may impact our operation. We are monitoring the situation closely and are prepared to be as agile as possible to adjust to any such development.

Looking on the next slide. This concludes our formal comments for today's earnings call, and we would like to open up the line for questions from analysts and investors.

Q&A

Colin Langan (Wells Fargo): Oh, great. Thanks for taking my questions. Maybe if you could just start with framing some of the puts and takes when we think about the margins year over year. I think you mentioned FX transaction. I think in 2023 that was like $60 million of a drag. Is that kind of the framework of the good news that we should be thinking about?

And then the labour inflation, is that offsetting 100% through the year with recoveries, or is that maybe a net negative? And then maybe any framing of the restructuring help we should be expecting.

Fredrik Westin: Yes, on the FX, I would refrain from a guidance when it is included in obviously what we have here on the operating margin side. I do not want to give what we expect from different currency pairs here to contribute. However, the peso should continue to be a positive for us.

Then on the contribution of restructuring, we expect, as we have said before, around $50 million incremental savings in 2025. And we had $50 million of savings in line with our expectations in 2024.

And other than that, the headwinds are from inflation. The headwind from supplier cost inflation is higher than what we are expecting from labour cost inflation and the labour cost inflation continues to come down. We have seen a gradual improvement, and we are talking now about, clearly, a small percentage number versus excess inflation when this all kicked in. And we are expecting to offset that by commercial recoveries from our customers, but it will be throughout the year.

We also had lump sum settlements last year, although the majority was piece-price agreements. However, some of them now fall away in the first quarter already and then we need to replace them gradually throughout the year, but the ambition is to have a full offset for the gradual inflation that is hitting us.

Colin Langan: Got it. That is very helpful. Obviously, a lot of headlines these days around tariffs, particularly on goods from Mexico to the US. Can you help us frame, if a tariff is in place, how much of an impact that would be and how you think you might be able to offset and work with customers to offset that?

Mikael Bratt: I think if or when tariffs would be implemented there, for us, it is mostly a question of Mexico-US tariffs. Of course, that’s a pass-on to our customers is necessary there.

I mean, that would start immediately to be a discussion with our customers, because there is no reason at all why we as a supplier should absorb any cost like that. Ultimately, it will be a higher cost for vehicles sold in the US. And we are preparing ourselves for that as soon as that might come, so that would start immediately, that discussion.

Colin Langan: Okay, great. Perfect.

Edison Yu (Deutsche Bank Securities): Thank you for taking our questions. First off, on the outlook, I am curious, what kind of impact are you embedding from mix in 2025? Is that going to actually be a positive going forward relative to 2024?

Fredrik Westin: We expect around a 1 percentage point negative mix in 2025 versus 2024. It should be better than it was in 2024. There we had a negative mix, as we said, between 2 and 3 percentage points. And then in 2025, that should improve to around 1 percentage point. And maybe one correction, I think in the presentation before, we said 4 basis points negative mix in Q4. That would be 4 percentage points in Q4.

Edison Yu: Understood, understood. And then on the order intake, I know you have this slide showing obviously there is a decline, and I think you called out a couple of big programmes or a couple of big platforms. Can you give us a sense of what happened there and when you expect those, or what kind of impact you would expect on the growth, if any?

Fredrik Westin: Yes, I mean, we have seen, as we saw, the lowest sourcing activity from our customers basically since we spun off the electronics business. So, it is a rather unusually low sourcing, or it was unusually low sourcing activity which continued to come down throughout the year. What we see is that there has been a lot of discussion around OEMs delaying sourcing on projects due to uncertainties on the drivetrain side, but what we also see on top of that is also uncertainty to location of production. So, where actually they would start or in which location would they produce a certain platform. And that had a significant impact on the overall market development in 2024, and more than we had expected going into the year.

We also said here that there are a couple of platforms where we are the incumbent that have also been delayed into 2025. And the expectation here is that that sourcing should come in during the first half of this year now.

Edison Yu: Got it. Thank you.

Fredrik Westin: Thanks.

Chris McNally (Evercore): Thanks so much, team. Actually, I just wanted to follow up on Edison's question and think about mix in a different way. You obviously do not guide by region. However, when I think about plus 2% organic at the midpoint, I was wondering if you could just take a shot at sort of ranking from strongest organic to weakest across your four regions, non-Asia, China, North America and Europe, just where we may see the highest to lowest.

Mikael Bratt: No, I think, as we have indicated here, we see the strongest growth opportunities and growth in Asia. I mean, you have, of course, China, where we are also taking market share with the Chinese OEMs here, that continue to strengthen our already leading market position there. And of course, in the rest of Asia, also, you have a strong contribution from India, where we not only see the LVP growing, but also the content is growing there.

And then, of course, we have, I would say, Europe in a challenging situation. And also, I would say North America here, when we look at LVP growth in general there.

So, yes, I think it is a little bit the same picture as we have seen this year here. So the trend continues more or less.

Chris McNally: It is super encouraging. And I know it is hard with qualitative, but it is nice to hear China towards the top because it sort of implies that growth of the market there is turning back quite positive. You mentioned that.

Second question, on some of the weaknesses in North America and Europe, is that where the OEM mix also, when you mentioned the minus 1%, where we should think about the impact the most? The independent forecasters have two of the Detroit three down low to mid-single digits. The German three in Europe, it is going probably to be a tougher year given EV regulations. Again, is there less secular growth in North America and Europe, or is it really more a mix issue for 2025 in those two regions?

Mikael Bratt: I think, I mean, it is very much related to, I would say, the overall economic situation in those regions. So, I mean, it is the LVP production per se that is the biggest challenge there. So, no, nothing specific there on an OEM level, I would say. It is more related to what was mentioned here before around uncertainty on drivelines from the end consumer, the overall affordability from the end consumer and so forth, holding it down. And of course, when it comes to export out of these regions, also the competitiveness, you could say.

Vijay Rakesh (Mizuho Securities): Hi, just a quick question. When you look at the 2% organic growth, I was wondering what you are embedding in terms of any potential tariffs coming down the pipe here in Canada, tariffs on the Mexico side, or how that impacts to the 2025 LVP? Or even EV mandates, what are we embedding in that assumption? Thanks.

Mikael Bratt: Yes, no, I would say, I mean, there is no tariff assumptions included in the guidance for 2025 here. Basically, for a reason, it is very difficult to have a view on it. There are many different scenarios. You can think about the level of tariffs, the length of the tariffs as an example. So that is not included in the outlook here. It is something we are following very closely. And as we said here, in terms of our own impact, potentially there, we will start negotiating with the customer immediately about passing that on. And then the impact it may have on the demand from the end consumer. We have no detail around that at this point in time.

Vijay Rakesh: Got it. And then in China, definitely encouraging to see that you are ~~focussing~~focusing on that. When you look at the CPV in 2024, approximately where did it average out? And just wondering how much of a step up you would see on the average CPV, let us say on 2025? Thanks.

Fredrik Westin: Actually, the CPV in China went down year-over-year 2023 to 2024, slightly. And that was mostly due to the market mix that we saw. Whereas we said before, these scrappage premiums have favoured more lower-end vehicles. So with that, we actually saw that the overall content per vehicle in the China market went down year over year. However, we expect this to reverse in 2025.

Mikael Bratt: And the trend in the market is, of course, to gradually increase the content in the vehicles in all different segments here. So I would say this is a more temporary nature as a result of the shift in the OEM mix, so to speak.

Vijay Rakesh: Got it. Thank you.

Hampus Engellau (Handelsbanken): Thank you very much. Two questions for me. I am going to come back on the LVP. It is just that when you look at your outlook, is it based on your talks with the OEMs or S&P? Because I think S&P has included 10% tariff in the US. And at the same time, we have a lot ongoing in Europe with maybe a massive programme on incentives for battery electrics and also changing the regulation on not putting penalties directly on the OEMs that would fail on the 93.6mg and maybe having that measured over three years on average. It just would be interesting to hear your moving parts on being on par with S&P on 0.5% LVP. That is my first question.

Second question is more on, if you could talk a little bit about content per vehicle in India. I know you have a bits of ?[inaudible] market share there. What is happening with this commitment by the OEMs? Thank you.

Mikael Bratt: Thank you, Hampus. On the LVP outlook and what we base it on, as always, in the next coming weeks, months, we adjust it with our own insights there. However, when I look at the total year here and the 0.5% negative that we are mentioning here, I would say it is mainly based on the S&P Global tier. So we have not, as I mentioned before here, made our own judgement on potential impacts on tariffs and so on. So in the extent it is included in the S&P it is there, but we have not massaged it on our side here. As you said, we do not have a better crystal ball here than anyone else.

And I think when it comes to India, I mean, we see that continue to improve overall. In 2024, it was around $120. And for next year, we expect it to rise to close to $140 and onwards here. So even $160 in sight here. So what we have alluded to before here about the growth opportunities in India, we see both the LVP and CPV contributing to this and with our 60% market share in India, we are well-positioned to capture this.

And it is 4%. India stands for 4% of our sales, which is basically equal to the South Korean market share.

Hampus Engellau: Thank you very much.

Mikael Bratt: Thank you.

Michael Jacks (Bank of America): Great. Hi, Mikael, Frederick, thanks for taking my questions as well. My first question, it would be great if you could share a more specific reading on the exit rate for call-off accuracy in Q4. It looks like it picks up quite nicely. And how that compares to the level that is built into the 2025 guidance?

And then my second question just goes back to the point on favourable forex transactional effects. I know, Fred, you do not want to give a very specific guide on that. However, does that does that imply that you see a net tailwind at an EBIT level, or are you just referring to some kind of an offset against the top-line forex headwinds that you are expecting?

Fredrik Westin: On the exit rate in terms of call-off stability, as you see in the graph there, we were at around 94% in the fourth quarter. And we saw a good development in Europe, Americas, and also in rest of Asia, whereas China continues to be at lower reliability levels.

And as we indicated here, we believe that 2025 on average should be at a better level than 2024 on average, so that it continues to be somewhere in the 90-95% range, which we believe is encouraging.

Michael, can you ask your second question again?

Michael Jacks: Yes, sure. Thanks for that. Just back to the point on transactional effects for forex. Does that statement or that guide imply that you see a net tailwind at an EBIT level from transactional effects, or is it meant to be just an offset against the top-line forex headwind that you have seen?

Fredrik Westin: As I said, I do not want to guide on the transactional effects for the full year. However, what we saw in the fourth quarter was a very positive development, obviously, on the US dollar to Mexican peso development. With our cost base in peso that had around $12 million positive transactional effect for us. However, then that was offset by, I already mentioned the currency pairings with the Japanese yen against the Thai baht, the US dollar against the Korean won, and then there were importing Euro-denominated products into Mexico, and they all roughly had about a $4 million negative effect. So that almost completely offset the positive effect we saw from the peso.

So it is depending on how these currencies move. You have the assumptions on our guidance slide here, what we are basing the forecast on, and then we will have to see where the FX rates end up.

Michael: Okay. Thank you, Fred. If I could just sneak in one final one, just in terms of your expectations around the phasing of improved outperformance in China. I think previously you were a little more confident that you could start to see some outperformance already at the beginning of 2025. Is that still the case, or is it more an H2 situation?

Mikael Bratt: No, I think what we have said here is that it will gradually improve here, and it is always difficult to be exact on the timing here due to, as you said, I mean, here we are seeing a real push due to the incentives that are in place, but we feel confident about the shifting trend here as a result of the increased share of the orders that we are taking. So we are on the right track and have to come back on the exact details as they come through.

Michael: Super. Thank you very much.

George Galliers (Goldman Sachs): Yes, good afternoon, and thank you for taking my questions. I had two questions, if I may. The first one just related to order intake and slides 11 and 12. It is very helpful on slide 12 to see the share of order take which is accruing to new OEMs, but if I apply that to the dollar order amount on slide 11, it would seem to imply that the absolute order intake from new OEMs was down year over year. Is that correct? And if yes, could you perhaps explain why that is? Is it because of the new OEMs also reconsidering product offerings, or is it related to the point you make around some of the Chinese OEMs having shorter lifetimes for their programmes?

The second question I had was with respect to shareholder returns. I appreciate the current buyback mandate and what is outstanding, but given the implied EBIT forecast for this year and also the guide on cash flow, is it reasonable to expect a step-up in shareholder returns once more in 2025?

If we look at the last three years, I think on average the step-up has been around $200 million per annum. Is there any reason not to assume that a similar step-up might be possible this year? And if it is, can you give us any insight into the split? It looks like the dividend has remained flat around the ~~$~~220 ~~million~~ mark. Should we expect any step-up to be more focused on buybacks and dividends? Thank you.

Mikael Bratt: Thank you. Let me start with the order intake there. The factors here, when you look at the value of order intake, is that we see many, mainly in the Western world here, pushing out in time the launches of new vehicles and thereby also the RFQs. And when it comes to the Chinese OEMs, there is, as we said, also the shortening lifetime. Those two main factors are adding up to the difference there.

I feel that we have an order intake here in order to support our ambition of safeguarding the market share that we have, which is around 45% as we move forward. And very encouraging in all this is that we also see the strong growth we have in the Chinese OEMs, that we have also described in detail here. This is more reflecting the dynamics in the industry right now than anything else.

When it comes to the return to the shareholders here, as you know, we cannot communicate anything around what we might do or not do in this regard more than what we have said in the past. That is that we have a very strong ambition here to be a shareholder-friendly company by returning liquidity to our shareholders. I think the last couple of years here show that we are serious about that. And what we also have indicated about the ability to generate liquidity going forward is also, I would say, something that supports that statement going forward.

We have the mandate we have today, and how and when we are using that, we have to report afterwards. As you know, we post on our homepage there with ~~on~~ a frequence of weekly basis.

On the direct dividend, we have the ambition to have a stable and increasing dividend in that. Yes, I think that is as much as we can say around that.

George Galliers: Thank you.

Agnieszka Vilela (Nordea): Perfect. I have two questions if I may. Starting with your market share, it was 44% in 2024, marginally lower than in 2023. Can you just say what was the reason for that, and also do you expect a further decline in the market share in 2025?

Mikael Bratt: No, thank you. As I said, I feel comfortable with the order book we have to support our market share around 45%. The difference you see between 2023 and 2024 is very marginal. And the main reason for that is actually that we have the strong growth of BYD in China, where we and no one else is selling to them, as they have their in-house manufacturer of safety products. However, we are selling, for example, inflators to them and that is not included in our market share, and I would say it is a meaningful volume to them. If you would count that, it would look different. In my book here, we are selling stable around 45%.

Agnieszka Vilela: Understood, a fair point. And then also you mentioned that Q1 will be a challenging quarter in terms of the operating margin. And when I look at your previous performance, usually the margin decreased by some 4 to 5 percentage points sequentially in Q1. Should we expect again a similar decrease now, or maybe even more pressure due to somewhat weaker Q-on-Q car production?

Fredrik Westin: I do not want to guide specifically on the first quarter, but if you look at what have been the drivers for the margin decline in the past couple of years, where it has been around 5 percentage points from Q4 to Q1, it has been the lower LVP. As we mentioned at the presentation, that was over the last three years a decline of 7% sequentially quarter over quarter. Right now, we are seeing a decline of 14%, so twice that number. And that, of course, would also have a higher impact on our operating leverage and also the operating income.

Then it is the very traditional or typical seasonality that we have on the engineering income side. That is not going to be any different this year than it has been in previous years.

And then also what we have seen in the last year is the combination of the fall away of lump sum recoveries that we then need to reinstate throughout the year, and inflation coming in. And that combined effect is lower this year than it has been in previous years. However, if you take all of the three combined, maybe that is not so dissimilar to what we have seen previously because of the larger LVP decline.

Agnieszka Vilela: Thank you so much.

Fredrik Westin: Thank you.

Mikael Bratt: I am pleased to invite you to our Capital Markets Day on 3rd June 2025. And I am looking forward to sharing with you how we see our way forward. More details to be announced shortly.

Before we conclude today's call, I want to emphasise our commitment to achieving our target of around 12% adjusted operating margin. Our focus remains on structural cost reduction, innovation, quality, and sustainability.

Despite significant market challenges such as fluctuating demand and lower LVP in important markets, we continued our strong performance. The positive trends in our cash flow and balance sheet reinforce our dedication to delivering strong shareholder returns.

Our first quarter call is scheduled for Wednesday, 16th April 2025.

Thank you all for joining today's call. We truly value your continued interest in Autoliv. Until next time, drive safely.

[END OF TRANSCRIPT]