



Autoliv, Inc. (ALV)

Updated February 3rd, 2025, by Josh Arnold

Key Metrics

| | | | | | |
|-----------------------------|-------|--|-------|----------------------------------|-------------------------|
| Current Price: | \$94 | 5 Year CAGR Estimate: | 20.8% | Market Cap: | \$7.5 B |
| Fair Value Price: | \$117 | 5 Year Growth Estimate: | 14.0% | Ex-Dividend Date: | 03/04/2025 ¹ |
| % Fair Value: | 80% | 5 Year Valuation Multiple Estimate: | 4.5% | Dividend Payment Date: | 03/13/2025 |
| Dividend Yield: | 3.0% | 5 Year Price Target | \$225 | Years Of Dividend Growth: | 5 |
| Dividend Risk Score: | D | Retirement Suitability Score: | D | Rating: | Buy |

Overview & Current Events

Autoliv is a global manufacturer of airbags, seatbelts, and steering wheels for automobile manufacturers all over the globe. The company is the industry leader in a critical and growing segment of the automobile manufacturing process. It was founded in 1953 and since then, has grown to 65,000 employees, more than \$10 billion in revenue this year and a \$7.5 billion market capitalization. Autoliv is listed in both New York and Stockholm and is headquartered in the latter city; we use the New York listing and U.S. dollars for this report.

Autoliv posted fourth quarter and full-year earnings on January 31st, 2025, and results were mixed. The company saw adjusted earnings-per-share of \$3.05, which was 16 cents per share ahead of expectations. Revenue was off 5% year-over-year to \$2.62 billion, missing estimates by \$90 million.

The company noted a record high for operating profit, operating margin, and earnings despite the fact that sales declined 5% year-over-year due to currency translation and sales mix. Adjusted operating margin was 13.4% of revenue, which was aided by strict cost controls and labor productivity gains. Headcount declined 9% year-over-year on fewer direct production personnel. Gross margin was 21% of revenue, up 180 basis points year-over-year.

The company has \$480 million remaining on its share repurchase program heading into 2025. In Q4, \$102 million was spent on repurchases.

Management expects organic sales to grow about 2% this year, operating margin to be 10% to 10.5% of revenue, and operating cash flow of \$1.2 billion. We start 2025 with an estimate of \$8.35 in adjusted earnings-per-share, which would be almost exactly what the company did in 2024.

Growth on a Per-Share Basis

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2030 |
|---------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------------|----------------|
| EPS | \$5.17 | \$6.42 | \$4.87 | \$6.83 | \$5.72 | \$3.15 | \$5.02 | \$4.50 | \$8.19 | \$8.32 | \$8.35 | \$16.08 |
| DPS | \$2.22 | \$2.30 | \$2.38 | \$2.46 | \$2.48 | \$0.62 | \$1.88 | \$2.58 | \$2.66 | \$2.74 | \$2.80 | \$3.75 |
| Shares² | 88 | 88 | 87 | 87 | 87 | 87 | 88 | 88 | 83 | 78 | 75 | 65 |

Autoliv's earnings-per-share has been volatile in the past decade, and the overall trajectory has been flat. The company struggled during the Great Recession given its exposure to the automobile market, which of course declined significantly as a result of the economic downturn. However, the recovery was swift and strong. We're estimating long-term earnings growth of 14% annually from this year's base, which is higher than prior estimates. We like the company's margin expansion and buyback program to power earnings-per-share.

Autoliv is performing well against benchmarks over the long term. Light vehicle production is generally back to normalized levels, but there was a sizable decline in late-2021 due to supply constraints globally, and there are signs of continued volatility. We note that Autoliv's level of outperformance against LVP has remained strong throughout all portions of the cycle. Outperformance has narrowed in recent periods, and we note that if LVP continues to weaken, Autoliv would likely suffer as a result.

¹ Estimated date

² Share count in millions

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



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Valuation Analysis

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | Now | 2030 |
|-----------|------|------|------|------|------|------|------|------|------|------|-------------|-------------|
| Avg. P/E | 22.2 | 17.1 | 23.1 | 14.1 | 13.3 | 22.7 | 19.1 | 17.0 | 13.5 | 11.3 | 11.3 | 14.0 |
| Avg. Yld. | 1.9% | 2.1% | 2.1% | 2.5% | 3.3% | 0.9% | 2.0% | 3.4% | 2.4% | 2.9% | 3.0% | 1.7% |

Autoliv's price-to-earnings ratio has declined since our last report to 11.3 times our earnings estimate for 2025. We see fair value at 14 times earnings, which is more normalized based upon historical data, and the fact that global vehicle production is clearly weak. Given the move in the valuation, we see a meaningful positive impact from the valuation going forward.

The current yield is 3%, meaning it's quite an attractive income stock in addition to its growth prospects.

Safety, Quality, Competitive Advantage, & Recession Resiliency

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2030 |
|--------|------|------|------|------|------|------|------|------|------|------|------------|------------|
| Payout | 43% | 36% | 49% | 36% | 43% | 20% | 37% | 57% | 32% | 33% | 34% | 23% |

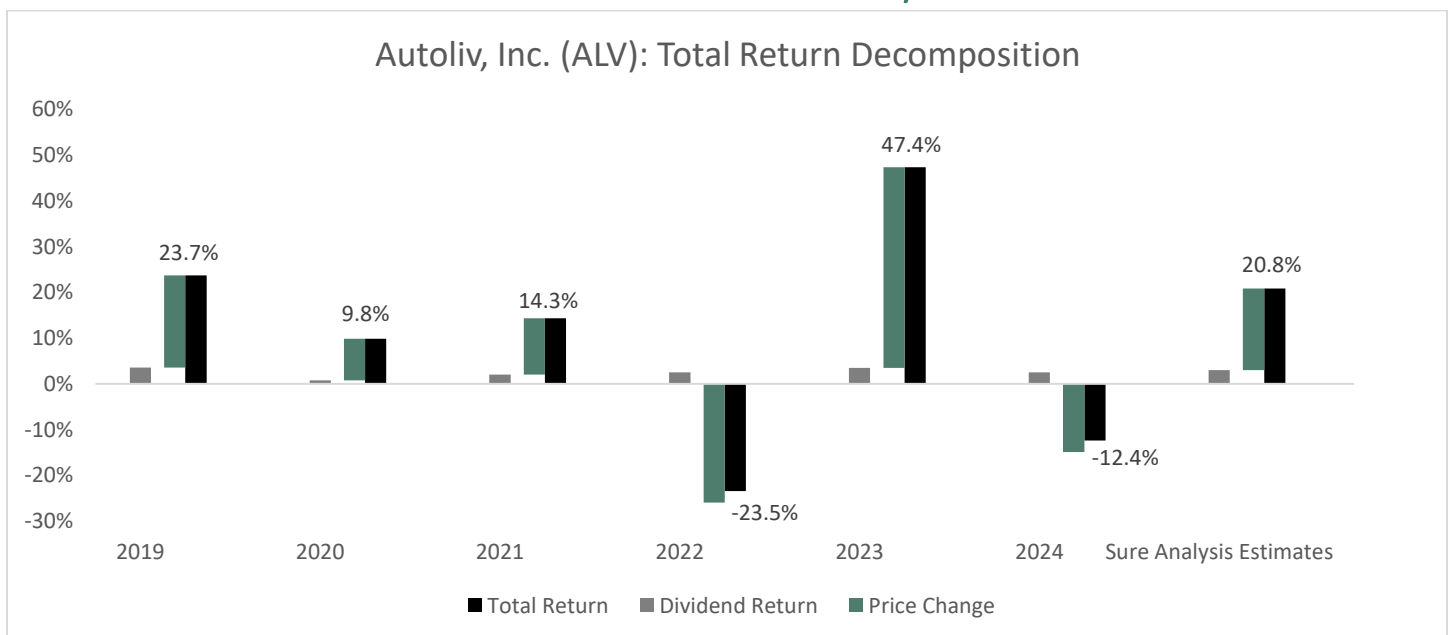
We expect moderate dividend growth given management is likely to be shy about raising it to the point where it may need to be cut again in the future. The current payout ratio of 34% is more than sustainable.

Autoliv's competitive advantage is in its strong market share and the fact that it counts every major global automaker among its customers. It undoubtedly suffered in 2020, as it did during the last recession, but has rebounded. Autoliv continues to get multiple products in major vehicle launches across the world, reaffirming its strong market position, but it will remain reliant upon global light vehicle production.

Final Thoughts & Recommendation

Autoliv's valuation is slightly lower since our last update. Revenue and margins were good once more in Q4, and guidance is more modest for 2025. The dividend is growing, and we see Autoliv's total return outlook as exceptional at 20.8% annually, based on projected growth of 14%, a 4.5% tailwind from the valuation, and the 3% yield. Given the double-digit projected returns, we're reiterating the stock at a buy rating, but note the weakening market for global auto production is a big wildcard. These risks, however, appear to be priced in.

Total Return Breakdown by Year



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Income Statement Metrics

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|-------------------------|-------|-------|-------|-------|-------|-------|-------|-------|--------|--------|
| Revenue | 9,170 | 7,922 | 8,137 | 8,678 | 8,548 | 7,447 | 8,230 | 8,842 | 10,475 | 10,390 |
| Gross Profit | 1,844 | 1,628 | 1,680 | 1,711 | 1,584 | 1,247 | 1,511 | 1,396 | 1,822 | 1,927 |
| Gross Margin | 20.1% | 20.6% | 20.6% | 19.7% | 18.5% | 16.7% | 18.4% | 15.8% | 17.4% | 18.5% |
| SG&A Exp. | 412 | 394 | 407 | 390 | 399 | 389 | 432 | 437 | 498 | 530 |
| D&A Exp. | 319 | 383 | 426 | 397 | 351 | 371 | 394 | 363 | 378 | 387 |
| Operating Profit | 728 | 831 | 860 | 686 | 726 | 382 | 675 | 659 | 690 | 980 |
| Operating Margin | 7.9% | 10.5% | 10.6% | 7.9% | 8.5% | 5.1% | 8.2% | 7.5% | 6.6% | 9.4% |
| Net Profit | 457 | 567 | 427 | 190 | 462 | 187 | 435 | 423 | 488 | 646 |
| Net Margin | 5.0% | 7.2% | 5.2% | 2.2% | 5.4% | 2.5% | 5.3% | 4.8% | 4.7% | 6.2% |
| Free Cash Flow | 260 | 361 | 356 | 31 | 165 | 509 | 296 | 128 | 410 | 480 |
| Income Tax | 218 | 224 | 204 | 235 | 186 | 103 | 177 | 178 | 123 | 227 |

Balance Sheet Metrics

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Total Assets | 7,526 | 8,234 | 8,550 | 6,722 | 6,771 | 8,157 | 7,537 | 7,717 | 8,332 | 7,804 |
| Cash & Equivalents | 1,334 | 1,227 | 960 | 616 | 445 | 1,178 | 969 | 594 | 498 | 330 |
| Accounts Receivable | 1,788 | 1,960 | 1,697 | 1,652 | 1,627 | 1,822 | 1,699 | 1,907 | 2,198 | 1,993 |
| Inventories | 711 | 773 | 704 | 758 | 741 | 798 | 777 | 969 | 1,012 | 921 |
| Goodwill & Int. Ass. | 1,794 | 2,083 | 1,440 | 1,423 | 1,410 | 1,412 | 1,395 | 1,382 | 1,385 | 1,375 |
| Total Liabilities | 4,057 | 4,308 | 4,381 | 4,825 | 4,649 | 5,734 | 4,889 | 5,091 | 5,762 | 5,519 |
| Accounts Payable | 1,170 | 1,197 | 957 | 978 | 951 | 1,254 | 1,144 | 1,693 | 1,978 | 1,799 |
| Long-Term Debt | 1,539 | 1,543 | 1,330 | 2,230 | 2,094 | 2,411 | 2,008 | 1,765 | 1,862 | 1,909 |
| Shareholder's Equity | 3,456 | 3,677 | 4,035 | 1,884 | 2,109 | 2,409 | 2,633 | 2,613 | 2,557 | 2,276 |
| LTD/E Ratio | 0.45 | 0.42 | 0.33 | 1.18 | 0.99 | 1.00 | 0.76 | 0.68 | 0.73 | 0.84 |

Profitability & Per Share Metrics

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|-------------------------|-------|-------|-------|-------|-------|-------|-------|--------|--------|--------|
| Return on Assets | 6.1% | 7.2% | 5.1% | 2.5% | 6.8% | 2.5% | 5.5% | 5.5% | 6.1% | 8.0% |
| Return on Equity | 13.3% | 15.9% | 11.1% | 6.4% | 23.1% | 8.3% | 17.3% | 16.1% | 18.9% | 26.6% |
| ROIC | 9.1% | 10.8% | 7.8% | 4.0% | 11.1% | 4.1% | 9.2% | 9.4% | 11.1% | 15.0% |
| Shares Out. | 88 | 88 | 87 | 87 | 87 | 87 | 88 | 87.2 | 85.2 | 80.4 |
| Revenue/Share | 103.7 | 89.61 | 92.78 | 99.41 | 97.91 | 85.11 | 93.84 | 101.40 | 122.95 | 129.23 |
| FCF/Share | 2.94 | 4.08 | 4.06 | 0.35 | 1.89 | 5.82 | 3.38 | 1.47 | 4.81 | 5.97 |

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

Disclaimer

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