

Visteon Q1 2020 Earnings

April 30, 2020



Visteon®

Q1 2020 Highlights



Sales
\$643 Million

Adjusted EBITDA
\$33 Million

Adjusted Free Cash Flow
-\$14 Million

SALES DRIVERS



Growth-Over-Market ⁽¹⁾
11%



Annual Pricing
-2%



Currency
-1%

OPERATIONAL HIGHLIGHTS



Product Launches
13



Y/Y Decrease in Net Engineering ⁽¹⁾
-13%



New Business Wins
\$800 Million

LIQUIDITY ACTIONS



Cash
\$825 Million



Net Debt / LTM EBITDA
-0.2x



Target CapEx Reduction
-20%



Restructuring Initiatives



Compensation Reductions

Q1 2020 YoY Sales Performance Outside of China

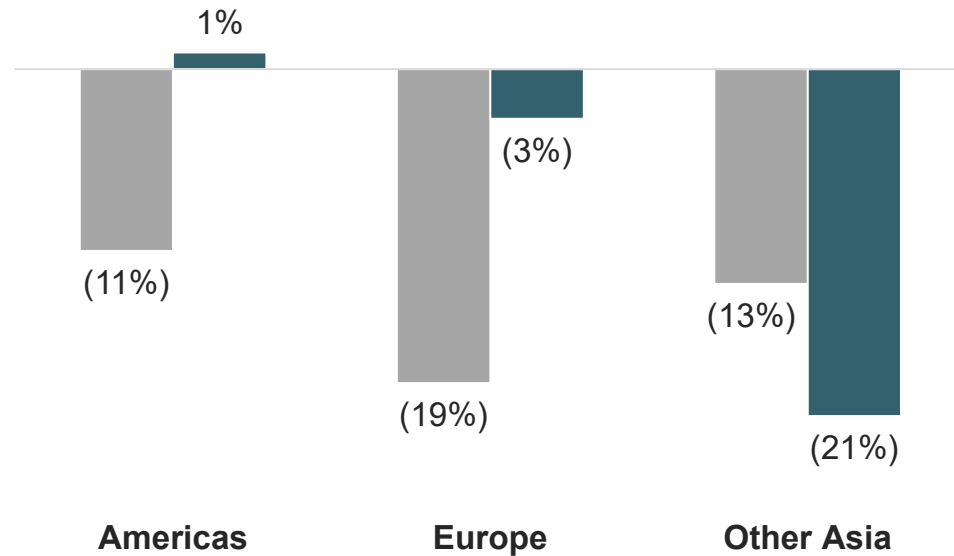


Strong performance continued in Americas and Europe despite COVID-19



Industry Production vs. Visteon Sales

■ Global Industry Production Volumes
■ Visteon Sales



Key Highlights



Americas – Increased Take Rates

Displays with BMW and all-digital clusters and audio with Ford



Europe – New Product Launches

New model launch with SmartCore™ at Daimler and all-digital clusters at PSA



Other Asia – Products in Transition

Roll off of infotainment partially offset by clusters and displays with Mazda and launch of Nissan and Hyundai clusters

Q1 2020 Visteon Domestic China Performance



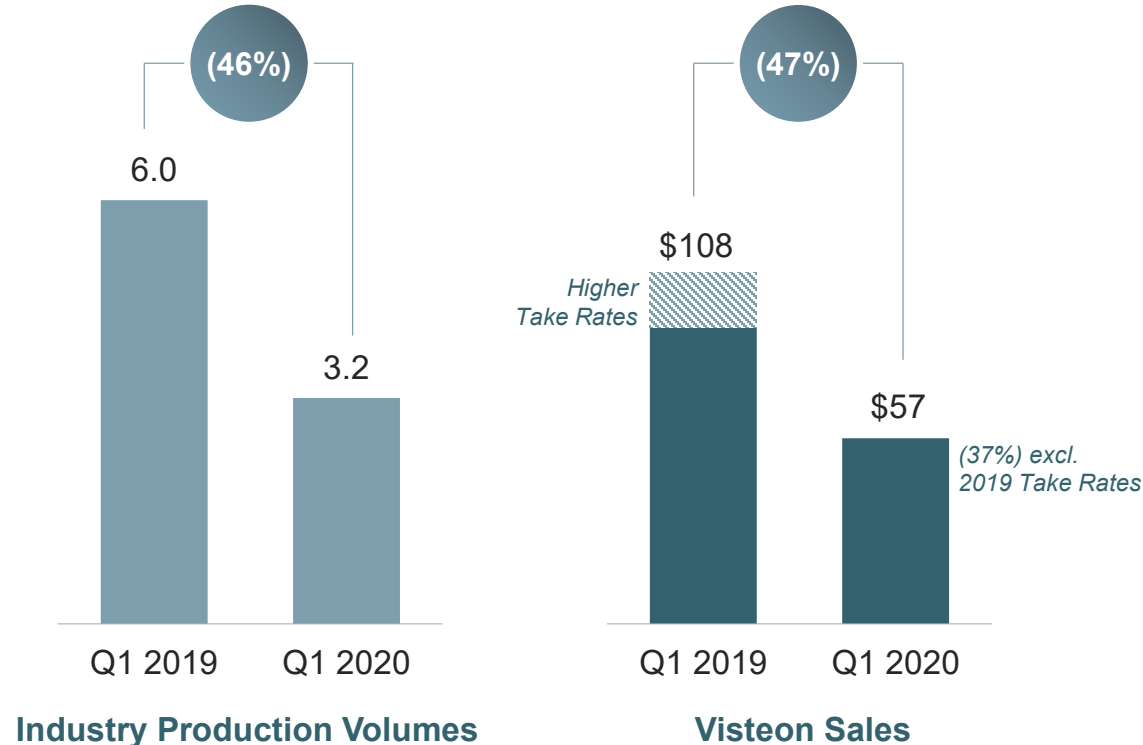
China performance impacted by COVID-19 and reduced take rates

**Visteon sales performed in line with
China production volumes**



Key Highlights

- ▼ Lower production due to COVID-19 impact starting February
- ▼ Non-recurrence of 2019 take rates associated with SGM sales promotion
- ▲ Seven new product launches with no delays experienced in the quarter
- ▲ Robust new business wins including SmartCore™ and all-digital clusters



Q1 2020 Operational Update

Proactively managing costs while protecting future growth

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Business Update



Leveraging Engineering With Higher Launches

- 13 program launches in Q1 across nine OEM customers
- Significant progress with Android display audio system for launch in Q2
- Engineering cost reduction Y/Y despite higher number of launches
- Nearly 80% of engineers in best-cost locations



\$800 Million in New Business Wins

- ~\$500 million in all-digital cluster awards with diversified customer mix
- Android-based infotainment powered by SmartCore™ with Tencent
- Battery Management System expansion with North American OEM
- Healthy pursuit pipeline for next-gen products despite WFH environment



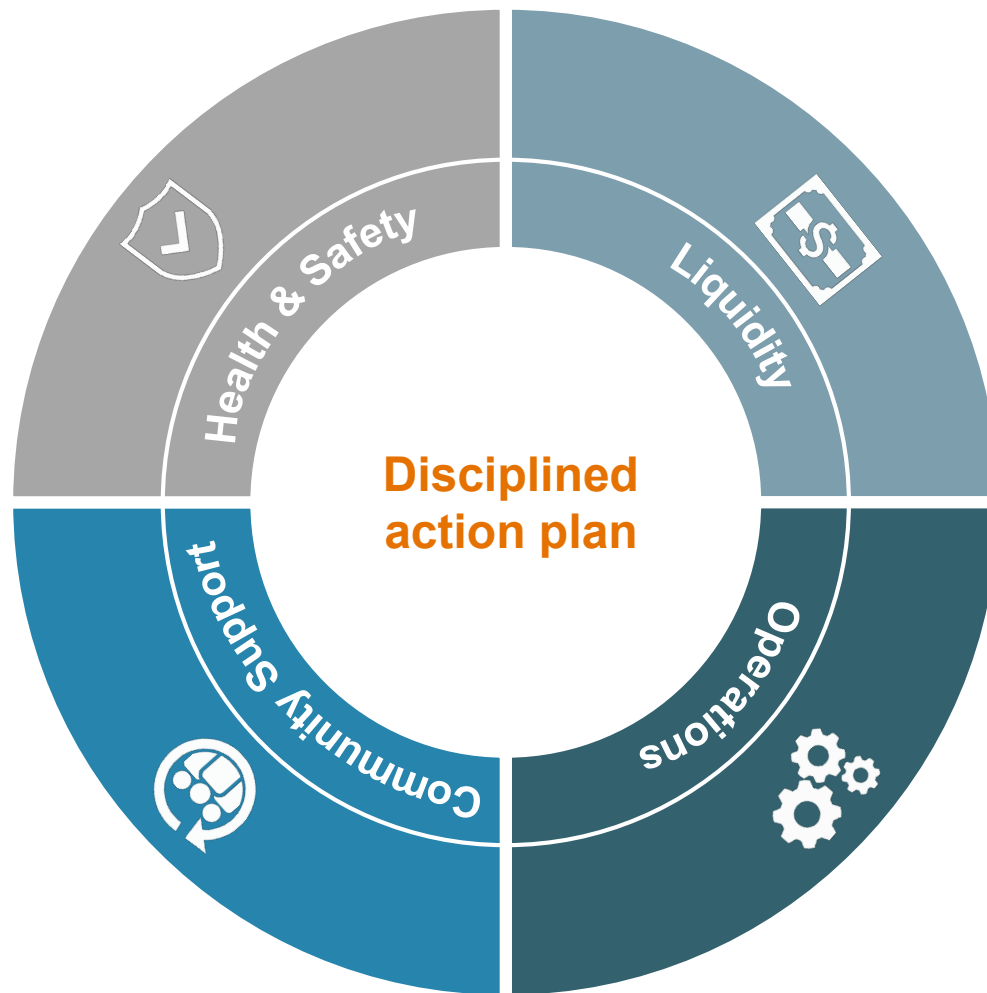
Managing Operational Costs

- Reduced manufacturing costs to align with lower production volumes
- Navigating through rolling supply chain shocks
- Reduced days working capital by approximately nine days
- Multiple cost-reduction activities in anticipation of further volume declines

Visteon Actions to Address COVID-19 Impacts



Ensuring safe workplace, preserving liquidity and preparing for restart



Health & Safety

Implementing best practices to keep workforce safe, including additional safety and cleaning protocols, work from home and social distancing



Liquidity

Proactive actions to secure cash, including \$400 million drawdown of revolving credit facility; no major debt maturities until 2024



Operations

After temporarily suspending activities outside of China, preparing for a safe restart of operations



Community Support

Producing and donating ~50,000 protective face shields to front-line doctors and nurses

Q2 2020 Production Volume Expectations

Expecting a slow ramp up at OEM manufacturing facilities

Estimated Plant Activity for OEM Customers

Region	April		May		June	
	1st Half	2nd Half	1st Half	2nd Half	1st Half	2nd Half
Americas	Plant Shutdown	Plant Shutdown	<35%	<35%	<70%	<70%
Europe	Plant Shutdown	<35%	<35%	<70%	<70%	<70%
Rest of Asia	<35%	<35%	<35%	<35%	<70%	<70%
China	>=70%	>=70%	>=70%	>=70%	>=70%	>=70%

Plant Shutdown <35% <70% >=70%



COVID-19 Pandemic

Rolling nature of impact across geographies makes restart of operations difficult



Recovery of China Production Volume

Production levels expected to recover slowly amid push by OEMs and government



Rest-of-World Manufacturing Restart

Planning for production restart in early / mid May for RoW although initial production levels remain uncertain













Consumer Demand Remains Uncertain

Shelter in place followed by lower consumer confidence expected to impact demand significantly

Cockpit Trends Post COVID-19

Secular trends likely to evolve as industry emerges from near-term challenges

	Pre COVID-19	Post COVID-19
 Digital Clusters	<ul style="list-style-type: none">• Analog to digital transition to support new safety features	 <ul style="list-style-type: none">• ADAS drives continued digitization• Smaller display clusters for mass market
 Connected Infotainment	<ul style="list-style-type: none">• Proprietary OEM infotainment solutions with limited OTA and Apps• Consumer interest in smartphone integration	 <ul style="list-style-type: none">• Android-based infotainment with OTA and Apps• Integration of voice assistant and camera functions for entry infotainment solutions
 Large Displays	<ul style="list-style-type: none">• Large and curved displays• OLED displays	 <ul style="list-style-type: none">• Continued increase in size and complexity• Pillar-to-pillar and OLED displays likely delayed
 Cockpit Domain Controllers	<ul style="list-style-type: none">• ECU consolidation through hypervisor while software remained separate	 <ul style="list-style-type: none">• Multi-display cockpit O/S with full software integration to enable OTA and Apps
 Autonomous	<ul style="list-style-type: none">• Investments into L4 / L5 self-driving technologies in race to market	 <ul style="list-style-type: none">• Reduced interest in L4 / L5 in favor of L2+ safety features

Summary

Visteon®



Solid Execution in a Challenging Environment

Delivered better-than-market sales and proactively adjusted costs



Continuing to Build the Foundation for Future Growth

Launched 13 new programs and won \$800 million of new business across multiple OEMs



Proactively Addressing COVID-19 Impact

Ensuring safe workplace, managing costs and preserving liquidity



Significant Volume Reduction Expected in Q2

Slow restart of manufacturing operations to impact production volumes



Emerging Cockpit Trends Post COVID-19

Secular trends continue for digital cockpit products with slowdown in autonomous



Q1 2020 Financial Results

April 30, 2020



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Visteon's COVID-19 Action Plan

Actively preserving cash and adjusting cost base



MANAGING THROUGH THE COVID-19 CRISIS



STRONG BALANCE SHEET

- ▶ Total cash: \$825 million
- ▶ Net Debt / LTM EBITDA -0.2x
- ▶ No material debt maturities until 2024



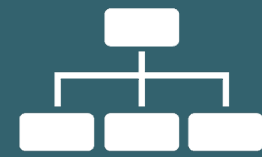
PRESERVE CASH

- ▶ CapEx target reduced 20%
- ▶ Strict working capital management
- ▶ Pursuing gov't supported cash deferral programs



STRICT COST CONTROLS

- ▶ Temporary salary reductions
- ▶ Reducing discretionary spending
- ▶ Commercial discipline



REALIGN STRUCTURAL COSTS

- ▶ Focus on restructuring in manufacturing, engineering and administration
- ▶ Average of 1 year payback
- ▶ Streamlining org structure

Suspending share repurchases in current environment

Draw down of \$400 million on revolving credit facility

Withdrew financial guidance

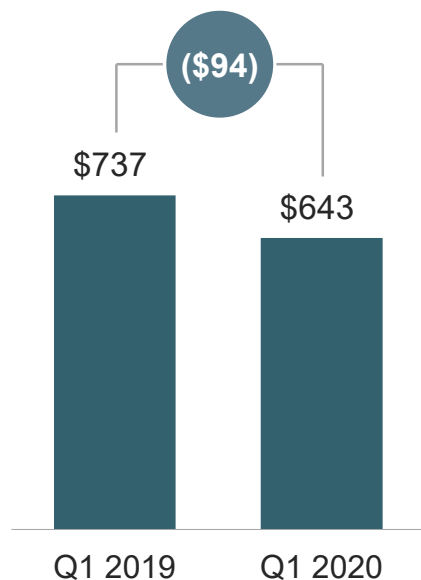
Q1 2020 Key Financials *

Actively preserving cash and adjusting cost base

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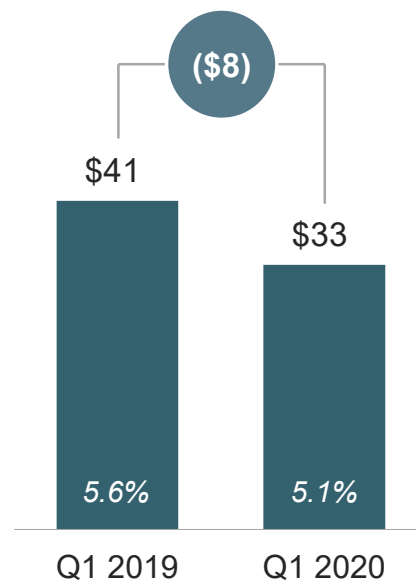
Sales



New business continues to drive growth-over-market



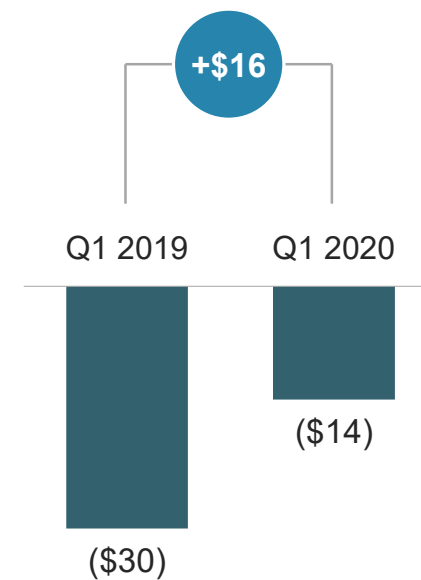
Adjusted EBITDA



Impact of lower sales partially offset by lower Y/Y net engineering



Adjusted FCF



Improved Y/Y cash flow driven by favorable working capital

Note: All dollar amounts in millions.

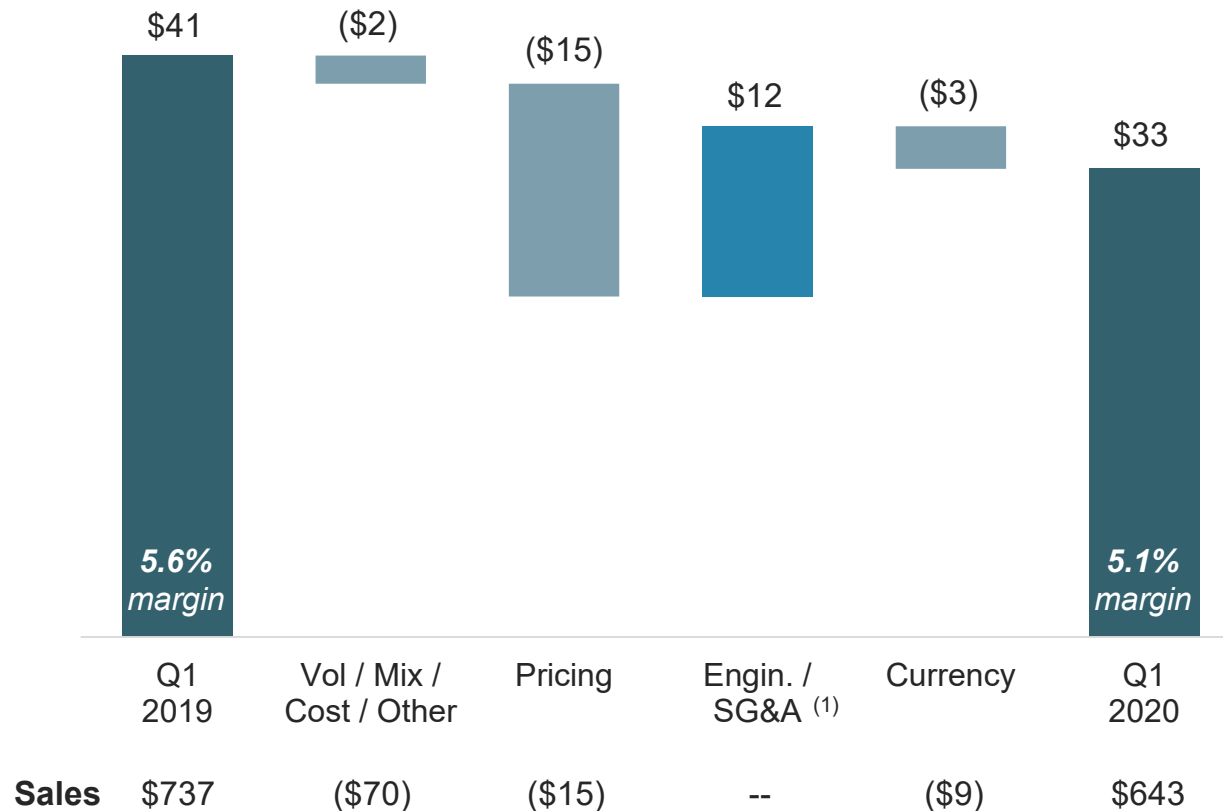
* All items above except sales are non-GAAP measures.

Please see appendix for definitions and important disclosures regarding "Use of Non-GAAP Financial Information."

Q1 2020 vs. Q1 2019 Key Drivers

Actively preserving cash and adjusting cost base

Visteon Y/Y Adjusted EBITDA



Key Y/Y Drivers



COVID-19 Impact

Reduced sales ~\$100 million



Pricing Givebacks

~2% of sales (in-line with history)



Improved Operations

Adjusted ops costs and benefited from non-recurrence of 2019 ops challenges



Net Engineering Costs

13% reduction from lower spend and higher recoveries ⁽¹⁾

Q1 2020 Cash Flow and Balance Sheet

Actively preserving cash and adjusting cost base

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(Dollars in Millions)	Q1 2019	Q1 2020
Adjusted EBITDA	\$41	\$33
Trade Working Capital	1	44
Cash Taxes	(15)	(10)
Interest Payments	(3)	(4)
Other Changes	(17)	(33)
Capital Expenditures	(37)	(44)
Adjusted FCF	(\$30)	(\$14)

Strong Balance Sheet



Cash

\$825 million

Ability to withstand uncertainty and drive future growth



Debt

\$784 million

No major near-term debt maturities until 2024



Net Debt /
LTM EBITDA

-0.2x

Strong balance sheet provides safety and flexibility

Investment Thesis

Visteon®

Visteon is a compelling long-term investment opportunity



Pure Play Cockpit Electronics Company

- ▶ Secular trends transforming cockpit electronics
- ▶ Nimble and adaptable to changing environment
- ▶ Leading supplier of cockpit electronics to global OEMs



Innovative Product Portfolio

- ▶ Leading analog-to-digital transition in clusters
- ▶ Introduced industry-first cockpit domain controller
- ▶ Innovative display technologies



Competitive Cost Structure

- ▶ Leveraging industry-leading engineering footprint
- ▶ Commercial and operational discipline
- ▶ Focused on emerging stronger post COVID-19



Strong Balance Sheet

- ▶ \$825M in cash to withstand near-term challenges
- ▶ No material near-term debt maturities
- ▶ -0.2x net debt / trailing-twelve month adj. EBITDA

Appendix

April 30, 2020



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Forward-Looking Information



- This presentation contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. The words "will," "may," "designed to," "outlook," "believes," "should," "anticipates," "plans," "expects," "intends," "estimates," "forecasts" and similar expressions identify certain of these forward-looking statements. Forward-looking statements are not guarantees of future results and conditions but rather are subject to various factors, risks and uncertainties that could cause our actual results to differ materially from those expressed in these forward-looking statements, including, but not limited to:
 - continued and future impacts of the coronavirus (COVID-19) pandemic on our financial condition and business operations including global supply chain disruptions, market downturns, reduced consumer demand, and new government actions or restrictions;
 - conditions within the automotive industry, including (i) the automotive vehicle production volumes and schedules of our customers, (ii) the financial condition of our customers and the effects of any restructuring or reorganization plans that may be undertaken by our customers, including work stoppages at our customers, and (iii) possible disruptions in the supply of commodities to us or our customers due to financial distress, work stoppages, natural disasters or civil unrest;
 - our ability to execute on our transformational plans and cost-reduction initiatives in the amounts and on the timing contemplated;
 - our ability to satisfy future capital and liquidity requirements; including our ability to access the credit and capital markets at the times and in the amounts needed and on terms acceptable to us; our ability to comply with financial and other covenants in our credit agreements; and the continuation of acceptable supplier payment terms;
 - our ability to satisfy pension and other post-employment benefit obligations;
 - our ability to access funds generated by foreign subsidiaries and joint ventures on a timely and cost effective basis;
 - general economic conditions, including changes in interest rates and fuel prices; the timing and expenses related to internal restructurings, employee reductions, acquisitions or dispositions and the effect of pension and other post-employment benefit obligations;
 - increases in raw material and energy costs and our ability to offset or recover these costs, increases in our warranty, product liability and recall costs or the outcome of legal or regulatory proceedings to which we are or may become a party; and
 - those factors identified in our filings with the SEC (including our Annual Report on Form 10-K for the fiscal year ended December 31, 2019 as updated by our subsequent filings with the Securities and Exchange Commission).
- Caution should be taken not to place undue reliance on our forward-looking statements, which represent our view only as of the date of this presentation, and which we assume no obligation to update. The financial results presented herein are preliminary and unaudited; final financial results will be included in the company's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2020. New business wins, re-wins and backlog do not represent firm orders or firm commitments from customers, but are based on various assumptions, including the timing and duration of product launches, vehicle production levels, customer cancellations, installation rates, customer price reductions and currency exchange rates.

- Because not all companies use identical calculations, adjusted gross margin, adjusted SG&A, adjusted EBITDA, adjusted net income, adjusted EPS, free cash flow and adjusted free cash flow used throughout this presentation may not be comparable to other similarly titled measures of other companies.
- In order to provide the forward-looking non-GAAP financial measures for full-year 2020, the Company is providing reconciliations to the most directly comparable GAAP financial measures on the subsequent slides. The provision of these comparable GAAP financial measures is not intended to indicate that the Company is explicitly or implicitly providing projections on those GAAP financial measures, and actual results for such measures are likely to vary from those presented. The reconciliations include all information reasonably available to the Company at the date of this presentation and the adjustments that management can reasonably predict.

Reconciliation of Non-GAAP Financial Information



Adjusted Gross Margin

The Company defines Adjusted gross margin as gross margin, adjusted to eliminate the impacts of intangibles amortization, stock-based compensation expense and other non-operating costs.

(Dollars in millions)	2019					2020
	Q1	Q2	Q3	Q4	Full Year	Q1
Gross margin	\$66	\$70	\$84	\$104	\$324	\$53
<u>Less:</u>						
Stock-based compensation expense	1	1	1	-	3	1
Intangibles amortization	1	-	2	1	4	1
Other	-	1	-	2	3	-
Subtotal	\$2	\$2	\$3	\$3	\$10	\$2
Adjusted gross margin	\$68	\$72	\$87	\$107	\$334	\$55

Adjusted SG&A

The Company defines Adjusted SG&A as SG&A, adjusted to eliminate the impacts of intangibles amortization, stock-based compensation expense and other non-operating costs.

(Dollars in millions)	2019					2020
	Q1	Q2	Q3	Q4	Full Year	Q1
SG&A	\$57	\$58	\$52	\$54	\$221	\$54
<u>Less:</u>						
Stock-based compensation expense	(4)	(5)	(2)	(3)	(14)	(4)
Intangibles amortization	(3)	(3)	(2)	(2)	(10)	(2)
Other	-	-	-	(1)	(1)	-
Subtotal	(\$7)	(\$8)	(\$4)	(\$6)	(\$25)	(\$6)
Adjusted SG&A	\$50	\$50	\$48	\$48	\$196	\$48

Reconciliation of Non-GAAP Financial Information (cont'd)



Adjusted Net Income and Adjusted EPS

- The Company defines Adjusted net income as net income / (loss) attributable to Visteon adjusted to eliminate the impact of restructuring expense, discontinued operations and related tax effects and other gains and losses not reflective of the Company's ongoing operations.
- The Company defines Adjusted earnings per share as Adjusted net income divided by diluted shares.

(Dollars and shares in millions, except per share data)	2019					2020
	Q1	Q2	Q3	Q4	Full Year	Q1
Net income / (loss) attributable to Visteon	\$14	\$7	\$14	\$35	\$70	(\$35)
Average shares outstanding, diluted	28.4	28.2	28.1	28.2	28.2	27.9
Earnings / (loss) per share	\$0.49	\$0.25	\$0.50	\$1.24	\$2.48	(\$1.25)
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<u>Memo: Adjusted EPS</u>						
Net income / (loss) attributable to Visteon	\$14	\$7	\$14	\$35	\$70	(\$35)
Restructuring expense	1	-	1	2	4	33
Discontinued operations	-	-	-	1	1	-
Other	-	1	-	3	4	-
Tax effect of adjustments	-	-	-	(1)	(1)	-
Subtotal	\$1	\$1	\$1	\$5	\$8	\$33
Adjusted net income	\$15	\$8	\$15	\$40	\$78	(\$2)
Average shares outstanding, diluted	28.4	28.2	28.1	28.2	28.2	27.9
Adjusted earnings per share	\$0.53	\$0.28	\$0.53	\$1.42	\$2.77	(\$0.07)

Reconciliation of Non-GAAP Financial Information (cont'd)



Adjusted EBITDA

The Company defines Adjusted EBITDA as net income / (loss) attributable to the Company adjusted to eliminate the impact of depreciation and amortization, restructuring expense, net interest expense, equity in net (income) / loss of non-consolidated affiliates, provision for income taxes, discontinued operations, net income / (loss) attributable to non-controlling interests, non-cash stock-based compensation expense, and other gains and losses not reflective of the Company's ongoing operations.

(Dollars in millions)	2019					2020
	Q1	Q2	Q3	Q4	Full Year	Q1
Net income / (loss) attributable to Visteon	\$14	\$7	\$14	\$35	\$70	(\$35)
Depreciation and amortization	25	24	25	26	100	25
Restructuring expense	1	-	1	2	4	33
Interest expense, net	2	2	3	2	9	2
Equity in net (income) / loss of non-consolidated affiliates	(3)	(3)	(1)	1	(6)	(1)
Provision for income taxes	(5)	8	13	8	24	5
Income from discontinued operations, net of tax	-	-	-	1	1	-
Net income / (loss) attributable to non-controlling interests	2	1	4	4	11	(1)
Non-cash, stock-based compensation	5	6	3	3	17	5
Other	-	1	-	3	4	-
Subtotal	\$27	\$39	\$48	\$50	\$164	\$68
Adjusted EBITDA	\$41	\$46	\$62	\$85	\$234	\$33
<hr/>						
Memo: Adjusted Net Income						
Net income / (loss) attributable to Visteon	\$14	\$7	\$14	\$35	\$70	(\$35)
Restructuring expense	1	-	1	2	4	33
Discontinued operations	-	-	-	1	1	-
Other	-	1	-	3	4	-
Tax effect of adjustments	-	-	-	(1)	(1)	-
Subtotal	\$1	\$1	\$1	\$5	\$8	\$33
Adjusted net income	\$15	\$8	\$15	\$40	\$78	(\$2)

Reconciliation of Non-GAAP Financial Information *(cont'd)*



Free Cash Flow and Adjusted Free Cash Flow

- The Company defines Free cash flow as cash flow from operating activities less capital expenditures.
- The Company defines Adjusted free cash flow as cash flow from operating activities less capital expenditures, as further adjusted for restructuring-related payments.

(Dollars in millions)	2019					2020
	Q1	Q2	Q3	Q4	Full Year	Q1
Cash flow from operating activities	\$4	\$57	\$57	\$65	\$183	\$25
Less: Capital expenditures, including intangibles	(37)	(34)	(38)	(33)	(142)	(44)
Free cash flow	(\$33)	\$23	\$19	\$32	\$41	(\$19)
Exclude: Restructuring-related payments	3	5	4	3	15	5
Adjusted free cash flow	(\$30)	\$28	\$23	\$35	\$56	(\$14)

Reconciliation of Non-GAAP Financial Information *(cont'd)*



Adjusted EBITDA Build-up

(Dollars in millions)	2019					2020
	Q1	Q2	Q3	Q4	Full Year	Q1
Sales	\$737	\$733	\$731	\$744	\$2,945	\$643
Gross margin	\$66	\$70	\$84	\$104	\$324	\$53
Intangibles amortization	1	-	2	1	4	1
Stock-based compensation expense	1	1	1	-	3	1
Other	-	1	-	2	3	-
Adjusted gross margin	\$68	\$72	\$87	\$107	\$334	\$55
<i>% of sales</i>	<i>9.2%</i>	<i>9.8%</i>	<i>11.9%</i>	<i>14.4%</i>	<i>11.3%</i>	<i>8.6%</i>
SG&A	(\$57)	(\$58)	(\$52)	(\$54)	(\$221)	(\$54)
Intangibles amortization	3	3	2	2	10	2
Stock-based compensation expense	4	5	2	3	14	4
Other	-	-	-	1	1	-
Adjusted SG&A	(\$50)	(\$50)	(\$48)	(\$48)	(\$196)	(\$48)
Adjusted EBITDA						
Adjusted gross margin	\$68	\$72	\$87	\$107	\$334	\$55
Adjusted SG&A	(50)	(50)	(48)	(48)	(196)	(48)
D&A	21	21	21	23	86	22
Pension financing benefits, net	2	3	2	3	10	4
Adjusted EBITDA	\$41	\$46	\$62	\$85	\$234	\$33
<i>% of sales</i>	<i>5.6%</i>	<i>6.3%</i>	<i>8.5%</i>	<i>11.4%</i>	<i>7.9%</i>	<i>5.1%</i>
Equity in affiliates	\$3	\$3	\$1	(\$1)	\$6	\$1
Noncontrolling interests	(2)	(1)	(4)	(4)	(11)	1

Reconciliation of Gross Margin

Gross Margin Build-up

	2019					2020
(Dollars in millions)	Q1	Q2	Q3	Q4	Full Year	Q1
Sales	\$737	\$733	\$731	\$744	\$2,945	\$643
Cost of sales (ex. engineering)	(586)	(576)	(574)	(585)	(2,321)	(517)
Engineering costs, net	(85)	(87)	(73)	(55)	(300)	(73)
Gross margin	\$66	\$70	\$84	\$104	\$324	\$53
<hr/>						
<u>% of Sales</u>						
Cost of sales (ex. engineering)	79.5%	78.6%	78.5%	78.6%	78.8%	80.4%
Engineering costs, net	11.5	11.9	10.0	7.4	10.2	11.4
Gross margin	9.0%	9.5%	11.5%	14.0%	11.0%	8.2%
<hr/>						
<u>Engineering costs, net</u>						
Engineering costs, gross	(\$108)	(\$113)	(\$105)	(\$114)	(\$440)	(\$100)
Recoveries	23	26	32	59	140	27
Engineering costs, net	(\$85)	(\$87)	(\$73)	(\$55)	(\$300)	(\$73)

Financial Results – U.S. GAAP



(Dollars in millions, except per share data)	2019					2020
	Q1	Q2	Q3	Q4	Full Year	Q1
<u>Income Statement</u>						
Sales	\$737	\$733	\$731	\$744	\$2,945	\$643
Gross margin	66	70	84	104	324	53
SG&A	57	58	52	54	221	54
Net income / (loss) attributable to Visteon	14	7	14	35	70	(35)
Earnings / (loss) per share, diluted	\$0.49	\$0.25	\$0.50	\$1.24	\$2.48	(\$1.25)
<u>Cash Flow Statement</u>						
Cash flow from operating activities	\$4	\$57	\$57	\$65	\$183	\$25
Capital expenditures, including intangibles	37	34	38	33	142	44

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