

W U T I S

Visteon

Equity Research Division

Visteon Corporation

A play on automotive cockpit technology -
From established player to revolutionizer

Target Price: \$ 163.65

Current Price: \$ 141.61

Upside Potential: 15.6%

Recommendation: BUY

Investment Horizon: 2 Years

Vienna, 27.01.2023

Team Overview

Equity Research



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- Task distribution
- Story guideline



- BSc. (WU) – 5th Sem.



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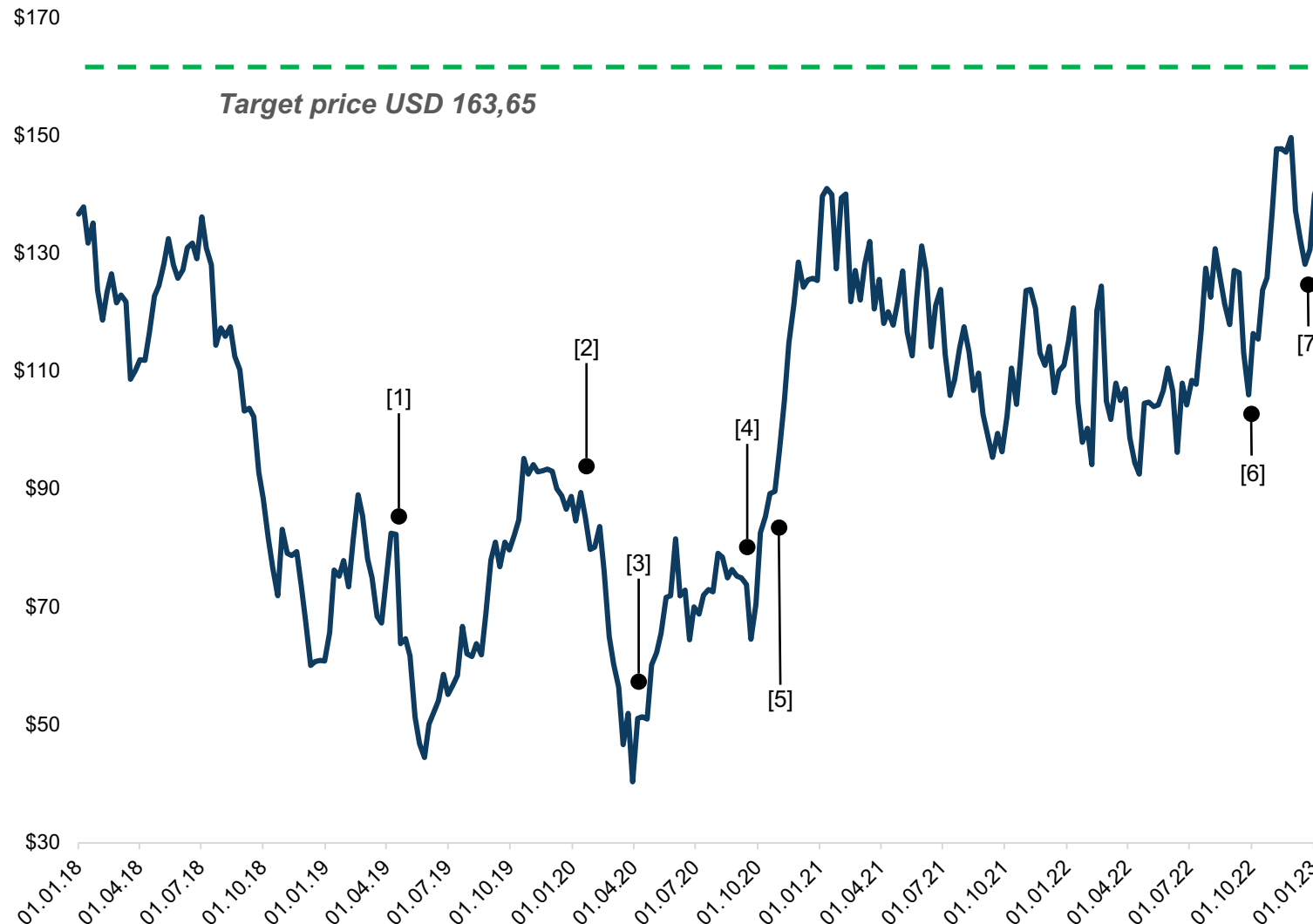


- BSc. (WU) – 3rd Sem.

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Share Price Performance

New product announcements have strongly driven VC's stock performance



Share Price – Major Events

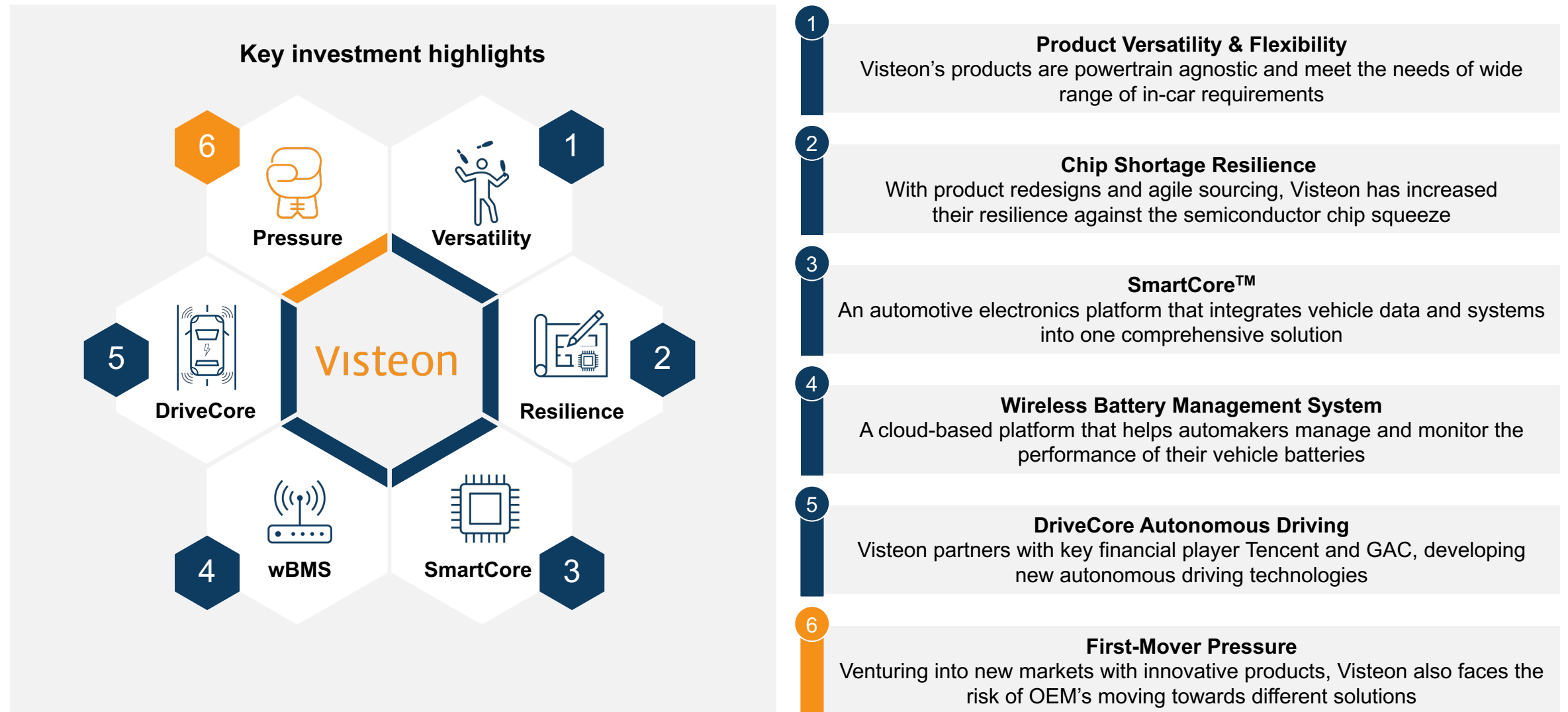
- [1] April 2019 (-24.7%) – Q2 earnings **crash**
- [2] Feb 2020 (-22.5%) – **Covid-19** supply chain hit
- [3] April 2020 (+27.8%) – Demonstration of newest “**SmartCore Cockpit**” with the first third-generation Qualcomm Snapdragon Automotive Cockpit Platform
- [4] Oct 2020 (+38.2%) – Visteon approves **construction plan**, reduce global head count
- [5] Nov 2020 (+12.5%) – Visteon unveils a **sustainable wireless BMS** for new EV line of **General Motors**
- [6] Oct 2022 (+23.5%) – Q3 announcement with **record numbers**
- [7] Jan 2023 (+10%) – Announcements of Visteon and **Qualcomm** working on next generation **Digital Cockpit** and further additional electrification **technology** for BMS

Key Stats

- **Spin off:** in 2000 from Ford Motors Company
- **Close (Jan 22):** USD 141.61
- **52-week range:** USD 88.82 - 152.10
- **Market Capitalization (Jan 23):** USD 4.06bn

Investment Thesis

Visteon combines the capabilities of an established player with the innovation of a successful start-up





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Company Overview & Business Model

Company Overview

A global leader in digital cockpit electronics with an experienced management team

Company Description

Visteon Corporation is an **automotive technology company** that engineers, designs, and manufactures **automotive electronics** and connected car solutions for vehicle manufacturers worldwide



Headquarters
Michigan, USA



Foundation
2000



Employees
10,000



Coverage
17 countries

Financials

In USD m	2018	2019	2020	2021	Q1-3 2022
Revenue	2,984	2,945	2,548	2,773	2,692
YoY growth %	-5.1%	-1.3%	-13.5%	8.8%	-2.9%
EBIT	223	115	-9	89	126
EBIT margin %	7.5%	3.9%	-0.4%	3.2%	4.7%
Total assets	2,007	2,271	2,271	2,234	2,326

Management Board



Sachin Lawande
CEO
Since 2015



Brett Pynnonen
Senior VP & General Counsel
Joined Visteon in 2016



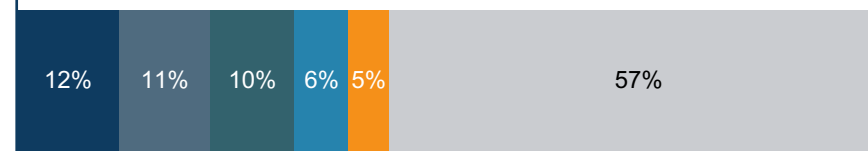
Jerome Rouquet
Senior VP and CFO
Joined Visteon in 2020



Joao Paolo Ribeiro
Senior VP, Operations & SC
Joined Visteon in 1998

> **Broad and long-term experience** in the automotive industry

Shareholder Structure



■ BlackRock, Inc.
■ The Vanguard Group, Inc.
■ Invesco Ltd.
■ Wellington Management Group LLP
■ Janus Henderson Group plc
■ Others

> **99% held by institutional investors, mainly traditional investment firms**

Strong global manufacturing footprint to cater to a global customer base

Key Sites

DriveCore & SmartCore

The technical center in Karlsruhe leads the development of the SmartCore and DriveCore system

Asia-Pacific Manufacturing Center

The plant in Shanghai houses 1,300 employees and produces Visteon's full product range

Headquarter in Michigan, USA

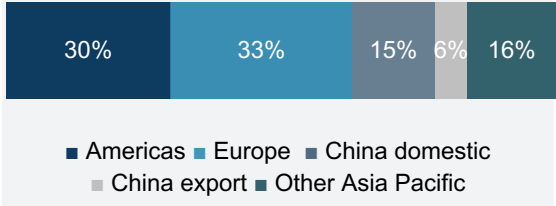
Besides the HQ, Visteon also operates R&D centers in Michigan that work closely together with US customers

Digital Displays & Instrument Clusters

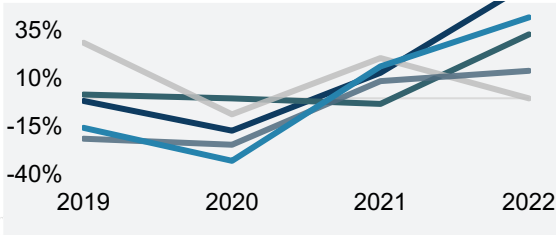
Visteon's largest plant for digital displays and instrumental clusters started production in January 2023

Revenue by Region

Key Markets



Revenue Growth



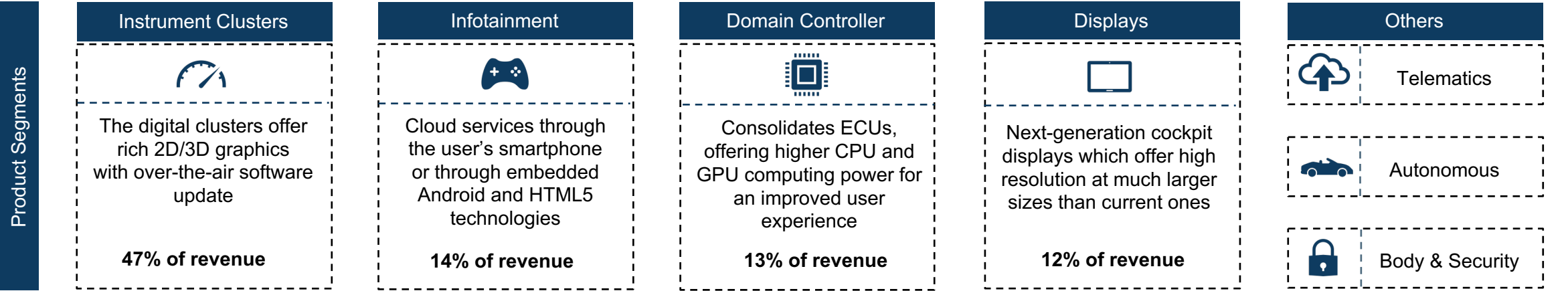
Key Stats

- 4 continents
- 13 manufacturing plants
- 34 technical centers
- Aggressive expansion in India

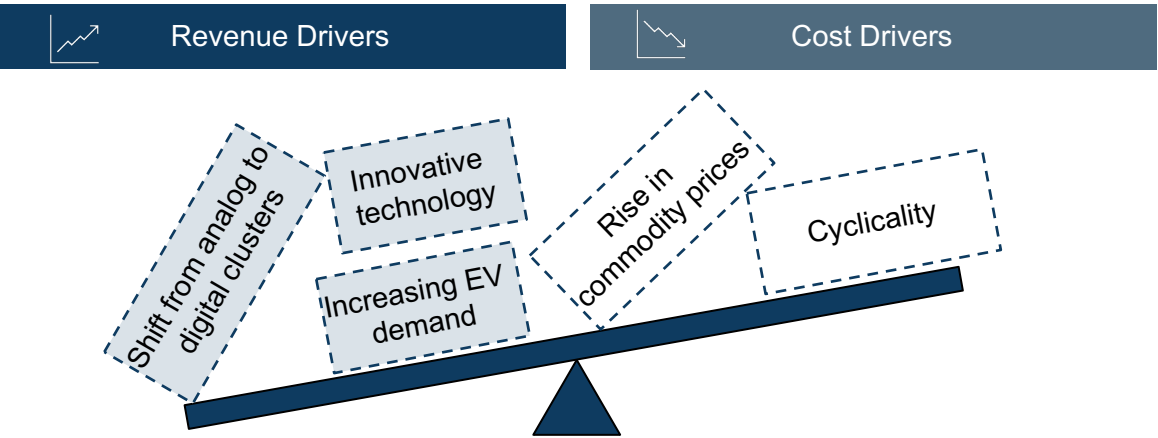
Business Model

Visteon is a pure play cockpit electronics player

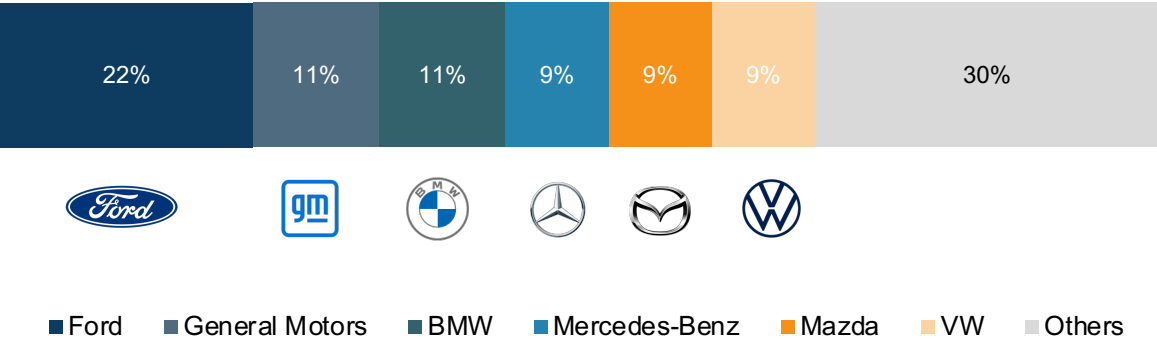
Product Portfolio

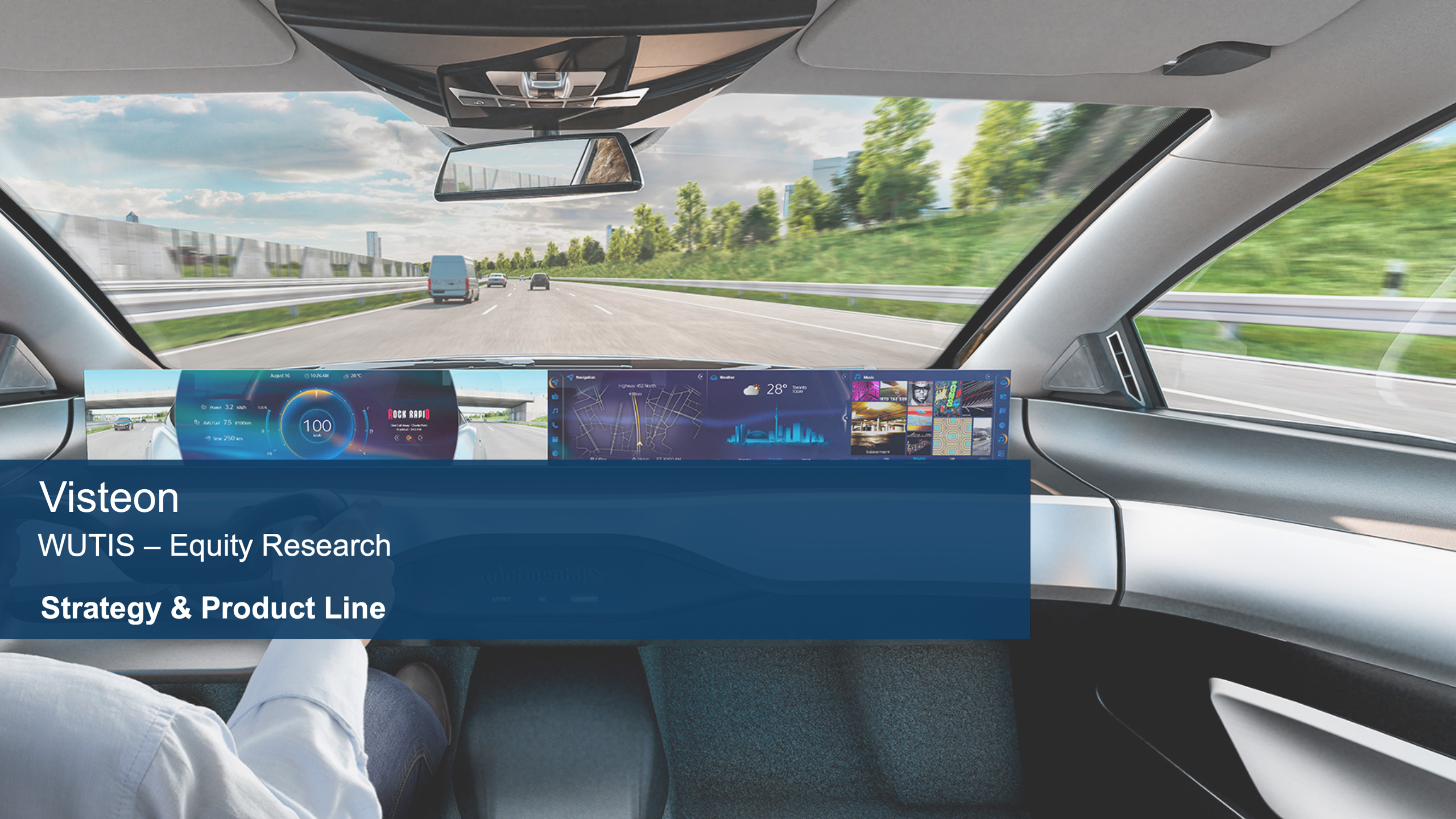


Revenue and Cost Drivers



Customers





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Strategy & Product Line

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Wireless Battery Management System

First step to become a true market leader with a first-to-market solution to revolutionize the EV industry

Current Industry Standard



Currently most standard battery management systems (BMS) are **wired**.



Heavy & inefficient

Miles of wiring are heavy, leading to less efficient power use



Inflexible

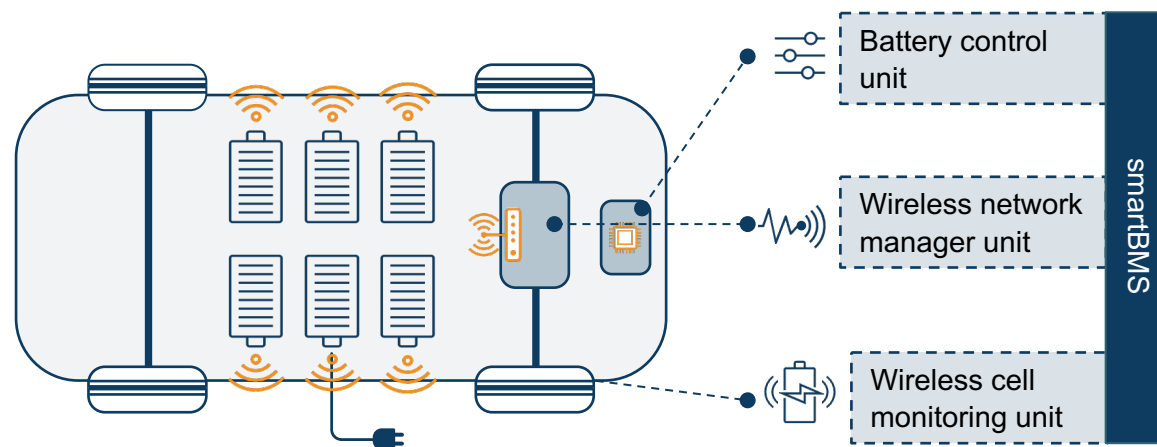
For each new vehicle, complex wiring schemes have to be redesigned



Costly

Installation, cable failure and battery replacement is expensive

smartBMS - Visteon's Wireless Solution



Advantages of SmartBMS



SmartBMS is Visteon's **wireless** battery management system.



Energy-efficient

SmartBMS maximizes energy use per cell



Versatile

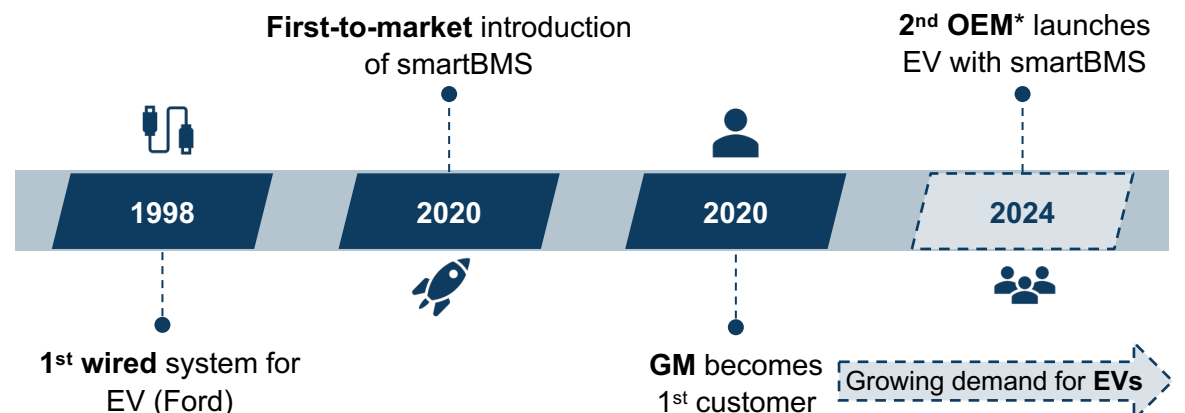
Modular design is customizable and scalable for any EV platform



Robust

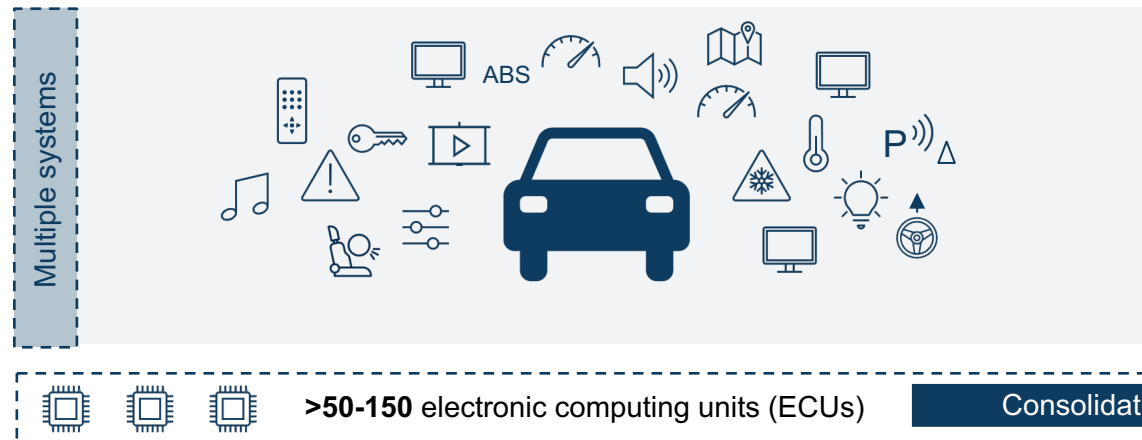
The BMS reduces battery failure and increases battery life durability

Success Timeline

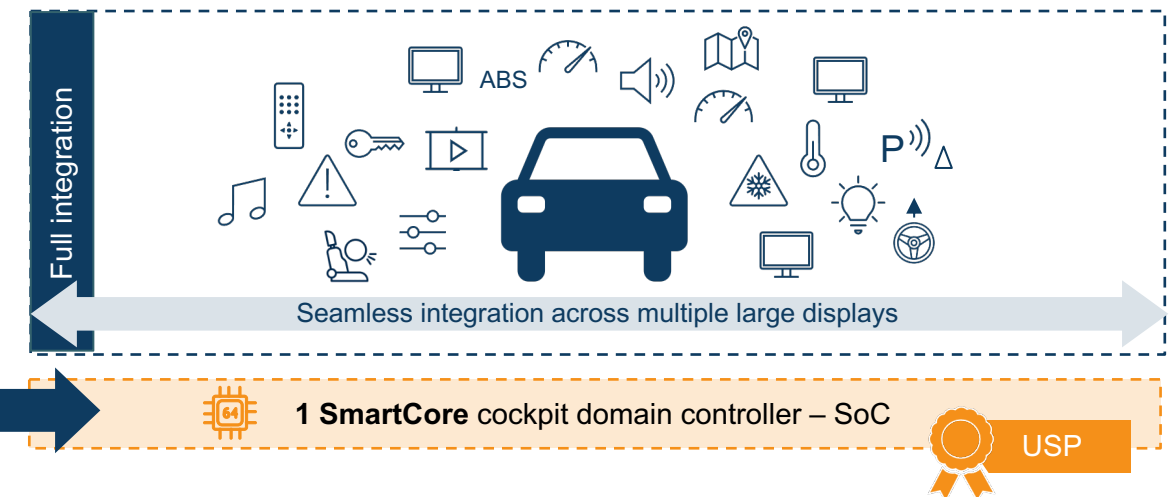


Moving from overwhelming complexity to simple efficiency

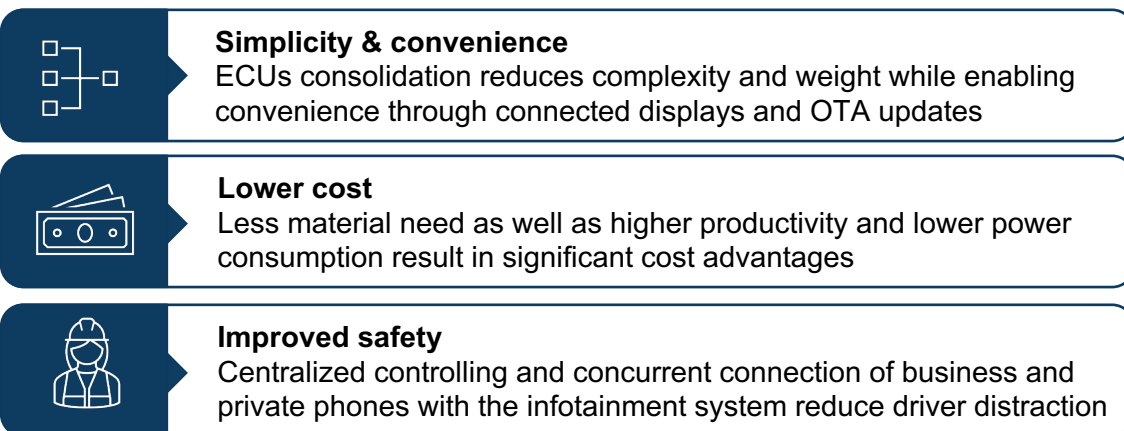
The current industry standard imposes a key challenge on OEMs



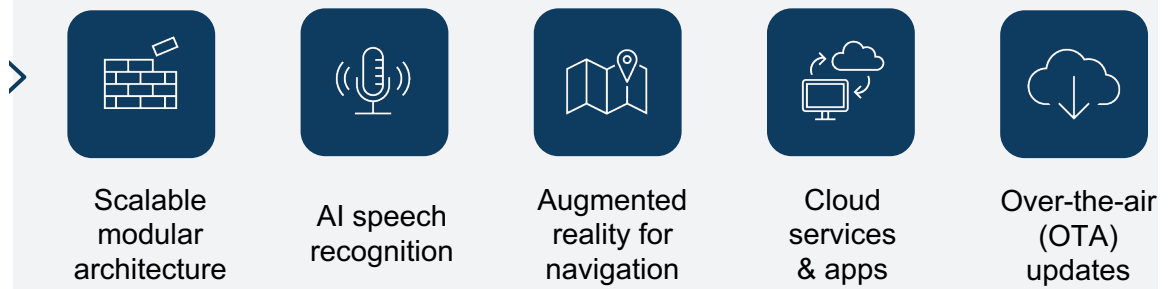
Visteon's solution – System-on-Chip technology



Outcome & Benefits



Advanced software capabilities enable centralized computing systems for next-gen cockpits - driving **digital transformation** & improving **user experience**



Suppliers & Key Strategy

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Focus on transition to a tailored in-vehicle experience and OTA services helps maintain technological leadership

Suppliers

Display & Optical Suppliers



Mechanics, Semiconductor, Electrical Suppliers



Connectivity & Engineering Suppliers



Strategy

End customer orientation

Enabling access to technologies similar to smartphones and tablets, while prioritising safety & privacy



Software platforms

Focusing on technological leadership and empowering the transition to a more personalized in-vehicle experience



Cloud services

Developing an app store and over-the-air (OTA) services tailored to the demands of the automobile sector



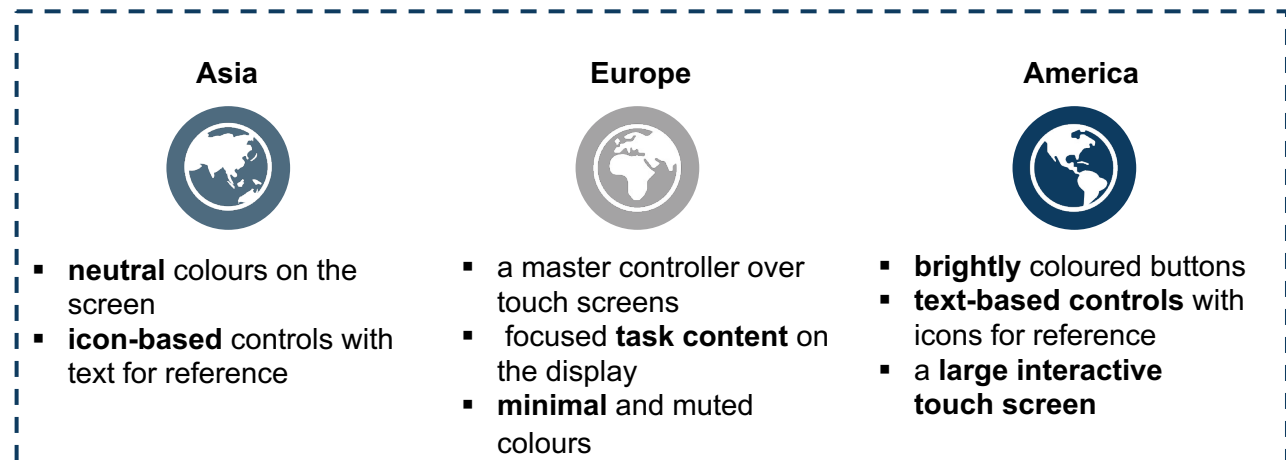
Power conversion & distribution goods

Entering markets beyond battery management systems like onboard charges and DC-DC converters

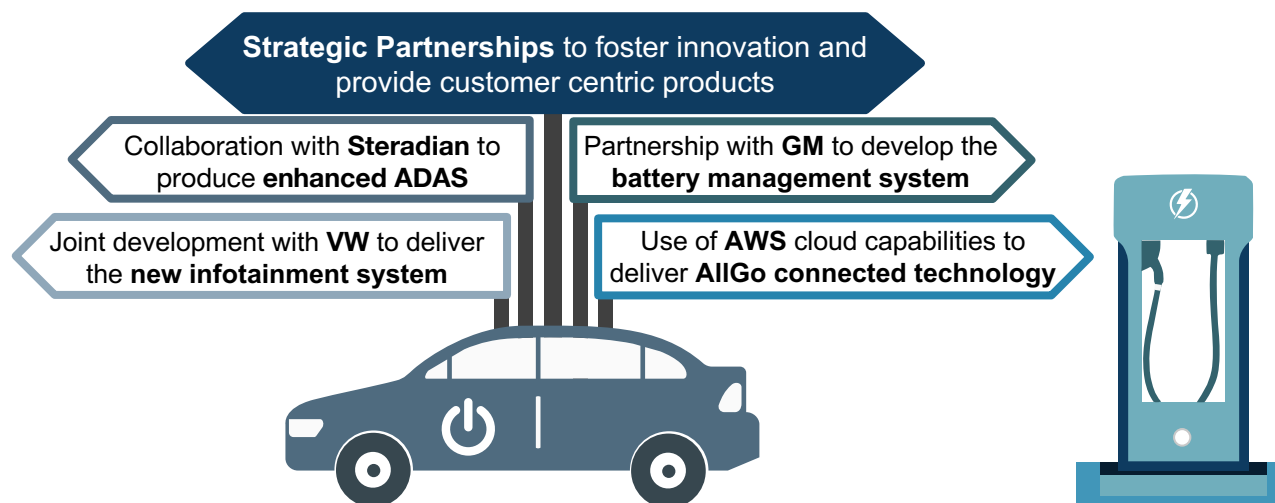


Customers & Partners

The strategic partnerships and collaborations are paving a way towards further innovation.







End Users Geographical Profiles

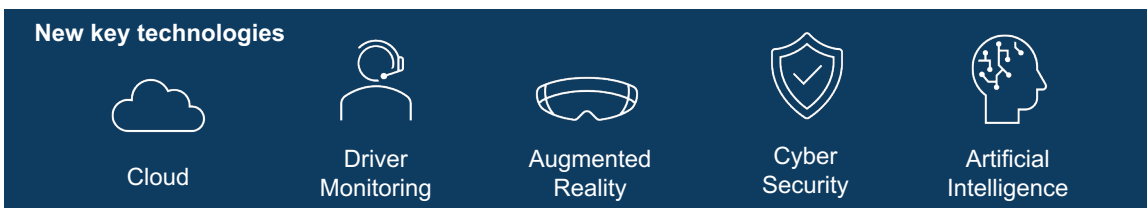
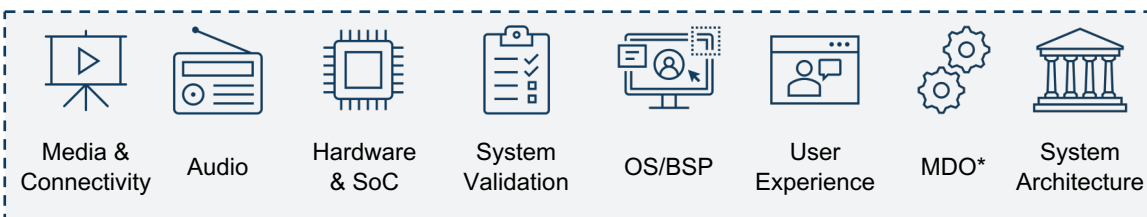


Extensive capabilities in automotive electronics will propel fast-line participation in new industry trends





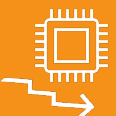
Key Capabilities

-  Visteon has innovative **global manufacturing** with optical bonding expertise
-  Their exiting SmartCore technology constitutes a base for **centralized computing** and processing
-  Visteon's **powertrain agnostic** products are scalable and can be used for any type of vehicle
-  **Partnerships** with Tencent, AWS and Qualcomm distinguish them from the competition and may be a significant innovation driver

Technologies Applied in Visteon Products



Market Trends

-  **EV industry growth**
Visteon's less complex, lighter and more energy-efficient products facilitate EV use
-  **Stronger demand for higher safety**
Adaptive Cruise Control tracks the speed and position of other vehicles and adjusts the vehicle's speed to maintain a safer distance
-  **Autonomous vehicle market growth**
The DriveCore system enables automatic cruise control, lane change and overtaking as well as autonomous parking
-  **Increasing demand for in vehicle digital systems**
Visteon's SmartCore offers an AI-based speech recognition assistant and popular apps like Spotify and Netflix
-  **Semiconductor shortage**
Visteon's systems are redesigned to operate at the same performance with fewer, more powerful chips



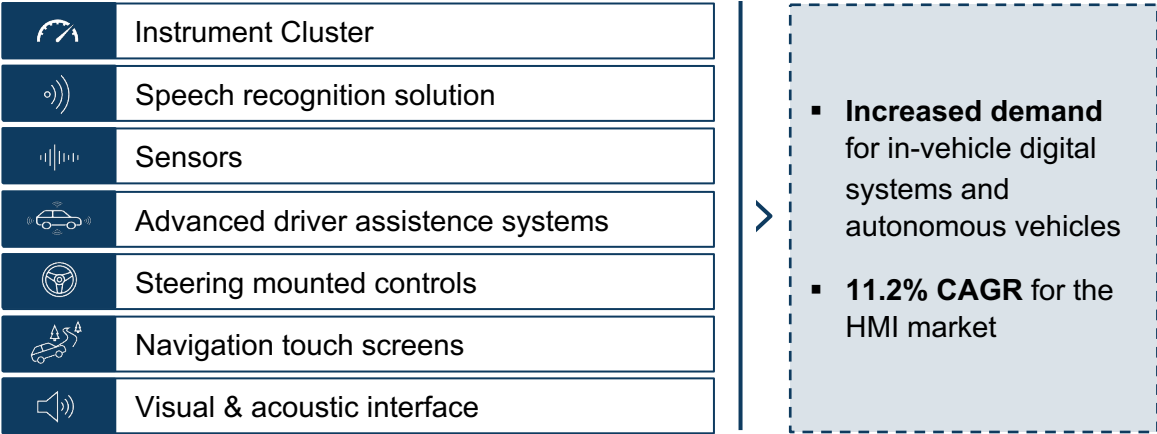
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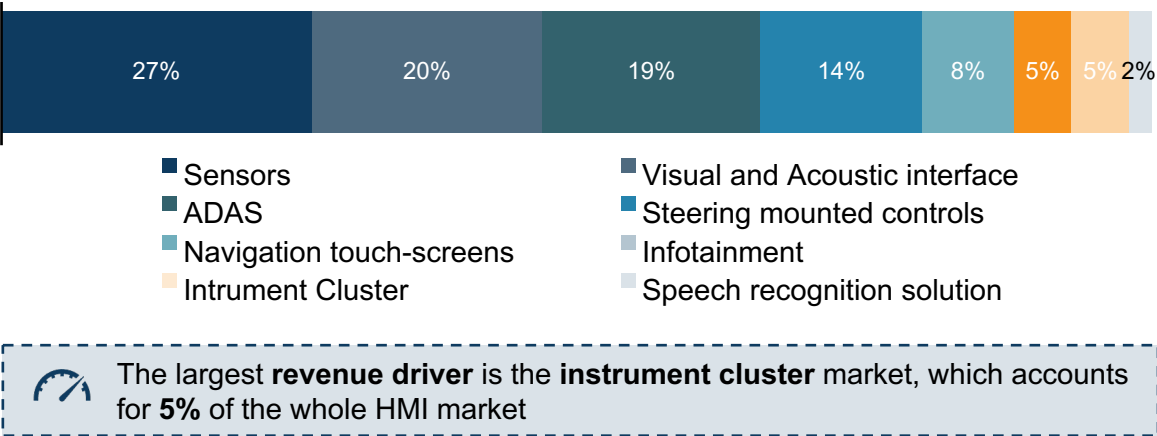
Market & Industry Overview

Rising interest in comfortable driving experiences results in a bright outlook for the autonomous vehicle market

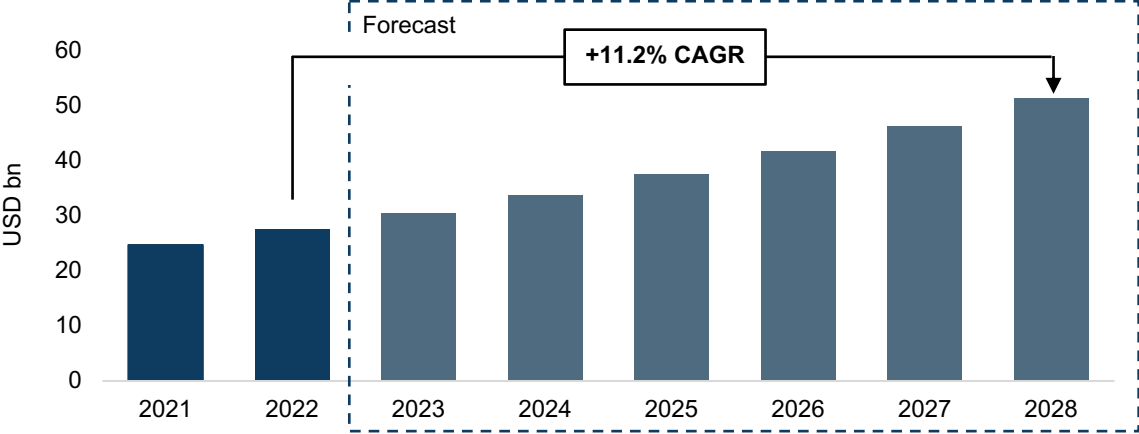
Automotive Human Machine Interface market (HMI)



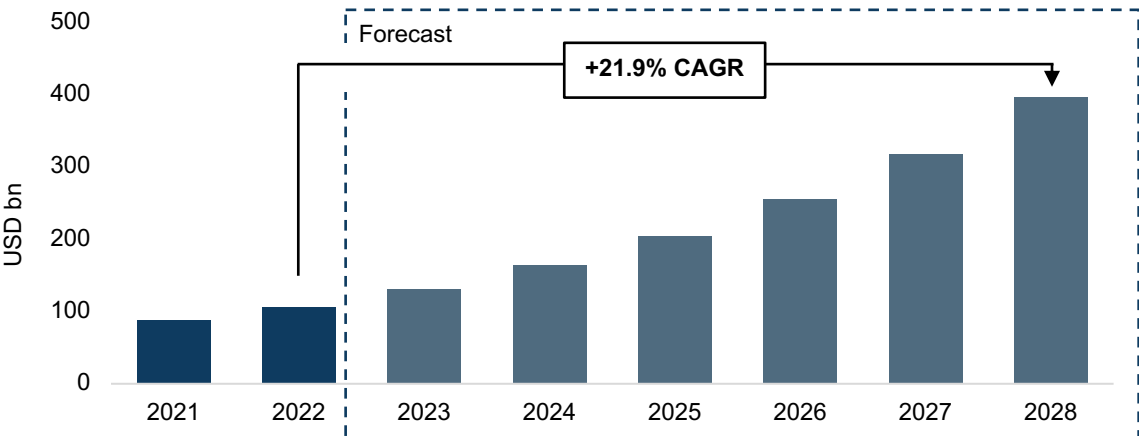
Market Share by Product Type



Global Automotive HMI Market Outlook

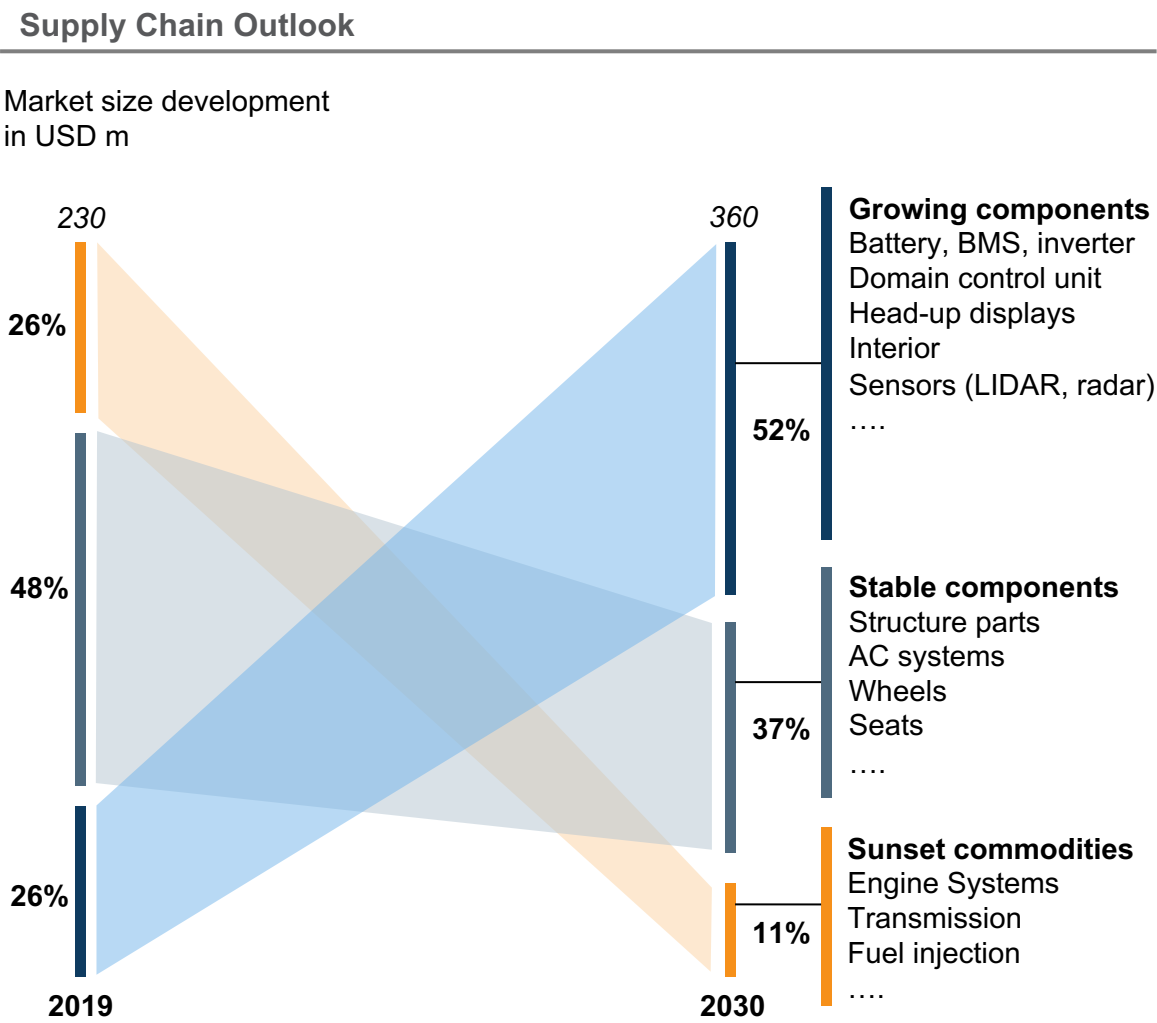
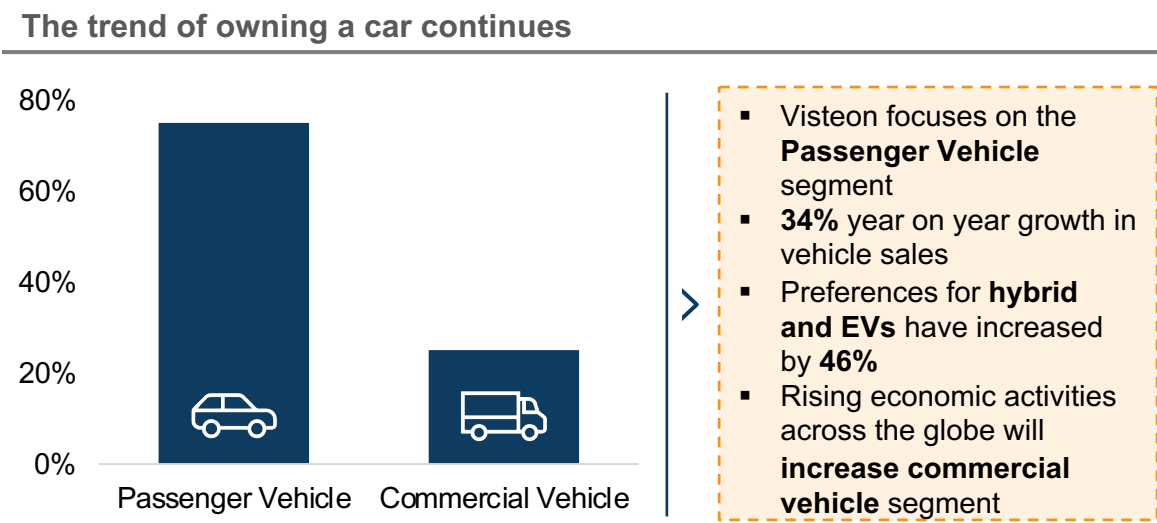
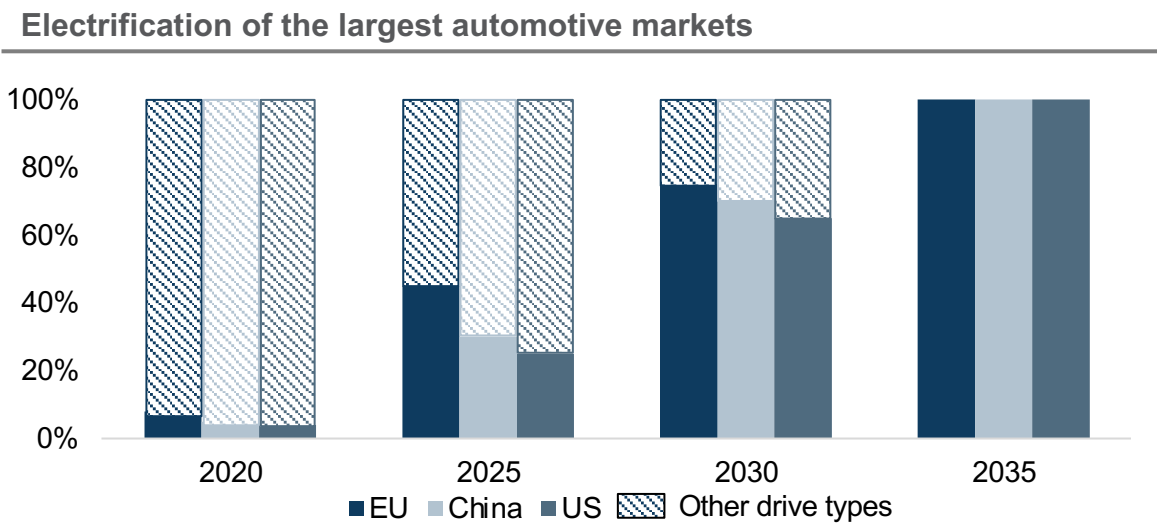


Autonomous Vehicle Market Outlook



Industry & Market Overview II

Electrification will bring about a major change in the entire supply chain, from which Visteon will benefit greatly



Chip Shortage

The chip squeeze constitutes a serious challenge, but investment and innovation can alleviate the situation

Threats

Opportunities



During the pandemic, **working from home** and the growing need for IT consumer products strongly **increased demand** for semiconductors



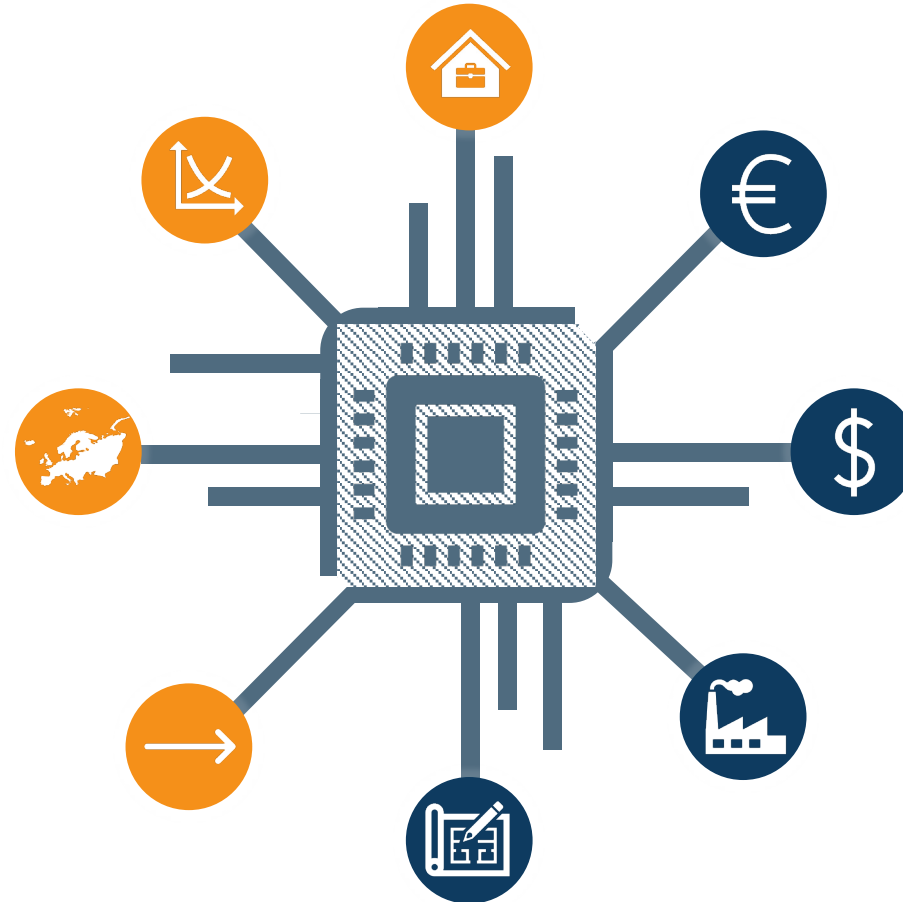
At the same time, **global shutdowns in production** and labor shortages due to recurrent lockdowns increased the gap between supply and demand



The **Russian invasion** of Ukraine hampers the access to the **neon** market, a critical process gas in the semiconductor production



The **stagnation in adoption** of newer chip models by automotive industry creates dependency on existing solutions



Germany has the ambition to establish security of semiconductor supply and plans to **invest billions** into the industry



The CHIPS Act provides Intel, Samsung and TSMC with **\$52 billion in subsidies**



TSMC announced an **\$40 billion investment** in its US production base encouraged by the CHIPS act



Visteon is working on **product redesigns** and seizes **agile sourcing** opportunities





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Peer Analysis



Competition

A remarkable number of partnerships and rapid business growth help Visteon to face fierce competition

1st Tier Competitors – Core Group



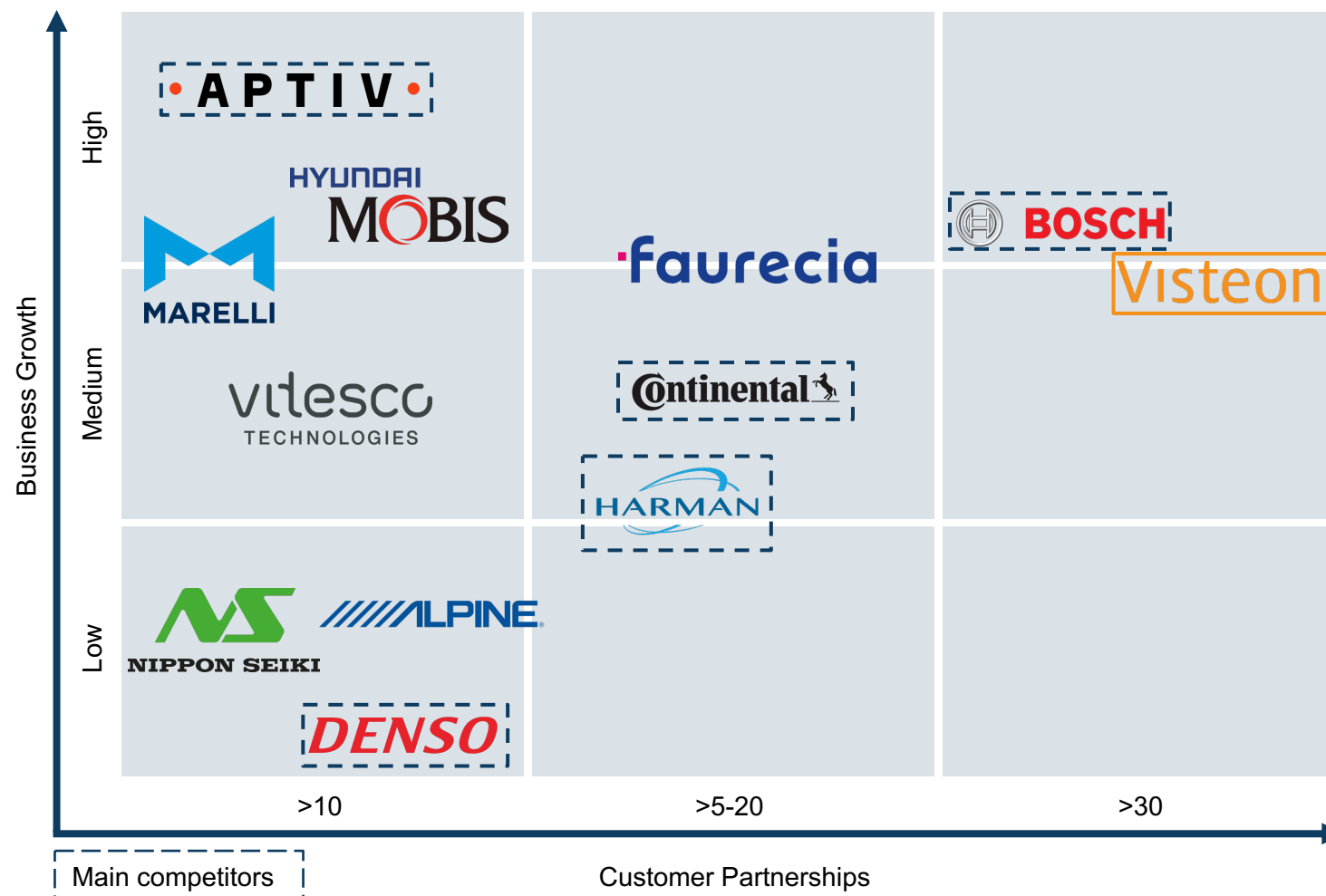
- Companies have a high **HMI segmentation** focus
- High **rivalry** among competitors
- Dominated** by well-known incumbents

2nd Tier Competitors – Extended Group



- Cover **less HMI** segments than core group
- Other focus** areas

Competitive Landscape





Visteon

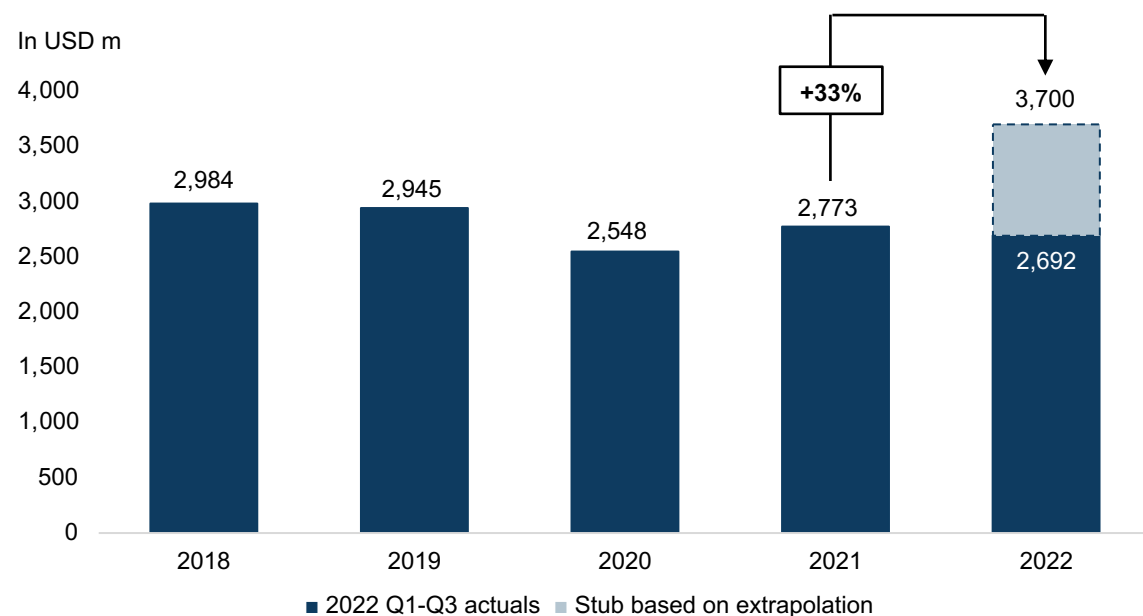
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Financials & Valuation

Financial Analysis

Despite a challenging environment Visteon has set the base for financial recovery & future growth

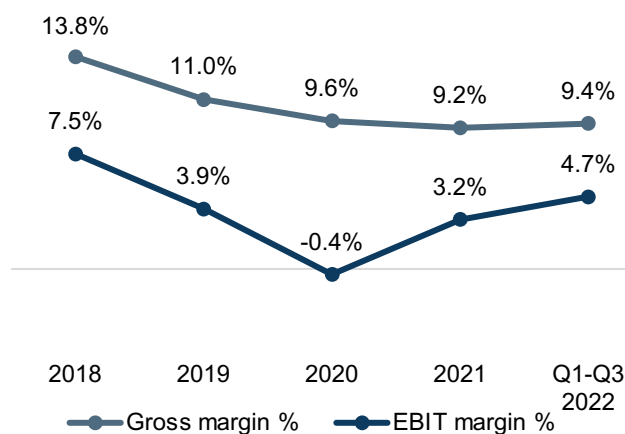
Revenue Development



Only within **Q1-Q3 2022** Visteon generated **97% of** their **2021** revenue

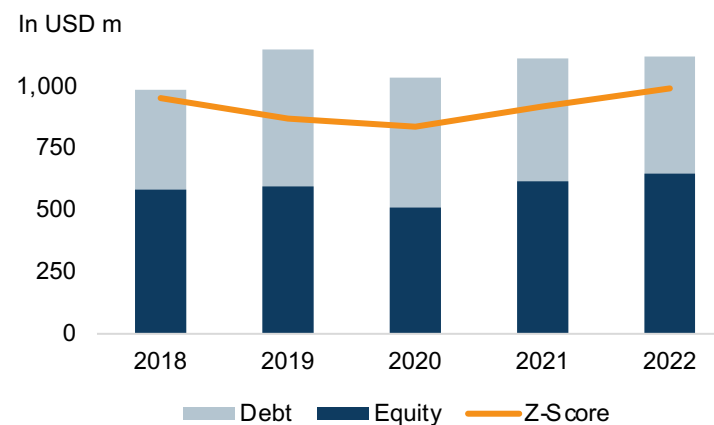
- Mitigation of **semiconductor** shortage **issues** via product redesigns & agile sourcing
- Continued **expansion** of digital **product portfolio**

Margin Development



- Customer negotiations for supply chain **cost recoveries** on track
- Ongoing focus on **cost optimization programs** to enhance efficiency

Altman Z-Score & D/E-Ratio



Z-score
3.97

The Altman Z-score is a **bankruptcy measure**.
<1.8 **high risk** of distress
>3 **low risk** of distress

Valuation II - DCF

Recovery from semiconductor issues & remarkable sales development are to drive financial performance

Operating Assumptions



Revenue development

After the 2022 revenue spike, we assume a moderate-high growth rate with a **YoY average of +6%** in line with the market



Cash conversion

Recovering from the semiconductor shortage, DSO and DIH experience steady improvement and **return to their historic average**



Capital expenditure

To keep up with the significant increase in revenue, we expect strong CAPEX, ranging between **3-4% of sales**

Key Valuation Assumptions & Average DCF Share Price



7.0%
WACC



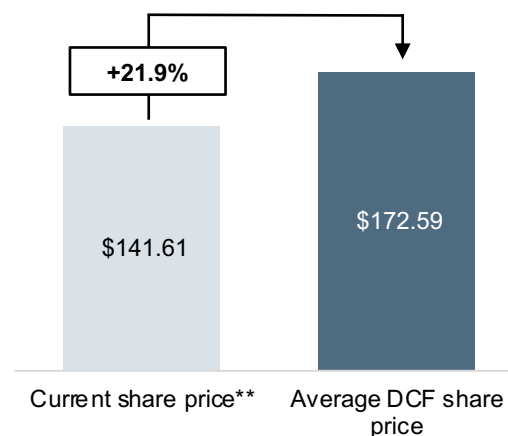
1.03
Unlevered peer-group beta



2.6%
Perpetuity growth rate

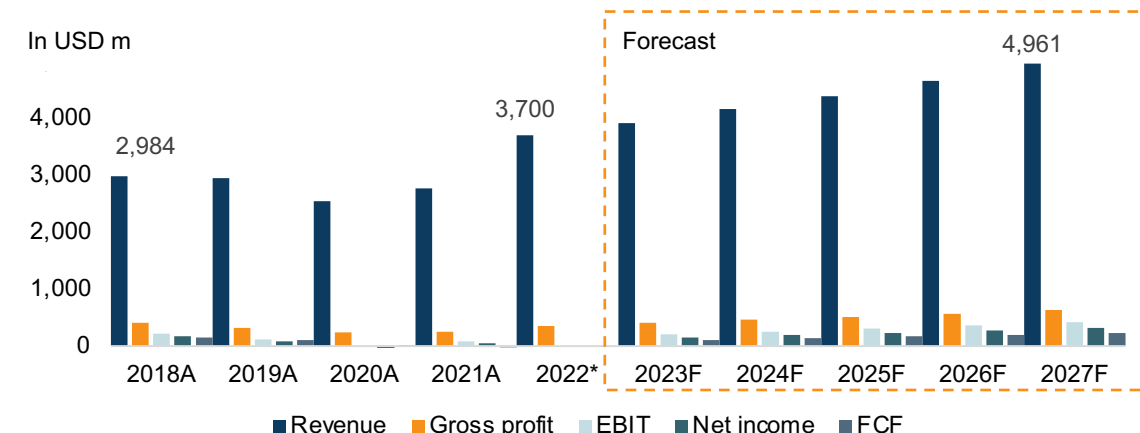


12.4x
EBITDA exit multiple



Operating Financials

In USD m



Sensitivity Table

	Growth rate				
	2.4%	2.5%	2.6%	2.7%	2.8%
11.40x	162.36	163.91	165.54	167.24	169.03
11.90x	165.89	167.44	169.07	170.77	172.55
12.40x	169.42	170.97	172.59	174.30	176.08
12.90x	172.94	174.50	176.12	177.82	179.61
13.40x	176.47	178.02	179.65	181.35	183.14

Valuation III - Summary

A healthy buy recommendation with an upside of +15.6% is substantiated by multiple valuation approaches

Scenario Analysis



The **bullish** scenario is driven by a **quicker recovery** from recent industry challenges and a higher growth in revenue resulting from a greater production & demand of **EVs**

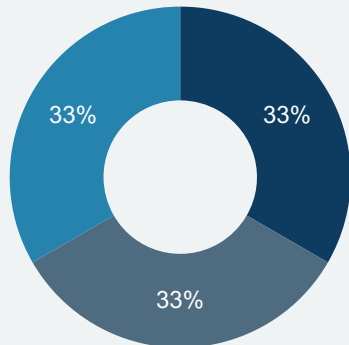


The **base** case considers a steady improvement in financial performance due to a **decreasing impact of the semiconductor shortage** supported by product redesigns and a positive industry outlook, especially for EVs



In the **bearish** scenario, issues related to the **semiconductor shortage** are here to stay and continue to affect revenue, margins and cash conversion

Target Share Price



■ DCF (perpetuity) ■ DCF (exit multiple) ■ CCA



All valuation approaches are **weighted equally**

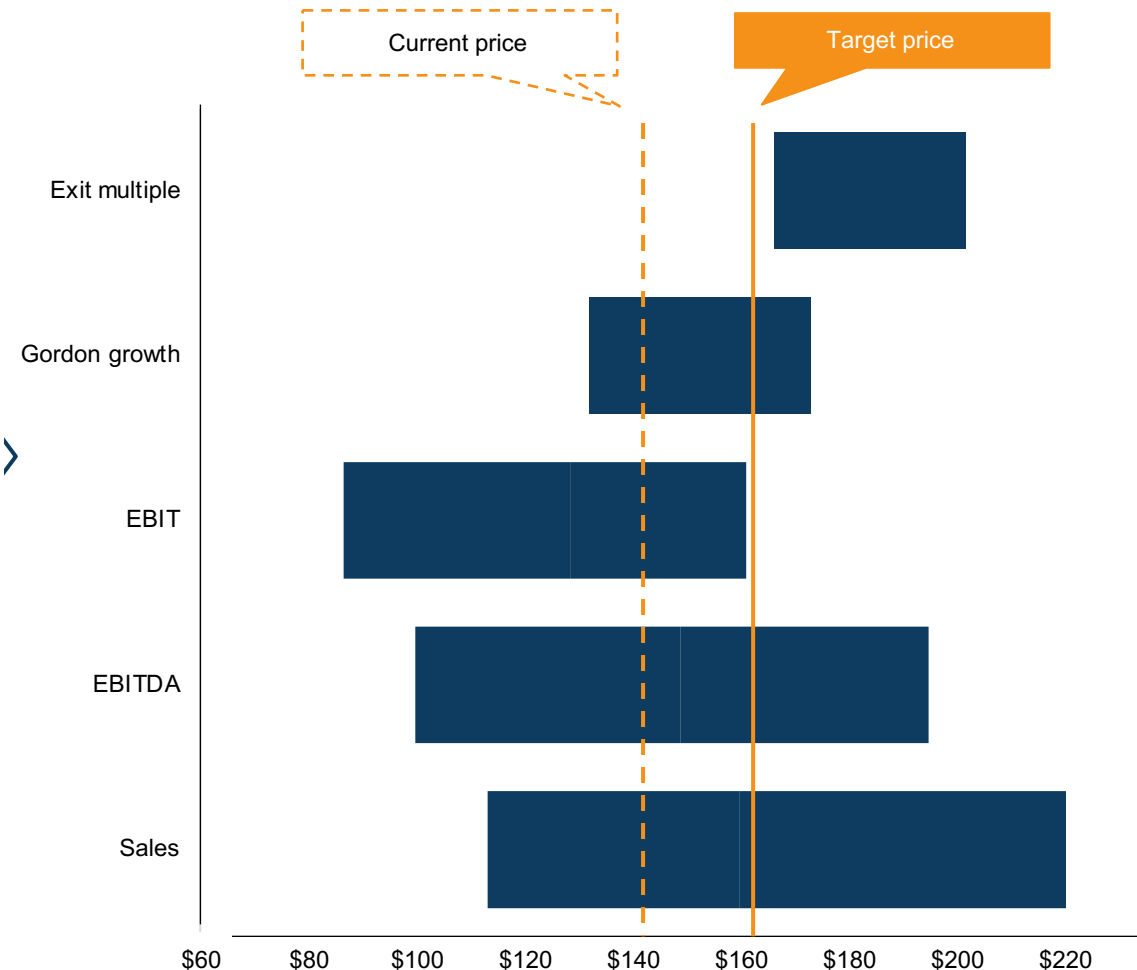


\$ 163.65
Target share price



+15.6%
Upside potential

Valuation Summary

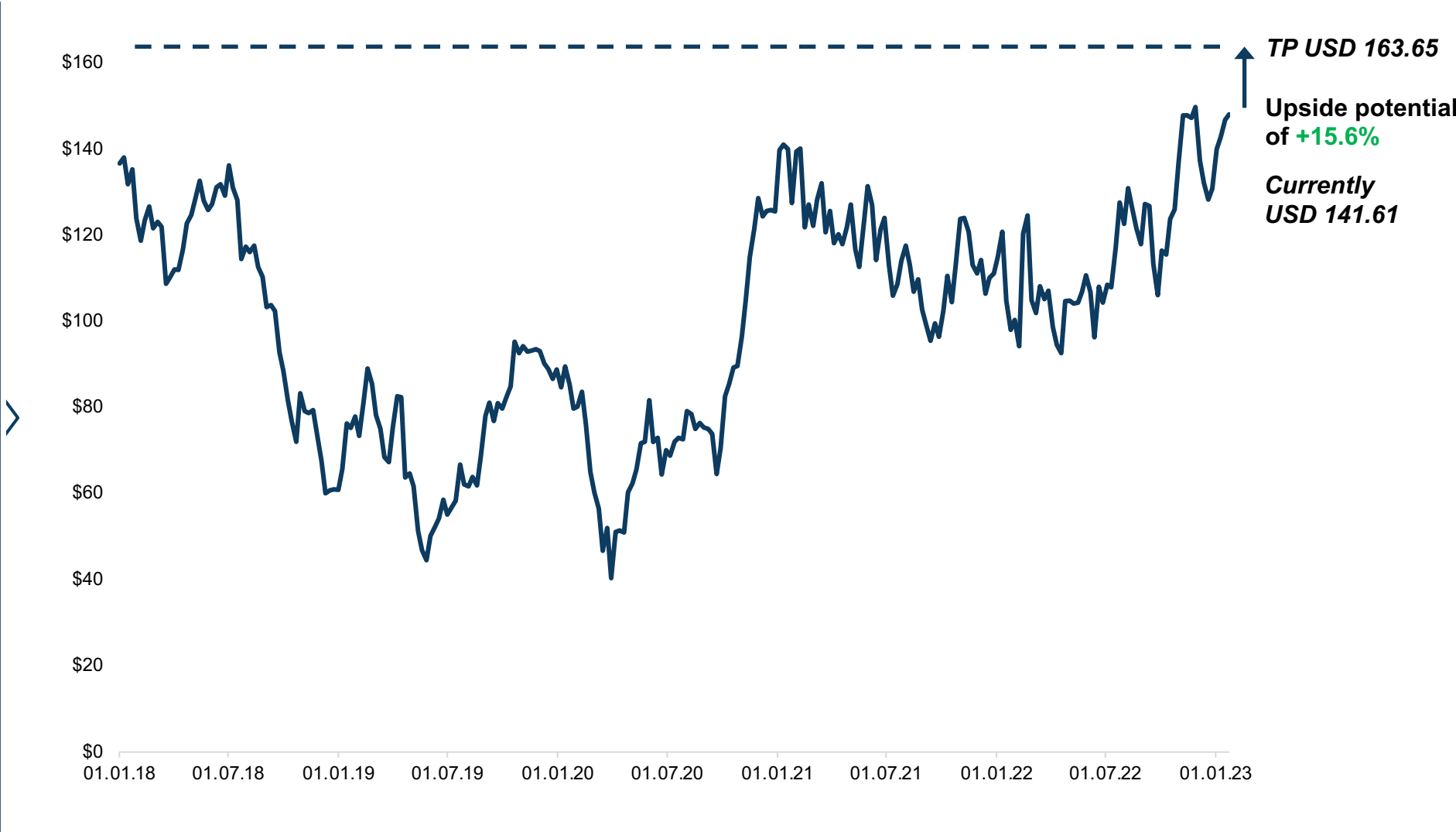
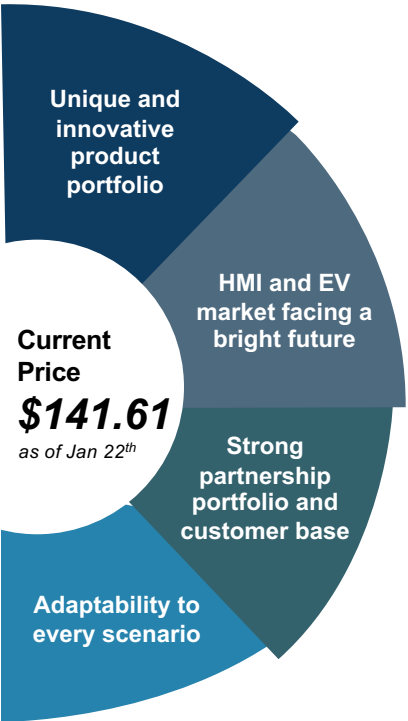


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Conclusion



Conclusion

Macrotrends both in the semiconductor and OEM market are to play into Visteon’s strategy





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Appendix

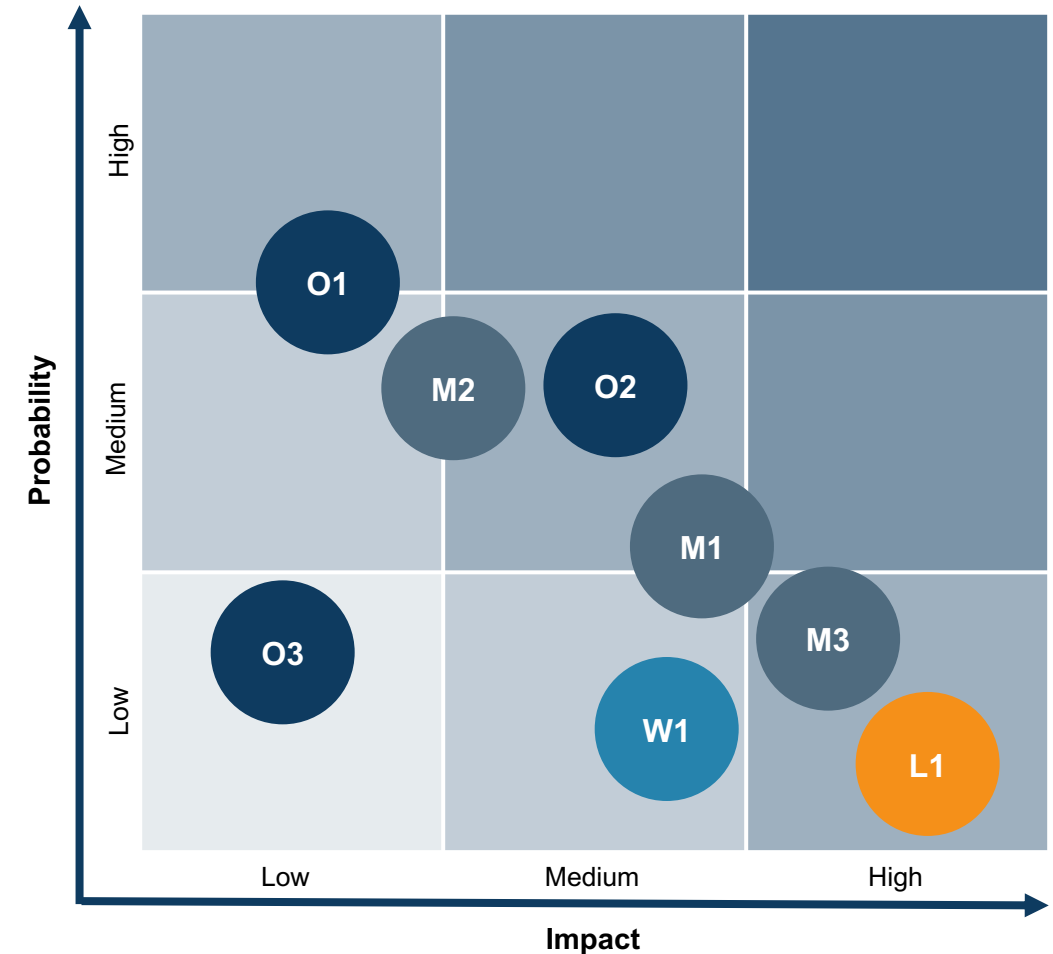
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Appendix I: Risks

Visteon's main risks are related to what the whole industry is facing











O1	Shortage of semiconductors and other components from suppliers causes supply chain disruptions
O2	Visteon is highly dependent on Ford , which plans to reduce their car sales in Europe by 2025 that affects the company
O3	Almost half of the revenue comes from the digital clusters segment, undiversified revenue streams causes risk for the business
M1	The automotive industry has a cyclical nature that affects Visteon financial performance
M2	Inflated raw material and commodity prices damages the margins of the company
M3	Changing economic conditions and unstable macroeconomic environment
L1	Since Visteon is geographically highly diversified, it could face regulatory pressures from the different governments
W1	The industry is facing a talent shortage that is a negative sign for the future and imposes risks

Operations (O) – Market (M) – Legislation (L) – Workforce (W)



Appendix I: Catalysts

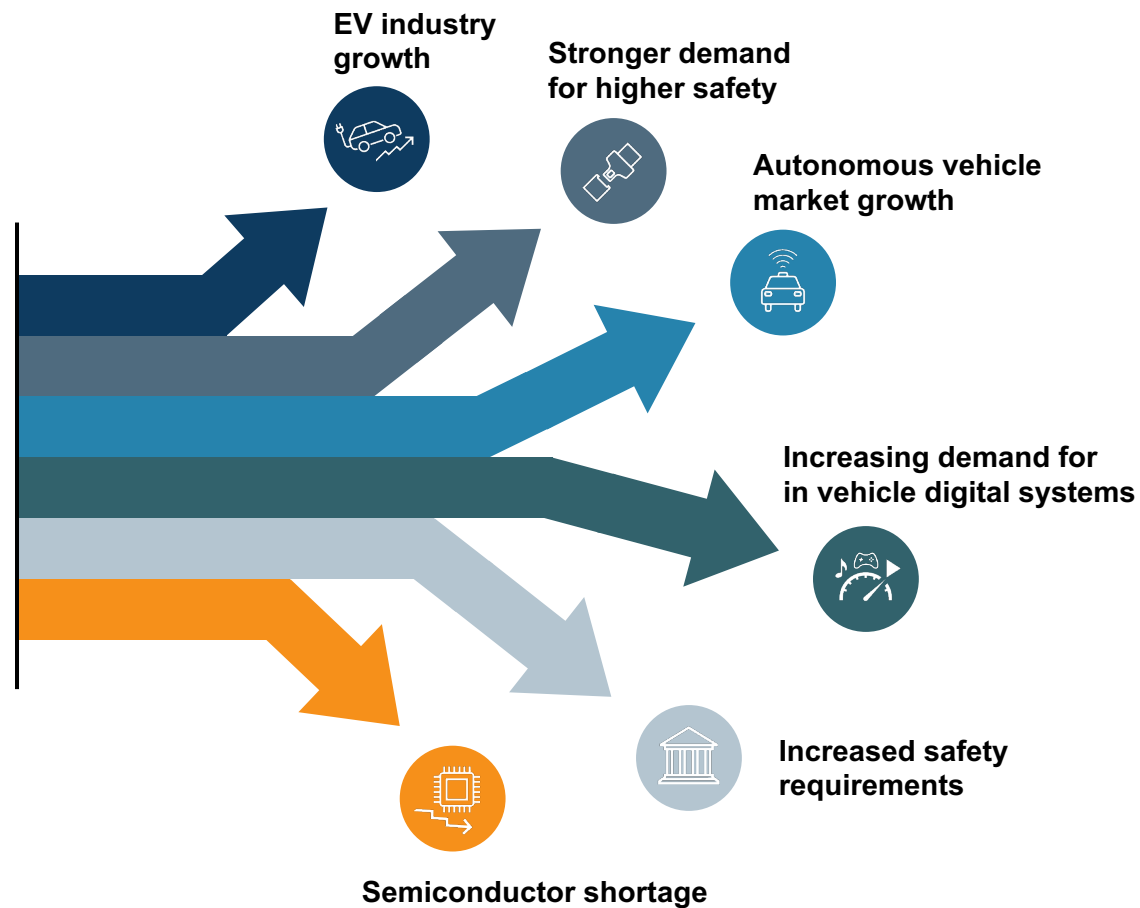
Chip bottlenecks can restrain growth further, whereas factors such as innovation may boost sales






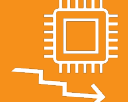
Catalyst	Type	Influenced factor	Estimated impact on share price
 New partnerships & product innovations	Soft	Revenue Market share Reputation	<ul style="list-style-type: none"> Strong New products in electrification electronics will help Visteon to differentiate themselves and expand their leadership position 
 Governmental regulation supporting EVs	Soft	Revenue	<ul style="list-style-type: none"> Medium Higher end-demand for electric vehicles will likely boost sales for Visteon's EV-friendly product offerings 
 Major progress in chip technology	Soft	Revenue Cost of sales	<ul style="list-style-type: none"> Strong An industry shift to newer semiconductor chip technologies would significantly ease supply bottlenecks 
 Energy shortages in Europe	Soft	Revenue	<ul style="list-style-type: none"> Medium Energy shortages might lead to production slowdowns for European OEMs who currently account for 33% of revenue 
 Semiconductor shortage	Soft	Revenue Cost of sales	<ul style="list-style-type: none"> Strong Inability to carry out further product redesigns will reduce OEM's demand as well as Visteon's production capabilities per se 

Appendix II: Market drivers

Market trends indicate a strong growth in the HMI sector

Market growth drivers & trends



	EV industry growth The electric vehicle market is growing rapidly due to the shift from fuel vehicles to electric cars
	Stronger demand for higher safety Rising traffic accidents have accelerated the adoption of human-machine interfaces in vehicles for safer driving
	Autonomous vehicle market growth A shift to Autonomous vehicles will have a massive impact on interior layouts
	Increasing demand for in vehicle digital systems Consumer preference for advanced infotainment systems has greatly contributed to this development
	Increased safety requirements Regulations and laws call for more safety in cars and the need for driver assistance systems and advanced safety features
	Semiconductor shortage This can have a significant impact, as it may lead to delays in production and difficulty obtaining the necessary components

Appendix II: Regional Deep-Dive

Strong growth in Visteon's key regions promises various market opportunities

North America



- Promising market for automotive **digital cockpit** globally, **luxury vehicle interior** & stringent **safety** norms
- **Highest growth** market for market for Visteon
- Technological upgrades & **improvements** and constant rise of automotive industry impact regional growth
- Visteon **partners** with GM developing a Wireless Battery Management System

China



- Increased income level of population spur demand for **luxurious vehicles**
- Market currently valued at USD 1.2bn and is expected to grow to USD 4.21bn within 2030 (**17% CAGR**)
- **Strategic cooperations** with GAC & Tencent to develop smart cockpit and autonomous driving
- **SmartCore** – First production cockpit controller using Qualcomm's 3rd gen Snapdragon platform (Qualcomm)

Germany



- **Rising demand** for connected infotainment solutions and digital cockpits
- Increasing usage of **Google Android** Auto Standards and **Apple CarPlay**
- Market currently valued at USD 1.06bn and is expected to grow to USD 3.24bn within 2030 (**15% CAGR**)
- **ICV**– Intelligent Connected Vehicle is the strategic plan for 2025








India




- US \$ 20mil expansion for **new manufacturing unit** in Chennai – plan to achieve USD 500m in revenue 2027
- Market currently valued at USD 0.92bn and is expected to grow to USD 2.44bn within 2030 (**13% CAGR**)
- Visteon expects Indian **passenger vehicle market** to be world's **third largest in 5 years**
- Visteon's **focus** for the Indian market are **digital cockpits** (expansion strategy) & **infotainment** systems

Appendix II: Qualitative Peer Metrics

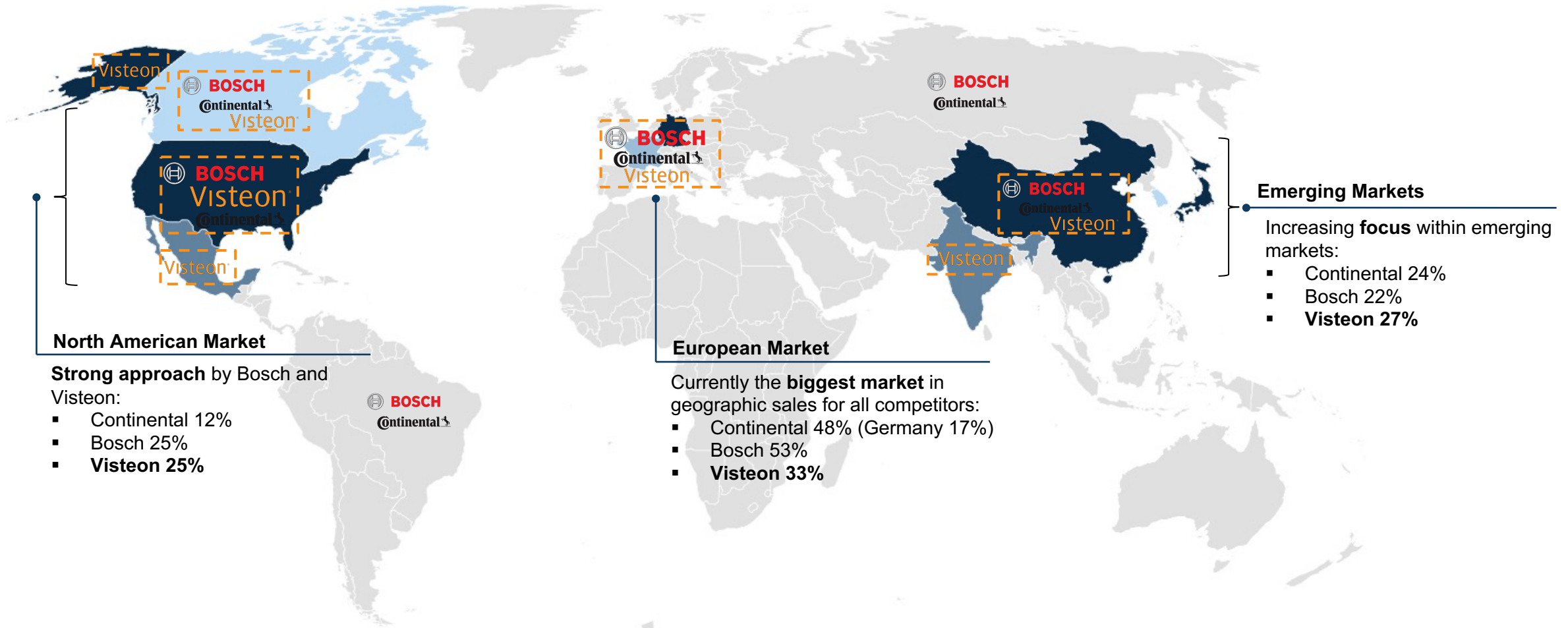
The combination of many top partnerships and the focus on the HMI market distinguishes Visteon

	Visteon®	HARMAN	DENSO	• APTIV •	BOSCH	Continental
	✓	✓	✓	✓	✓	✓
	✓	✗	✗	✗	✗	✗
	✓	✓	✓	✓	✓	✓
	✓	✗	✗	✓	✓	✓
	✓	✓	✓	✗	✓	✓
	✓	✓	✗	✓	✓	✓
	✓	✗	✗	✓	✗	✗

 Main competitors

Appendix II: Regional sales breakdown

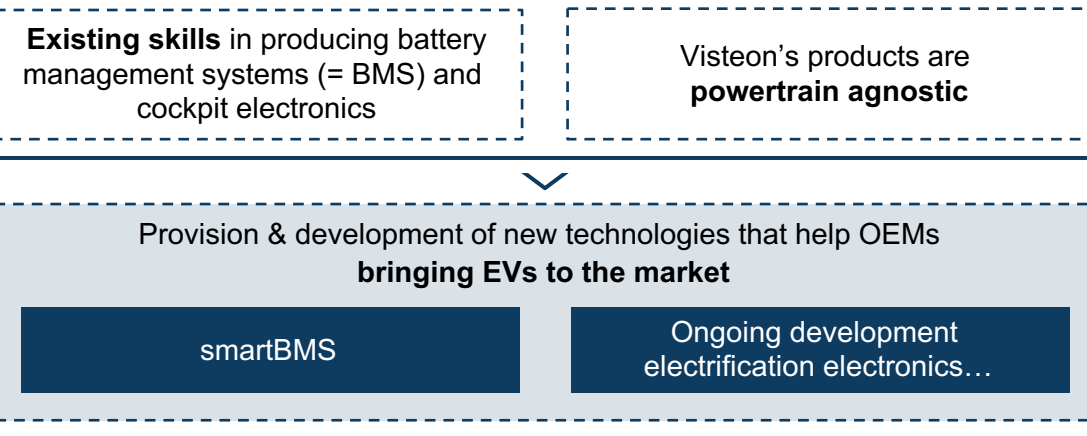
Regional sales overview based on geographical point of sale



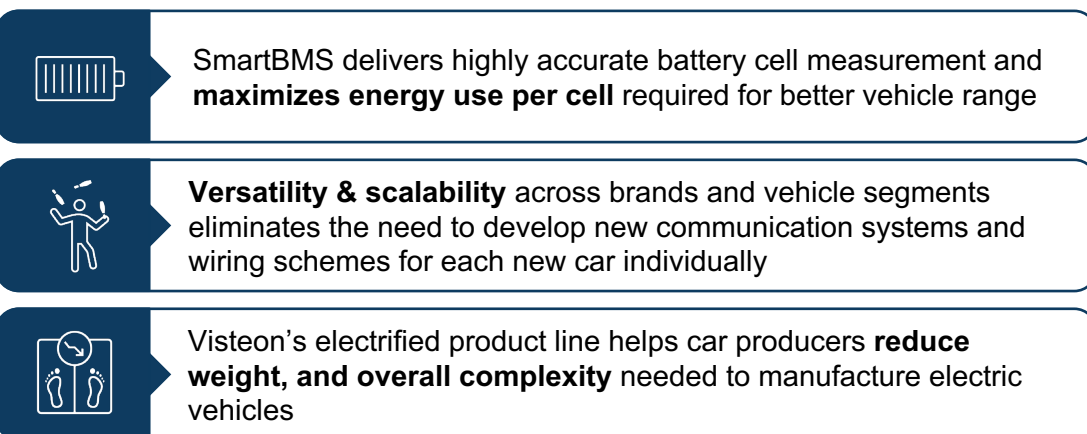
Appendix III: ESG

By capitalizing on a once-in-a-century industry transformation, Visteon also supports a greener mobility industry

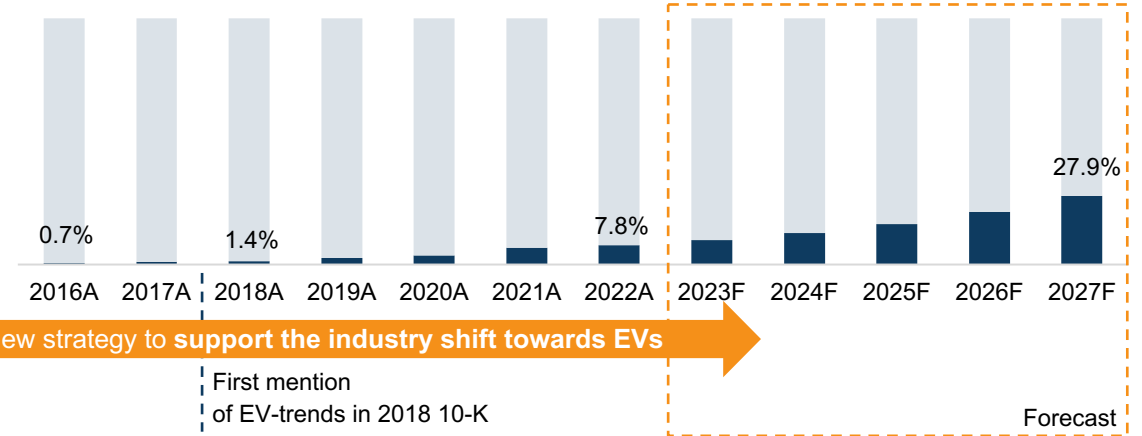
Product offering – A recap



Advantages for EV production



Global Mobility Transformation – EVs of total vehicles sold (in %)



Sustainability Strategy



Appendix IV: SWOT Analysis

Strength and opportunities outweigh weaknesses and threats

STRENGTHS

- Visteon has established many **strategic partnerships** for joint-development of products with key players in the digitalization shift of the automotive cockpit.
- **Robust in-house R&D facilities** enable the company to strengthen its operations with innovation-based strategies that enable to stay abreast of the changes in the industry
- Due to Visteon's strong innovation frontier and independence, the company enjoys a **versatile position** that makes it possible to take opportunities of future market trends.

OPPORTUNITIES

- Visteon is well positioned to profit from **a shift to EVs**, as their products are highly energy efficient, lightweight and take up little space
- **Autonomous driving assistants** are becoming a sought-after and must have technology for modern vehicles.
- There is an ever-increasing demand for connected capabilities and entertainment within the car, including **modern human machine interface** and apps with **high user experience**

Visteon®

- Visteon faces high **first-mover pressure** as it must maintain its level of innovation and deliver on their promises to stakeholders.
- As 47% of Visteon's revenue come from digital instrument clusters the company has **undiversified revenue streams**.

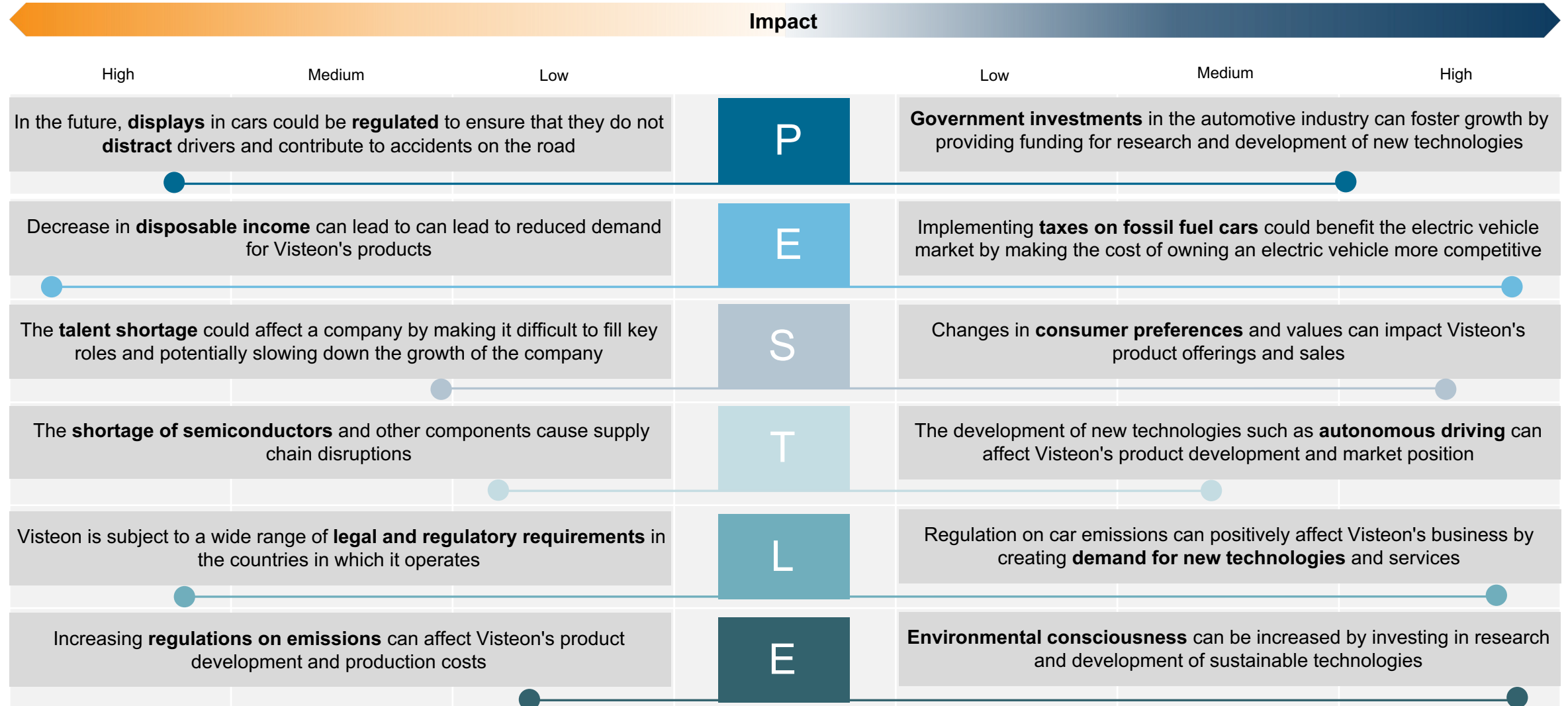
WEAKNESSES

- Visteon conducts its business in a **highly competitive industry**
- The **fluctuation in interest rates** provides a volatile financial and economic environment
- **Semiconductor shortages** could cause supply chain disruptions

THREATS

Appendix IV: PESTLE Analysis

The ESG friendly attitudes impact the analysis in a positive way



Appendix IV: Porter's Five Forces

Visteon's competitive advantage arises from a strong product differentiation

- (-) High exit barriers
- (-) Fierce technology competition
- (-) Product differentiation limits the acquisition of new customers due to high fixed costs

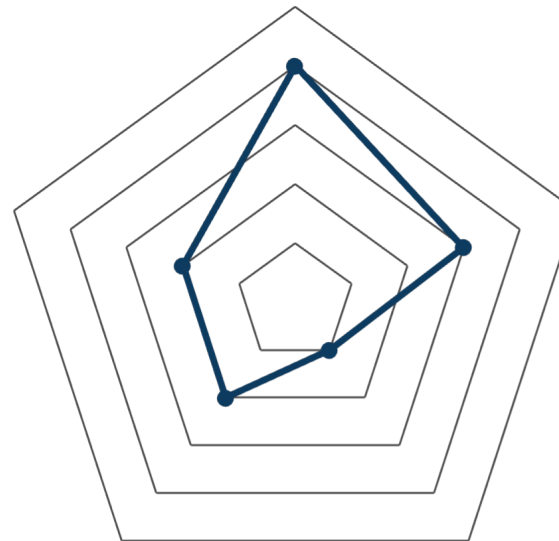
Industry rivalry – HIGH

Threat of substitutes – LOW

- Strong product differentiation (+)
- High switching costs (+)

Bargaining power of suppliers – MEDIUM

- (+) Low costs for switching suppliers
- (-) No substitute products
- High demand with relative short supply
- (-) Low price sensitivity



Bargaining power of buyers – LOW

- Large number of buyers, little suppliers (+)
- Strong focus on quality, therefore low price sensitivity (+)
- High switching costs due to differentiation (+)
- Large buyer size (-)

Threat of new entrants – LOW

- (+) Highly specialized field
- (+) High capital requirements
- (+) Strict government policies & licensing
- (-) A lot of room for innovation

Appendix V: M&A History

Visteon’s does not offer a rich M&A history in recent years, highlighting unrealized growth potential

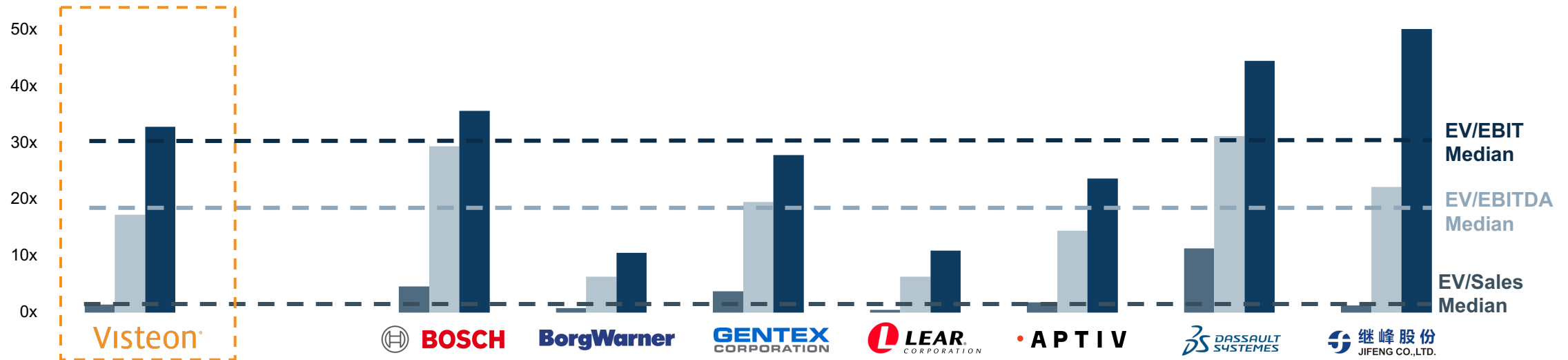
Notable M&A Transactions

<div>2014</div> <div>Johnson Controls Inc., Automotive Electronics</div> <div></div> <div>USD 265m</div> <div>Carve-out Acquisition</div> <div>Buyer</div>	<div>2016</div> <div>AllGo Embedded Systems Pvt. Ltd.</div> <div></div> <div>USD 22m</div> <div>Acquisition</div> <div>Buyer</div>	<div>2018</div> <div>Visteon Corporation</div> <div></div> <div>USD 400m</div> <div>Share Buy-Back</div> <div>Buyer</div>	<div>2023</div> <div>Myelin Foundry Pvt. Ltd.</div> <div></div> <div>USD 2.98m</div> <div>Series A – Private Placement</div> <div>Buyer</div>
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Appendix VI: CCA

CCA shows that Visteon is undervalued

Multiples Valuation



Comparable Companies – Overview

	Visteon	Bosch	BorgWarner	Gentex	Lear	Aptiv	Dassault	Ningbo Jifeng	Median
Market Cap	3,902	505,539	9,477	6,809	7,248	27,465	46,730	16,361	
EV	3,948	546,547	12,173	6,566	8,651	28,697	49,924	21,410	
Currency	USD	INR	USD	USD	USD	USD	EUR	CNY	
EV/Sales	1.4x	4.6x	0.8x	3.8x	0.4x	1.8x	11.3x	1.3x	1.6x
EV/EBITDA	17.3x	29.5x	6.3x	19.6x	6.3x	14.5x	31.3x	22.2x	18.4x
EV/EBIT	32.9x	35.7x	27.8x	10.9x	23.7x	9.6x	44.5x	60.8x	30.4x

Appendix VII: Valuation Overview

WUTIS Final Pitch - January 2023 - Visteon Corporation

Company Overview

Logo

Name

VISTEON CORPORATION (XNAS:VC)

Industry

Automobiles & Auto Parts

HQ

One Village Center Drive, VAN BUREN TOWNSHIP, MI, 48111 US

Employees

10,000

Previous close (in USD)

143.21

Market cap (in USD)

4,060,441,741

Ticker

VC

Stock Market

Nasdaq Stock Market

IPO

2010

Visteon Corporation, an automotive technology company, engineers, designs, and manufactures automotive electronics and connected car solutions for vehicle manufacturers worldwide.

Team

Valentin Horak

Head

Bence Pataki

Associate

Maria Doppler

Associate

Matthias Körner

Associate

Kateryna Tretyakova

Associate

Yoan Talkov

Analyst

Formatting

Numbers given in

USDm

(Unless stated otherwise)

Hard-copied input

Blue

Formulas and links

Black

2022 EoP estimate

Blue-grey

Assumptions & forecasts

Turquoise

Input changes for the bull/bear case

Dark Turquoise

Average/ CAGR column

Light grey

% rates/ shares

In Italics & grey

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Explanation

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3-statement model automatically adjusting to the scenario selected
Discounted Cash Flow valuation adjusting to the scenario selected
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Schedules

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Full-year estimates for 2022 for which the 10-K is not published yet
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Historicals

Market Data

Financials for the years 2018-2021 (and 2022 Q1-Q3)
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Key visualizations

Valuation Data

Select a scenario from the drop-down menu on the right hand side and the figures in the operating model, the DCF valuation and the target price will change accordingly.

Select Scenario

Base Case

Scenario Valuation Summary

DCF upside potential with perpetuity approach8.8%

DCF potential with exit multiple %35.0%

Target share price

163.65

Upside/ downside potential %

15.6%

Recommendation

BUY

Key Valuation Assumptions

WACC

6.9%

Terminal growth rate

2.6%

EBITDA exit multiple

12.4x

Financials

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Revenue	2,984	2,945	2,548	2,773	3,700	3,914	4,168	4,394	4,656	4,961
EBIT	223	115	(9)	89	N/A	207	257	308	362	423
EBIT margin %	7.5%	3.9%	-0.4%	3.2%		5.3%	6.2%	7.0%	7.8%	8.5%
Net profit	174	81	(48)	50	N/A	153	192	230	273	319
Profit margin %	5.8%	2.8%	-1.9%	1.8%		3.9%	4.6%	5.2%	5.9%	6.4%
Capex	(127)	(142)	(104)	(70)	(90)	(119)	(136)	(154)	(175)	(201)
Net investment	36	42	0	(38)	(18)	27	38	48	59	72
Unlevered FCF	150	108	4	(22)	N/A	103	138	170	197	227

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Equity ratio	29.0%	26.2%	22.5%	27.6%	26.7%	30.9%	35.1%	39.5%	43.9%	51.3%
ROA	8.7%	3.6%	-2.1%	2.2%	N/A	5.9%	6.8%	7.4%	8.0%	9.0%
ROE	29.9%	13.6%	-9.4%	8.1%	N/A	19.1%	19.3%	18.8%	18.2%	17.6%

Key Visualizations

Exit multiple

Gordon growth

EBIT

EBITDA

Sales

\$141.61

Price as of 01/22/2023

\$163.65

Target price

Revenue

5,240

4,961

4,873

Revenue

Gross profit

EBIT

Net income

FCF

* 2022 income statement which is not published yet was not fully forecasted

All values in USDm

Appendix VII: Income Statement

Operating Model: Income Statement

Income Statement	Historical Period					Forecasting Period				
	2018	2019	2020	2021	2022*	2023	2024	2025	2026	2027
Net sales	2,984	2,945	2,548	2,773	3,700	3,914	4,168	4,394	4,656	4,961
Cost of sales	(2,573)	(2,621)	(2,303)	(2,519)	(3,351)	(3,499)	(3,704)	(3,881)	(4,088)	(4,330)
Gross profit	411	324	245	254	349	415	464	513	568	631
<i>Gross margin %</i>	13.8%	11.0%	9.6%	9.2%	9.4%	10.6%	11.1%	11.7%	12.2%	12.7%
SG&A expenses	(193)	(221)	(193)	(175)		(221)	(227)	(231)	(236)	(243)
Restructuring and impairment expense	(29)	(4)	(76)	(14)		(20)	(15)	(11)	(8)	(6)
Equity in net income of non-consolidated affiliates	13	6	6	6		6	6	6	6	6
Other income, net	21	10	9	18		28	29	31	33	35
EBIT	223	115	(9)	89		207	257	308	362	423
<i>EBIT margin %</i>	7.5%	3.9%	-0.4%	3.2%		5.3%	6.2%	7.0%	7.8%	8.5%
Interest expense	(14)	(13)	(16)	(10)		(13)	(13)	(13)	(13)	(13)
Interest income	7	4	5	2		6	6	7	7	7
EBT	216	106	(20)	81		200	251	301	356	418
Provision for income taxes	(43)	(24)	(28)	(31)		(47)	(59)	(71)	(84)	(98)
Net income from continuing operations	173	82	(48)	50		153	192	230	273	319
Net income for discontinued operations, net of tax	1	(1)	0	0		0	0	0	0	0
Net income	174	81	(48)	50		153	192	230	273	319
<i>Profit margin %</i>	5.8%	2.8%	-1.9%	1.8%		3.9%	4.6%	5.2%	5.9%	6.4%
Net income attributable to non-controlling interests	(10)	(11)	(8)	(9)		0	0	0	0	0
Net income attributable to Visteon Corporation	164	70	(56)	41		153	192	230	273	319

Appendix VII: Balance Sheet

Operating Model: Balance Sheet

Balance Sheet	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Assets										
Cash, equivalents and restricted cash	467	469	500	455	345	451	593	767	969	963
Accounts receivable	486	514	484	549	733	759	798	829	867	911
Inventories	184	169	177	262	349	346	346	343	342	343
Other current assets	159	193	180	158	225	238	253	267	283	302
Total current assets	1,296	1,345	1,341	1,424	1,652	1,794	1,991	2,206	2,461	2,518
Property, equipment and intangibles	526	563	563	506	484	510	549	597	656	727
Right-of-use assets	0	165	172	139	120	120	120	120	120	120
Investments in non-consolidated affiliates	42	48	60	54	51	51	51	51	51	51
Other non-current assets	143	150	135	111	124	124	124	124	124	124
Total non-current assets	711	926	930	810	779	805	844	892	951	1,022
Total assets	2,007	2,271	2,271	2,234	2,430	2,600	2,834	3,098	3,412	3,541
Liabilities and Equity										
Short-term debt	57	37	0	4	4	4	4	4	4	4
Accounts payable	436	511	500	522	694	690	708	720	736	756
Accrued employee liabilities	67	73	83	80	102	108	115	121	129	137
Current lease liability	0	30	32	28	27	27	27	27	27	27
Other current liabilities	161	147	209	218	256	271	289	304	322	344
Total current liabilities	721	798	824	852	1,084	1,100	1,143	1,177	1,218	1,268
Long-term debt, net	348	348	349	349	340	340	340	340	340	100
Employee benefits	257	292	322	198	171	171	171	171	171	171
Non-current lease liability	0	139	146	117	97	97	97	97	97	97
Deferred tax liabilities	23	27	28	27	26	26	26	26	26	26
Other non-current liabilities	76	72	92	75	63	63	63	63	63	63
Total non-current liabilities	704	878	937	766	697	697	697	697	697	457
Share capital and additional paid-in capital	1,336	1,343	1,349	1,350	1,352	1,352	1,352	1,352	1,352	1,352
Retained earnings	1,609	1,679	1,623	1,664	1,754	1,907	2,099	2,329	2,602	2,921
Accumulated other comprehensive loss	(216)	(267)	(304)	(229)	(294)	(294)	(294)	(294)	(294)	(294)
Treasury stock	(2,264)	(2,275)	(2,281)	(2,269)	(2,257)	(2,257)	(2,257)	(2,257)	(2,257)	(2,257)
Total Visteon Corporation stockholders' equity	465	480	387	516	555	708	900	1,130	1,403	1,722
Non-controlling interests	117	115	123	100	94	94	94	94	94	94
Total equity	582	595	510	616	649	802	994	1,224	1,497	1,816
Total liabilities and equity	2,007	2,271	2,271	2,234	2,430	2,600	2,834	3,098	3,412	3,541

Appendix VII: Cash Flow Statement

Operating Model: CF Statement

Cash Flow Statement	Historical Period					Forecasting Period				
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Operating Activities										
Net income (loss)	174	81	(48)	50		153	192	230	273	319
Depreciation & amortization	91	100	104	108	108	92	97	106	116	129
Impairments	(13)	0	0	9	4	0	0	0	0	0
Other non-cash items	3	19	20	44		0	0	0	0	0
Changes in accounts receivable	44	(33)	51	(78)		(27)	(38)	(32)	(38)	(44)
Changes in inventories	1	13	(2)	(92)		3	(1)	3	1	(1)
Changes in accounts payable	(19)	73	(13)	28		(4)	18	12	16	20
Changes in other assets and other liabilities	(77)	(70)	56	(11)		8	9	8	9	11
Net cash provided from operating activities	204	183	168	58		224	278	327	377	434
Investing Activities										
CAPEX, including intangibles	(127)	(142)	(104)	(70)	(90)	(119)	(136)	(154)	(175)	(201)
Contributions to equity method investments	0	(3)	(2)	(5)		0	0	0	0	0
Net investment hedge transactions	0	6	8	4		0	0	0	0	0
Loan repayments from non-consolidated affiliates	0	11	2	6		0	0	0	0	0
Acquisition of businesses, net of cash acquired	16	0	0	0		0	0	0	0	0
Other, net	13	0	(2)	2		0	0	0	0	0
Net cash used by investing activities	(98)	(128)	(98)	(63)		(119)	(136)	(154)	(175)	(201)
Financing Activities										
Change in long-term debt	0	0	0	0		0	0	0	0	-240
Short-term debt, net	12	(19)	(37)	4		0	0	0	0	0
Repurchase of common stock	(300)	(20)	(16)	0		0	0	0	0	0
Dividends paid to shareholders of the company	0	0	0	0		0	0	0	0	0
Dividends paid to non-controlling interests	(28)	(9)	(7)	(35)		0	0	0	0	0
Distribution payments	(14)	0	0	0		0	0	0	0	0
Stock-based compensation tax withholding payments	(7)	0	0	0		0	0	0	0	0
Other	2	(1)	2	2		0	0	0	0	0
Net cash used by financing activities	(335)	(49)	(58)	(29)		0	0	0	0	(240)
Effect of exchange rates	(13)	(4)	19	(11)		0	0	0	0	0
Net increase (decrease) in cash, equivalents, and restricted cash	(242)	2	31	(45)		106	142	173	202	(6)

Appendix VII: WACC

WACC

Beta						
Beta - Peer Group Approach						
Company	Levered Beta (5Y)	Debt	Market Cap	D/E		
Bosch Ltd	0.61	42,440	505,540	0.08		
BorgWarner Inc.	1.42	4,537	9,477	0.48		
Gentex Corporation	0.9	19	6,809	0.00		
Lear Corporation	1.5	2,721	7,249	0.38		
Aptiv PLC	2.02	4,371	27,465	0.16		
Dassault Systems	0.69	6,174	46,730	0.13		
Median	1.16			0.15		
Levered peer group beta	1.16					
Median peer group D/E ratio	0.15					
Tax rate	24%					
Unlevered beta Visteon	1.04					
Adjusted unlevered beta	1.03					

WACC	
Harris Pringle Formula	
Unlevered cost of equity	7.0%
Tax rate	24%
Levered cost of debt	2.8%
Debt/equity	0.13
WACC	7%

Cost of equity	
Risk-free rate	3.40%
Unlevered peer group beta	1.03
Implied market risk premium	3.5%
Unlevered cost of equity	7.0%

Cost of debt	
Short-term debt (% of total debt) (as of 31/12/2022)	6.7%
Weighted average interest rate on short-term debt	5.7%
Long-term debt (% of total debt) (as of 31/12/2022)	93.3%
Weighted average interest rate on long-term debt	2.6%
Weighted average interest rate	2.8%

Appendix VII: DCF Stage 1

DCF: Free Cash Flow

Key Valuation Assumptions	
Tax rate	23.5%
WACC	7%
Long-term growth rate	2.6%
EV/EBTDA exit multiple	12.40x

	Historical Period					Forecasting Period				
Free Cash Flow Calculation	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
EBIT	223	115	(9)	89		207	257	308	362	423
Fictitious taxes on EBIT	52	27	(2)	21		49	60	72	85	99
NOPAT	171	88	(7)	68		159	197	235	277	324
+ D&A and impairments	91	100	104	108		92	97	106	116	129
- CAPEX	(127)	(142)	(104)	(70)		(119)	(136)	(154)	(175)	(201)
± Δ NWC	15	62	11	(128)		(28)	(20)	(17)	(21)	(25)
Unlevered FCF	150	108	4	(22)		103	138	170	197	227
WACC							7%			
PV of FCFs							670			

Appendix VII: DCF Stage 2

DCF: Equity Bridge & Share Price Calculation

Equity Bridge & Share Price Calculation	2023	2024	2025	2026	2027
Perpetuity Approach					
Terminal value					5,394
WACC 2023-2027	6.9%				
PV of TV	3,860				
% of EV	85%				
Enterprise value (1.1.2023)	4,530				
Interest-bearing debt	468				
Cash, equivalents & restricted cash	345				
Net debt (1.1.2023)	123				
Non-controlling interest (1.1.2023)	94				
Equity value (1.1.2023)	4,313				
Shares outstanding (in millions)	28				
Price per share as of 1.1.2023 (in USD)	154.05				
Upside potential %	8.8%				
Exit Multiple Approach - Historical					
EBITDA					552
EV/EBTDA exit multiple					12.40x
Terminal value					6,845
WACC 2023-2027	6.9%				
PV of TV	4,899				
% of EV	88%				
Enterprise value (1.1.2023)	5,569				
Net debt (1.1.2023)	123				
Non-controlling interest (1.1.2023)	94				
Equity value (1.1.2023)	5,352				
Shares outstanding (in millions)	28				
Price per share as of 1.1.2023 (in USD)	191.14				
Upside potential %	35.0%				

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