

# Autoliv comes out on top after Takata's airbag mess



Autoliv CEO Jan Carlson: "This was something that we not only had to do ... this is something we want to do."

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(Bloomberg) -- When the deadly problems with Takata airbag inflators sent the world's major automakers searching for a new supplier, they didn't have to look far.

Autoliv, the largest automotive-safety parts company in the world, supplies seat belts, steering wheels, and airbags to virtually every major manufacturer. A massive production network -- the company has 78 factories in 27 countries -- means Autoliv has been able to step in and fill the vacuum created by Takata's woes.

"Everyone in the industry saw that Autoliv would benefit" from Takata's crisis, says Andreas Brock, a Stockholm-based fund manager at Coeli Asset Management.

Incidents of Takata inflators rupturing and spraying plastic and metal shards at passengers have resulted in at least nine deaths in the U.S. since 2009.

About 28 million Takata airbag inflators have been recalled in the U.S. in the past few years; recalls of 60 million are in progress worldwide.

"We're committed to being part of the solution to this highly complex matter and appreciate the support we've received from other inflator manufacturers," says Dan Underwood, a Takata spokesman.

Autoliv's share of the air bag market in 2015: 41 percent.

Autoliv, meanwhile, expects to make 20 million replacement inflators; some orders are still being finalized. Production began in 2015 and is expected to continue through 2017 and possibly into 2018. The company is adding a dozen production lines at several factories to handle the work.

"This was something that we not only had to do ... this is something we want to do," says Autoliv CEO Jan Carlson. "Airbags, we should remember, are a lifesaving product." More than half of the company's \$9.2 billion in overall sales came from airbags in 2015. The company says it won about half of all frontal air bag orders for new cars last year.

### **The safety business**

This isn't a new business for Autoliv, based in Stockholm and Auburn Hills, Mich. Founded as a car and tractor repair shop in the 1950s, it started producing airbags in 1980. For decades it's made airbags and inflators for leading carmakers. Takata first started supplying airbags in 1983 for police agencies and U.S. test fleets, with production ramping up in 1987.

Amid the rash of safety recalls, Autoliv has emerged relatively unscathed.

In 2015 more than 40 million vehicles were recalled to fix seat belts, electronic components, or airbags -- three of Autoliv's biggest businesses. Yet its products have been involved in only about 1 percent of those recalls since 2010.

Carmakers have also turned to Japan's Daicel and Germany's ZF Friedrichshafen for replacement inflators. And China's Ningbo Joyson Electronic, a leading global auto parts supplier, sees an opening: It's buying airbag maker Key Safety Systems for \$920 million.

While Autoliv predicts overall sales will grow about 7 percent annually through the end of the decade, CEO Carlson says it's too soon to tell how sustainable the gains will be.

### **'Quality product'**

"That we provide a quality product that is robust and can do the job may put customers' views on market share, at least for the time being, in a different light," he says.

Autoliv is also committing more resources to technology to prevent or mitigate crashes in autonomous cars. Radar, vision sensors, and other systems in models ranging from the Chevrolet Malibu to the Mercedes-Benz E class could generate about \$3 billion in electronics sales annually by the end of 2019, Autoliv predicts, with total revenue reaching \$12 billion a year.

"We will have crash-avoidance systems that we'll be able to trust ... in the same way that we trust seat belts and air bags to save our lives," Carlson says. "They have to be fully reliable. They will have to be quality-first products."

