

## Autoliv, Inc.(ALV)

**\$62.59** (As of 03/10/20)

Price Target (6-12 Months): **\$66.00**

Long Term: 6-12 Months

**Zacks Recommendation:**

**Neutral**

(Since: 09/10/19)

Prior Recommendation: Underperform

Short Term: 1-3 Months

**Zacks Rank:** (1-5)

**4-Sell**

Zacks Style Scores:

VGM:B

Value: B

Growth: B

Momentum: D

## Summary

Autoliv's innovative product launches are likely to bolster the firm's sales. Autoliv's order intake is supporting its growth opportunities. The company is expecting organic sales growth of 3-4% in 2020 due to ramp up of new vehicle programs. Further, the firm is employing continuous improvement activities to recover productivity and reduce costs. In sync with this, it is working on redesigning of its production line. However, Autoliv expects light-vehicle markets to witness slump due to softening consumer confidence, trade tariffs and regulatory changes. Global vehicle sales in the U.S, European and Chinese market is expected to fall in 2020, which may lead adversely impact the firm. The company's gross margin is under strain primarily due to high raw material and the trend is expected to continue.

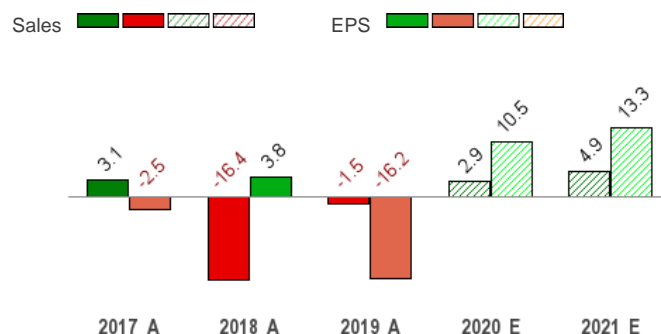
## Price, Consensus & Surprise



## Data Overview

52 Week High-Low	<b>\$87.01 - \$57.54</b>
20 Day Average Volume (sh)	<b>673,950</b>
Market Cap	<b>\$5.5 B</b>
YTD Price Change	<b>-25.9%</b>
Beta	<b>1.54</b>
Dividend / Div Yld	<b>\$2.48 / 4.0%</b>
Industry	<a href="#">Automotive - Original Equipment</a>
Zacks Industry Rank	<b>Bottom 28% (183 out of 253)</b>

## Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	<b>3.4%</b>
Last Sales Surprise	<b>2.3%</b>
EPS F1 Est- 4 week change	<b>-1.8%</b>
Expected Report Date	<b>04/24/2020</b>
Earnings ESP	<b>4.1%</b>
P/E TTM	<b>10.9</b>
P/E F1	<b>9.9</b>
PEG F1	<b>1.3</b>
P/S TTM	<b>0.6</b>

## Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	2,263 E	2,309 E	2,236 E	2,461 E	9,230 E
2020	2,115 E	2,189 E	2,159 E	2,380 E	8,798 E
2019	2,174 A	2,155 A	2,028 A	2,192 A	8,548 A

## EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$1.55 E	\$1.74 E	\$1.66 E	\$2.31 E	\$7.16 E
2020	\$1.29 E	\$1.49 E	\$1.53 E	\$2.11 E	\$6.32 E
2019	\$1.20 A	\$1.38 A	\$1.30 A	\$1.84 A	\$5.72 A

\*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 03/10/2020. The reports text is as of 03/11/2020.

## Overview

Autoliv Inc., based in Stockholm, Sweden, is a holding company that operates through two principal subsidiaries — Autoliv AB and Autoliv ASP. In 1997, it was formed from the merger of Autoliv AB and the automotive safety products business of Morton International, Inc.

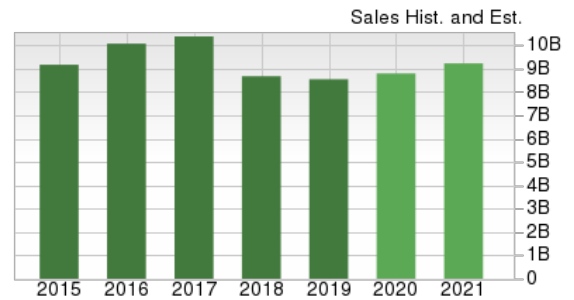
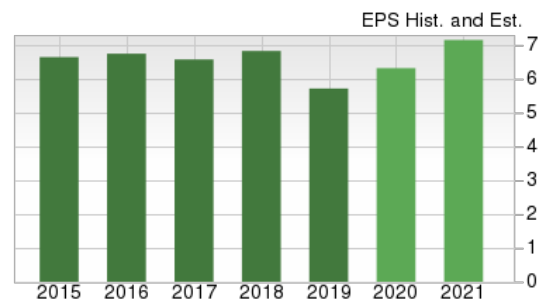
The company develops, manufactures and markets a wide range of automotive safety systems, which majorly includes passive safety systems. Systems offered by Autoliv include modules and components for frontal-impact airbag protection systems, side-impact airbag protection systems, seatbelts, steering wheels, inflator technologies, battery cable cutters, pedestrian protection systems and child seats.

Beside joint venture operations, the company has 58,000 employees at 64 production hubs in 25 countries. The facilities consist of component hubs and assembly factories. Autoliv's business is conducted in five geographical regions, which includes Europe, the Americas, China, Japan and the Rest of Asia (ROA). Its customers include Mitsubishi Motors Corporation, Nissan Motor Company, Renault S.A., Ford Motor Company, Volkswagen A.G., Hyundai, Daimler AG, General Motors Company and Fiat Chrysler Automobiles N.V., among others.

Of the total annual sales of \$8.5 billion in 2019, roughly 66% consisted of airbag and steering wheel product sales, and the rest 34% are from seatbelt products.

On Jun 29, 2018, Autoliv completed the spin-off of its Electronics business to Veoneer, Inc. Following the completion of the spin-off, the company is focused on occupant safety products. The total cost of separation in 2017 and 2018, including tax effects, amounted roughly \$105 million.

Autoliv also engages in joint ventures to expand geographical expansion, develop technology and gain support to market its full product line to vehicle manufacturers.



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## Reasons To Buy:

- ▲ Autoliv regularly launches innovative products to bolster sales. The company has also received many awards for the same. Additionally, in order to increase organic growth, the company is ramping up its product launch targets. The company expects a 3-4% of organic sales growth in 2020.
- ▲ Autoliv's order intake grew continuously, supporting its growth opportunities. It booked around 50% of the available order value in 2018, which marked the fifth consecutive year of booking around or more than 50% of available order value. Further, Autoliv is employing continuous improvement activities to recover productivity and reduce costs. In sync with this, it is working on redesigning of its production line. It envisions adjusted operating margin of at least 9.5% in 2020 as against 8.5% in 2019.
- ▲ Strong balance sheet with a manageable leverage ratio is a positive. Additionally, Autoliv actively pursues capital deployment strategies to boost shareholder value, thus, maintaining an efficient capital structure. The firm's dividend yield of 3.2% compares favorably with the industry's yield of 1.17%.

Autoliv is likely to benefit from high order intake, cost reduction initiatives and product launches.

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### Reasons To Sell:

- ▼ Over the past year, shares of Autoliv have underperformed the industry it belongs to. For 2020, Autoliv expects light-vehicle markets to witness slump due to softening consumer confidence, trade tariffs and regulatory changes. Global vehicle production and sales are expected to be weak across major key markets including The United States, Europe and China in 2020, which does not bode well for automotive suppliers like Autoliv.
- ▼ The company's gross margin is under strain primarily due to high raw material and the trend is expected to continue. Launch-related costs, currency volatility, RD&E expenses, lower capacity utilization of supply-chain production and logistic systems are other headwinds. In the coming quarters, product introductions are expected to keep costs at high levels.
- ▼ Though Autoliv occupies a leading position in the market, it faces stiff competition in passive safety products from TRW Automotive Holdings Corp., which was acquired by the German group, ZF Friedrichshafen. The combined company is the third-largest automotive supplier, globally. Moreover, the market for active safety products is fragmented, resulting in many competitors.

Softening of light-vehicle production and trade tariffs are concerns for Autoliv. Also, rise in raw material and product launch-related costs hurts its margin.

## Last Earnings Report

### Autoliv Q4 Earnings Beat Estimates, Up Y/Y

Autoliv reported adjusted earnings of \$1.84 per share in fourth-quarter 2019, beating the Zacks Consensus Estimate of \$1.78. Higher-than-expected revenues across both its segments led to this outperformance. The bottom-line figure also increased from the prior-year quarter tally of \$1.42.

The company reported net sales of \$2,191million in the quarter, down from the prior-year quarter figure of 2,193 million. However, the figure beat the Zacks Consensus Estimate of \$2.14 billion.

Adjusted operating income inched up 1% year over year to \$242 million. Adjusted operating margin from continuing operations was 11.1% in the reported quarter, higher than the prior-year quarter's 10.9%.

### Segmental Performance

Sales in the Airbags and Associated Products segment totaled \$1,444 million, topping the Zacks Consensus Estimate of \$1,428 million. However, revenues from the segment edged down around 1.37%, year over year. The company faced headwinds from lower inflator sales as well as bleak sales of inflatable curtains and side airbags, resulting in this decline. Nonetheless, solid performance of driver and knee airbags, steering wheels, and passenger airbags mainly stoked the segment's growth in the fourth quarter.

Sales in the Seatbelts and Associated Products segment totaled \$747.6 million, up 2.5% from the prior-year quarter and surpassed the consensus mark of \$721 million. Stellar performance in China and Americas, partly offset by declines in Japan and South Korea, aided this outperformance.

### Financial Position

Autoliv had cash and cash equivalents of \$444.7 million as of Dec 31, 2019, lower than \$615.8 million reported as of Dec 31, 2018. Long-term debt was \$1.73 billion as of Dec 31, 2019, witnessing an increase from \$1.61 billion as of Dec 31, 2018. The long-term debt-to-capital ratio stands at 44.85%.

Net capital expenditure decreased to \$118 million from the year-ago figure of \$133.4 million during the reported quarter.

### Guidance

For 2020, Autoliv's organic sales growth as well as net sales growth is expected to be 3-4%. Further, adjusted operating margin is projected at 9.5%.

Quarter Ending **12/2019**

Report Date	<b>Jan 28, 2020</b>
Sales Surprise	<b>2.33%</b>
EPS Surprise	<b>3.37%</b>
Quarterly EPS	<b>1.84</b>
Annual EPS (TTM)	<b>5.72</b>

## Valuation

Autoliv's shares are down 25.3% and 16.5% in the year-to-date period and over the trailing 12 months, respectively. Stocks in the Zacks Automotive - Original Equipment industry and the Zacks Automotive sector are down 20.8% and 10.8%, respectively, in the year-to-date period. Over the past year, the Zacks sub-industry and sector are down 14.7% and up 0.1%, respectively.

The S&P 500 index is down 10.2% in the year-to-date period and up 4.4% in the past year.

The stock is currently trading at 9.58X forward 12-month earnings, which compares to 10.22X for the Zacks sub-industry, 9.28X for the Zacks sector and 15.75X for the S&P 500 index.

Over the past five years, the stock has traded as high as 21.15X and as low as 8.64X, with a 5-year median of 15.43X.

Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$66 price target reflects 10.11X F12M earnings per share.

The table below shows summary valuation data for ALV:

Valuation Multiples - ALV					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	9.58	10.22	9.28	15.75
	5-Year High	21.15	13.46	11.75	19.34
	5-Year Low	8.64	8.52	8.23	15.18
	5-Year Median	15.43	11.59	9.88	17.42
EV/EBITDA TTM	Current	6.54	5.58	9.88	11.04
	5-Year High	10.86	8.66	11.35	12.87
	5-Year Low	5.12	4.64	7.05	8.49
	5-Year Median	7.95	6.59	9.36	10.79
P/S F12M	Current	0.61	0.49	0.56	2.91
	5-Year High	1.24	0.81	0.76	3.44
	5-Year Low	0.57	0.49	0.5	2.54
	5-Year Median	0.9	0.64	0.62	3

As of 03/10/2020

## Industry Analysis Zacks Industry Rank: Bottom 28% (183 out of 253)



## Top Peers

Adient PLC (ADNT)	Neutral
Allison Transmission Holdings, Inc. (ALSN)	Neutral
Dana Incorporated (DAN)	Neutral
Delphi Technologies PLC (DLPH)	Neutral
Toyota Motor Corporation (TM)	Neutral
Cooper-Standard Holdings Inc. (CPS)	Underperform
Continental AG (CTTAY)	Underperform
Tenneco Inc. (TEN)	Underperform

Industry Comparison Industry: Automotive - Original Equipment				Industry Peers		
	ALV Neutral	X Industry	S&P 500	CPS Underperform	CTTAY Underperform	DLPH Neutral
<b>VGM Score</b>	<b>B</b>	-	-	<b>C</b>	<b>A</b>	<b>A</b>
Market Cap	5.46 B	571.95 M	20.21 B	257.69 M	18.63 B	1.06 B
# of Analysts	6	3	13	2	3	6
Dividend Yield	3.96%	0.00%	2.18%	0.00%	3.99%	0.00%
<b>Value Score</b>	<b>B</b>	-	-	<b>A</b>	<b>A</b>	<b>A</b>
Cash/Price	0.08	0.14	0.05	1.43	0.13	0.18
EV/EBITDA	6.42	4.25	12.36	2.39	2.62	6.37
PEG Ratio	1.25	0.96	1.78	NA	4.03	0.61
Price/Book (P/B)	2.57	1.03	2.77	0.29	1.05	2.33
Price/Cash Flow (P/CF)	6.42	3.87	11.04	1.73	3.09	2.51
P/E (F1)	9.75	8.71	16.09	NA	8.90	6.08
Price/Sales (P/S)	0.64	0.35	2.17	0.08	0.37	0.24
Earnings Yield	10.10%	10.93%	6.20%	-1.24%	11.27%	16.48%
Debt/Equity	0.87	0.51	0.70	0.92	0.19	3.20
Cash Flow (\$/share)	9.74	3.79	7.01	8.83	3.01	4.91
<b>Growth Score</b>	<b>B</b>	-	-	<b>D</b>	<b>A</b>	<b>C</b>
Hist. EPS Growth (3-5 yrs)	-1.99%	7.17%	10.85%	-8.50%	NA	NA
Proj. EPS Growth (F1/F0)	10.52%	4.91%	6.14%	0.00%	503.88%	-16.67%
Curr. Cash Flow Growth	-14.39%	-2.66%	6.09%	-51.63%	4.55%	-28.18%
Hist. Cash Flow Growth (3-5 yrs)	-0.08%	6.21%	8.52%	-5.55%	3.42%	NA
Current Ratio	1.25	1.56	1.24	1.67	1.05	1.35
Debt/Capital	46.51%	38.59%	42.57%	47.93%	16.21%	76.18%
Net Margin	5.40%	3.15%	11.69%	1.95%	-0.38%	0.39%
Return on Equity	24.56%	13.35%	16.74%	-1.13%	-0.81%	43.64%
Sales/Assets	1.27	1.30	0.54	1.15	1.04	1.14
Proj. Sales Growth (F1/F0)	2.92%	0.00%	3.71%	-5.10%	1.07%	-5.06%
<b>Momentum Score</b>	<b>D</b>	-	-	<b>F</b>	<b>F</b>	<b>D</b>
Daily Price Chg	8.46%	3.38%	4.87%	9.68%	4.32%	9.03%
1 Week Price Chg	-6.07%	-6.59%	-0.67%	-13.77%	-13.56%	-11.12%
4 Week Price Chg	-17.50%	-19.24%	-15.65%	-37.32%	-17.78%	-18.79%
12 Week Price Chg	-27.22%	-25.79%	-13.60%	-49.80%	-30.63%	-7.85%
52 Week Price Chg	-19.32%	-22.30%	-2.27%	-73.12%	-41.19%	-38.28%
20 Day Average Volume	673,950	180,259	2,778,843	311,117	232,265	2,741,143
(F1) EPS Est 1 week change	-0.78%	0.00%	0.00%	0.00%	-2.79%	0.00%
(F1) EPS Est 4 week change	-1.82%	0.00%	-0.16%	-110.86%	-9.51%	-0.65%
(F1) EPS Est 12 week change	-4.67%	-3.05%	-0.57%	-110.48%	-15.82%	-6.41%
(Q1) EPS Est Mthly Chg	-1.78%	-2.08%	-0.49%	-495.45%	NA	6.73%

## Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	<b>B</b>
Growth Score	<b>B</b>
Momentum Score	<b>D</b>
VGM Score	<b>B</b>

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

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