

# Visteon Q1 2023 Earnings

April 27, 2023



# Q1 2023 in Review



Net Sales

**\$967** Million

22% Y/Y Growth<sup>(1)</sup>



Adjusted EBITDA

**\$99** Million

10.2% Margin



Adjusted FCF

**(\$37)** Million

\$487 Million Total Cash

CONTINUED  
MARKET OUT-  
PERFORMANCE



Another quarter of  
double-digit GoM<sup>(2)</sup>

HIGH NUMBER  
OF PRODUCT  
LAUNCHES



34 product  
launches in Q1

ROBUST NEW  
BUSINESS WIN  
ACTIVITY



\$1.5 billion of new  
business wins in Q1

BUILDING  
MOMENTUM IN  
ELECTRIFICATION



Extended BMS business  
with additional models

WELL POSITIONED  
FOR GROWTH  
IN 2023



Confirming 2023  
guidance

# Q1 Industry and Visteon Sales Performance



*Strong start to the year with robust consumer demand driving vehicle production*

## Industry Production Factors



### U.S. / Europe Vehicle Production

Continued demand momentum driving robust vehicle production growth for Visteon customers



### China Production

Vehicle production decline driven by weaker consumer sentiment and lower incentives



### Semiconductor Supply

Supply improved but pockets of constraints persist with certain suppliers

## Visteon Sales Drivers



### Global Production Volumes

Visteon customer vehicle production volumes increased 9%<sup>(1)</sup>



### Recent Product Launches

Ongoing production ramp-up of programs launched in 2022 partially offset by roll-offs



### Operational and Commercial Discipline

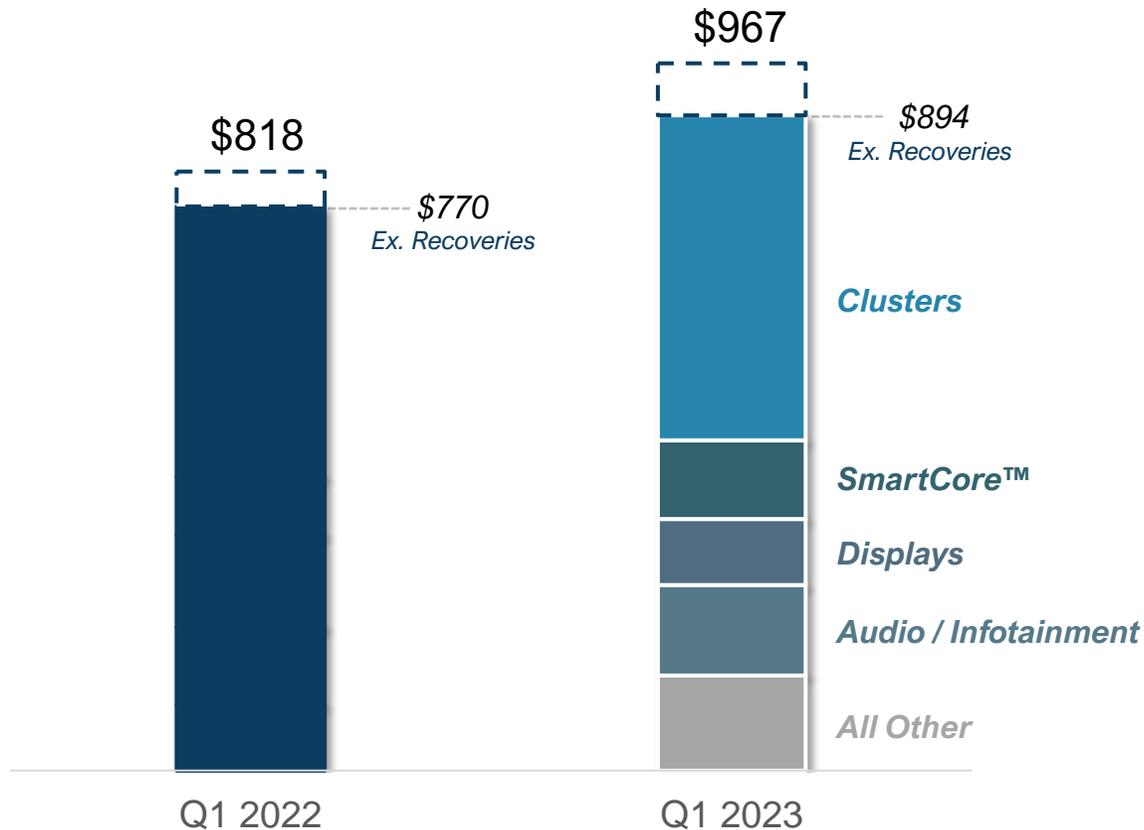
Benefited from product redesigns, lower spot buys, and favorable timing of customer recoveries

# Continued Product Sales Growth

Product sales primarily driven by ramp-up of digital cluster and SmartCore™ programs

(Dollars in millions)

## Q1 Product Sales Growth of +20%<sup>(1)</sup>



## Q1 Product Sales Outperformance



### Clusters

Robust digital cluster growth of ~35% Y/Y driven by ramp of launches with GM, Volkswagen, and Ford



### SmartCore™

Sales up ~40% Y/Y resulting from roll-on of programs with Geely and Mahindra



### Displays

Continued roll-on of multi-display program launches offset by BMW center display roll-off



### Audio / Infotainment

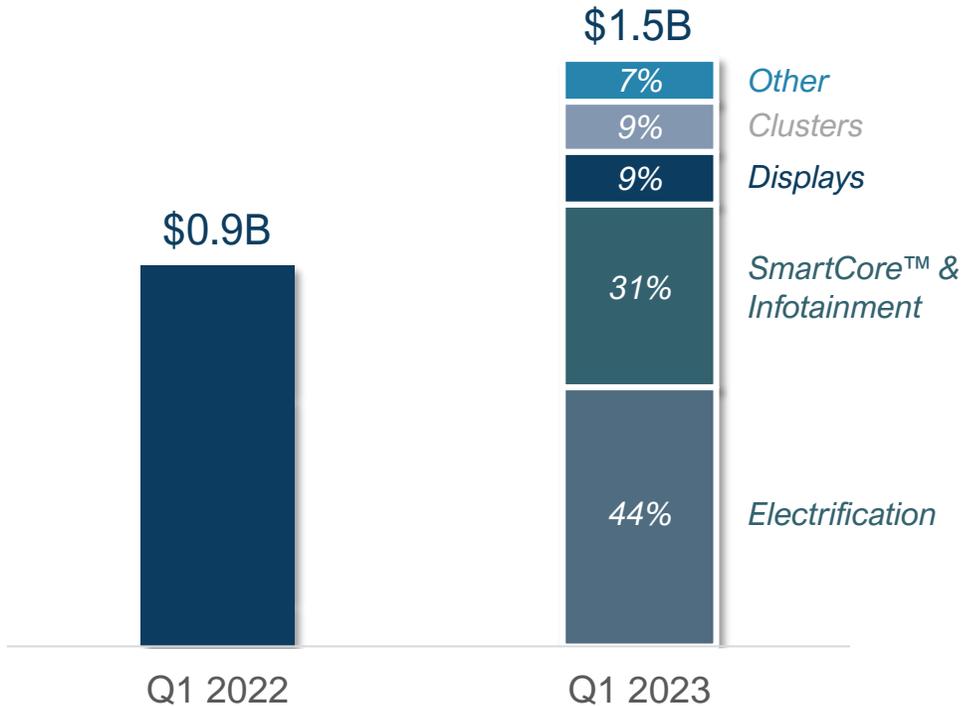
Outperformance driven by growth of Android-based infotainment with Volkswagen and Stellantis

**Recent program launches and follow-on product launches continue to drive product sales growth**

# Q1 New Business Wins

First quarter wins put us on track to achieve full-year target

## Q1 2023 New Business Wins



**~\$650M** Wireless BMS Wins in Q1 2023

**~33%** Of Cockpit Electronics Wins on Electric Vehicles

## Key Q1 New Business Win Highlights



### SmartCore™

Extension of SmartCore™ program on additional vehicles for Chinese OEM



### Infotainment System and Display

10.25" display with Android-based infotainment system for Indian OEM



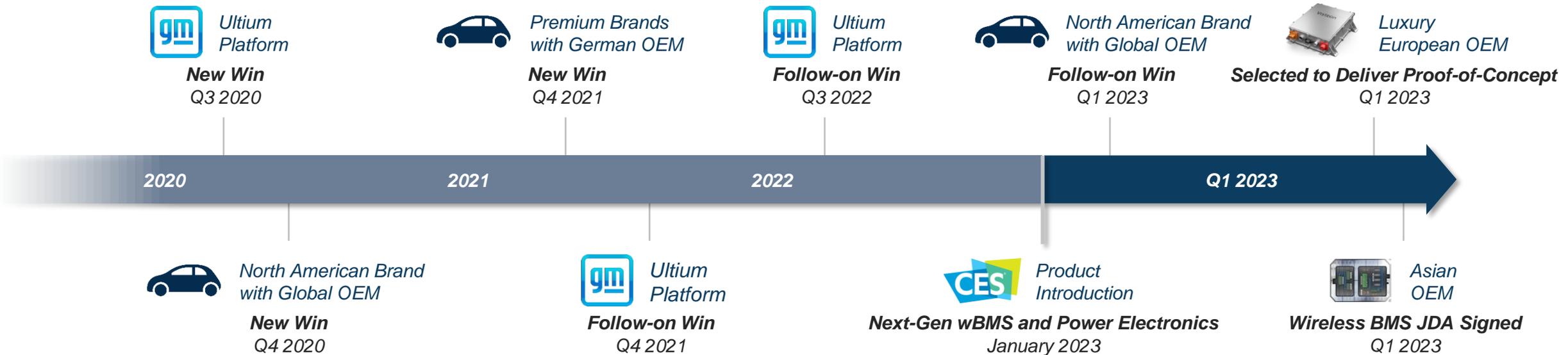
### Wireless BMS Extension

Incremental sales on prior win with additional vehicles and higher content per vehicle



# Building Momentum in Electrification Business

*Diversification of product and customer portfolio driving growth*



**\$5B+** Cumulative Announced Wins

**24** Vehicle Lines Sourced To-Date

# Q1 New Product Launches

Product extensions on additional vehicle models supporting future sales growth

## Key Q1 2023 Launches



**GM Heavy Duty Trucks**  
Digital Cluster



**Ford Ranger – South America**  
Digital Cluster, Audio Infotainment



**Geely – Zeekr X CUV**  
Cockpit Domain Controller



**Honda e:NP1 - China**  
Digital Cluster

**34**

New Vehicle & Market  
Launches

**~20%**

Launches on  
Electric Vehicles

# 2023 Production Outlook

*Expecting low single-digit full-year global customer vehicle production growth*



## Supply Chain Dynamics

Semiconductor supply expected to improve throughout the year but incremental costs remain elevated



## Near-Term Resiliency in Demand

Dealer inventory re-stocking and resiliency in consumer spending supporting demand in near-term



## Potential Macro Economic Headwinds Remain

High financing rates coupled with elevated vehicle transaction prices may dampen consumer demand

# Summary



## **Continued Market Outperformance**

Delivered 16<sup>th</sup> consecutive quarter of growth-over-market relative to our customers' vehicle production



## **Strong Operational and Commercial Performance**

Commercial and cost discipline drove 10.2% EBITDA margin



## **Product Launches Support Continued Growth**

Delivered 34 new vehicle and market launches in the first quarter



## **Robust New Business Wins in line with Full-Year Target**

\$1.5 billion in new business wins including follow-on electrification and SmartCore™ wins



## **Building Momentum in Electrification Business**

Expanding product and customer portfolio in BMS and power electronics

# Q1 2023 Financial Results

April 27, 2023



# Q1 2023 in Review

*Strong start to the year with continued commercial and operational discipline*



## Net Sales

**\$967** Million

22% Y/Y Growth<sup>(1)</sup>

- ▶ Robust year-over-year growth supported by recent cluster and SmartCore™ launches
- ▶ Improved semiconductor supply reduces the need for open market purchases
- ▶ Customer recoveries agreements ahead of prior year with a few customer deals yet to be finalized



## Adjusted EBITDA

**\$99** Million

10.2% Margin

- ▶ Strong margin progression year-over-year driven by higher volume and improved recovery timing
- ▶ Increase in engineering and SG&A to support growth outlook
- ▶ Customer recovery dilution impact to EBITDA margin of ~85 bps



## Adjusted FCF

**(\$37)** Million

\$487 Million Total Cash

- ▶ Q1 cash outflow in line with prior year and current year expectations
- ▶ Working capital impacted in Q1 by the timing of customer recovery negotiations
- ▶ Net cash position of \$135 million at the end of the quarter

# Q1 2023 Y/Y Financial Performance

Strong sales growth and Adjusted EBITDA expansion

(Dollars in millions)

## Key Performance Drivers



### Industry Production Growth

Strong demand in North America and Europe partially offset by slow start in China



### Growth-Over-Market

Ramp-up of product launches supporting ongoing market outperformance



### Supply Dynamics

Improvement in semiconductor supply but inflationary pressures persist



### Cost Discipline

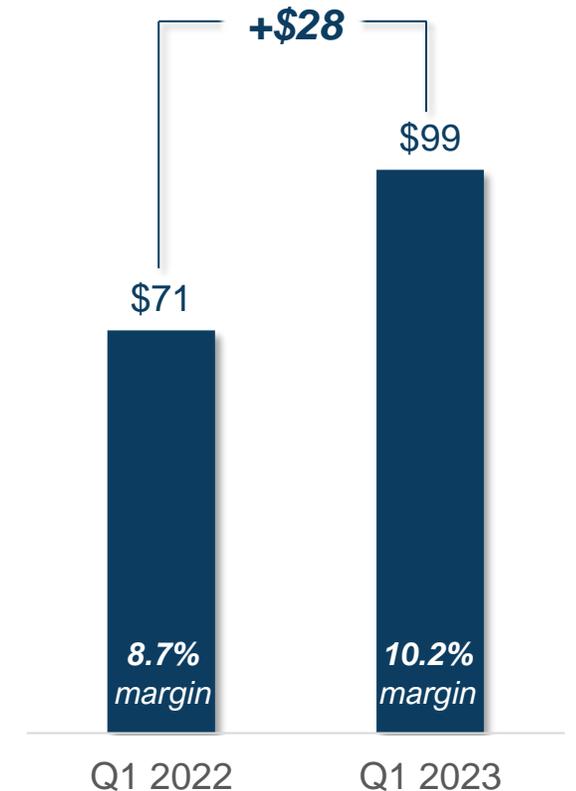
Balanced approach to investing in growth while focusing on costs optimization

## Sales

Recoveries



## Adjusted EBITDA



# Q1 2023 Balance Sheet and Adjusted Free Cash Flow

*Strong balance sheet provides ongoing flexibility*

	<b>\$487 million</b>	Provides flexibility and supports capital allocation
	<b>\$352 million</b>	No material debt maturities until 2027
	<b>\$135 million</b>	Strong balance sheet provides significant flexibility

(Dollars in Millions)	Q1 2022	Q1 2023
Adjusted EBITDA	\$71	\$99
Trade Working Capital	(40)	(77)
Cash Taxes	(7)	(18)
Interest Payments	(3)	(3)
Other Changes	(37)	(17)
Capital Expenditures	(21)	(21)
<b>Adjusted FCF</b>	<b>(\$37)</b>	<b>(\$37)</b>

# Investment Thesis

*Visteon continues to be a compelling long-term investment opportunity*



## Digital Cockpit Electronics Leader

- ▶ Digital cockpit leader for cars, trucks, and two-wheelers
- ▶ Supporting industry shift to electric vehicles
- ▶ Nimble and adaptable to changing environment



## Innovative Product Portfolio

- ▶ Leading analog-to-digital transition in automotive cockpits
- ▶ Industry leader in cockpit domain controllers
- ▶ Industry-first wireless battery management system



## Competitive Cost Structure

- ▶ Leveraging industry-leading engineering footprint
- ▶ Optimizing spend through platform-based approach
- ▶ Commercial and operational discipline



## Strong Balance Sheet

- ▶ \$487 million in cash to provide flexibility and support future growth
- ▶ No material debt maturities until 2027
- ▶ \$135 million net cash position at quarter-end

# Appendix

April 27, 2023



# Forward-Looking Statements

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;
- continued and future impacts related to the conflict between Russia and the Ukraine including supply chain disruptions, reduction in customer demand, and the imposition of sanctions on Russia;
- significant or prolonged shortage of critical components from our suppliers, including but not limited to semiconductors, and particularly those who are our sole or primary sources;
- failure of the Company's joint venture partners to comply with contractual obligations or to exert influence or pressure in China;
- 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 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 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;
- disruptions in information technology systems including, but not limited to, system failure, cyber-attack, malicious computer software (malware including ransomware), unauthorized physical or electronic access, or other natural or man-made incidents or disasters;
- 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;
- changes in laws, regulations, policies or other activities of governments, agencies and similar organizations, domestic and foreign, that may tax or otherwise increase the cost of, or otherwise affect, the manufacture, licensing, distribution, sale, ownership or use of our products or assets; 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, 2022, 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 release, 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 Annual Report on Form 10-Q for the fiscal quarter ended March 31, 2023. New business wins and re-wins 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 price reductions and currency exchange rates.

# Use of Non-GAAP Financial Information

- 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 2023, 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 stock-based compensation expense, intangibles amortization and other non-operating costs.

(Dollars in millions)	2022					2023
	Q1	Q2	Q3	Q4	Full Year	Q1
<b>Gross margin</b>	<b>\$76</b>	<b>\$74</b>	<b>\$104</b>	<b>\$114</b>	<b>\$368</b>	<b>\$110</b>
<u>Less:</u>						
Stock-based compensation expense	1	3	3	3	10	3
Intangibles amortization	-	-	1	-	1	-
Other	2	10	(2)	2	12	1
<b>Subtotal</b>	<b>\$3</b>	<b>\$13</b>	<b>\$2</b>	<b>\$5</b>	<b>\$23</b>	<b>\$4</b>
<b>Adjusted gross margin</b>	<b>\$79</b>	<b>\$87</b>	<b>\$106</b>	<b>\$119</b>	<b>\$391</b>	<b>\$114</b>

## Adjusted SG&A

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

(Dollars in millions)	2022					2023
	Q1	Q2	Q3	Q4	Full Year	Q1
<b>SG&amp;A</b>	<b>\$44</b>	<b>\$43</b>	<b>\$47</b>	<b>\$54</b>	<b>\$188</b>	<b>\$52</b>
<u>Less:</u>						
Stock-based compensation expense	(4)	(5)	(3)	(4)	(16)	(5)
Intangibles amortization	(3)	(3)	(2)	(3)	(11)	(3)
Other	-	-	(2)	-	(2)	-
<b>Subtotal</b>	<b>(\$7)</b>	<b>(\$8)</b>	<b>(\$7)</b>	<b>(\$7)</b>	<b>(\$29)</b>	<b>(\$8)</b>
<b>Adjusted SG&amp;A</b>	<b>\$37</b>	<b>\$35</b>	<b>\$40</b>	<b>\$47</b>	<b>\$159</b>	<b>\$44</b>

# 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 and impairment expense, 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)	2022					2023
	Q1	Q2	Q3	Q4	Full Year	Q1
<b>Net income / (loss) attributable to Visteon</b>	<b>\$22</b>	<b>\$24</b>	<b>\$44</b>	<b>\$34</b>	<b>\$124</b>	<b>\$34</b>
Average shares outstanding, diluted	28.4	28.4	28.5	28.7	28.5	28.7
<b>Earnings / (loss) per share</b>	<b>\$0.77</b>	<b>\$0.85</b>	<b>\$1.54</b>	<b>\$1.18</b>	<b>\$4.35</b>	<b>\$1.18</b>
<hr/>						
<u>Memo: Adjusted EPS</u>						
<b>Net income / (loss) attributable to Visteon</b>	<b>\$22</b>	<b>\$24</b>	<b>\$44</b>	<b>\$34</b>	<b>\$124</b>	<b>\$34</b>
Restructuring and impairment expense	7	4	1	2	14	1
Non-operating costs, net	2	10	-	2	14	1
<b>Subtotal</b>	<b>\$9</b>	<b>\$14</b>	<b>\$1</b>	<b>\$4</b>	<b>\$28</b>	<b>\$2</b>
<b>Adjusted net income / (loss)</b>	<b>\$31</b>	<b>\$38</b>	<b>\$45</b>	<b>\$38</b>	<b>\$152</b>	<b>\$36</b>
Average shares outstanding, diluted	28.4	28.4	28.5	28.7	28.5	28.7
<b>Adjusted earnings / (loss) per share</b>	<b>\$1.09</b>	<b>\$1.34</b>	<b>\$1.58</b>	<b>\$1.32</b>	<b>\$5.33</b>	<b>\$1.25</b>

# 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 and impairment expense, net interest expense, equity in net (income) / loss of non-consolidated affiliates, provision for income taxes, 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)	2022					2023	FY 2023 Guidance
	Q1	Q2	Q3	Q4	Full Year	Q1	Midpoint
<b>Net income / (loss) attributable to Visteon</b>	<b>\$22</b>	<b>\$24</b>	<b>\$44</b>	<b>\$34</b>	<b>\$124</b>	<b>\$34</b>	<b>\$188</b>
Depreciation and amortization	27	25	27	29	108	29	110
Restructuring and impairment expense	7	4	1	2	14	1	5
Interest expense, net	2	3	2	3	10	3	12
Equity in net (income) / loss of non-consolidated affiliates	(3)	(1)	1	4	1	5	-
Provision for income taxes	8	7	9	21	45	14	55
Net income / (loss) attributable to non-controlling interests	1	(1)	5	1	6	4	15
Non-cash, stock-based compensation	5	8	6	7	26	8	35
Other	2	10	-	2	14	1	5
<b>Subtotal</b>	<b>\$49</b>	<b>\$55</b>	<b>\$51</b>	<b>\$69</b>	<b>\$224</b>	<b>\$65</b>	<b>\$237</b>
<b>Adjusted EBITDA</b>	<b>\$71</b>	<b>\$79</b>	<b>\$95</b>	<b>\$103</b>	<b>\$348</b>	<b>\$99</b>	<b>\$425</b>

# 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 (for) operating activities less capital expenditures.
- The Company defines Adjusted Free Cash Flow as cash flow from (for) operating activities less capital expenditures, as further adjusted for restructuring-related payments.

(Dollars in millions)	2022					2023	FY 2023
	Q1	Q2	Q3	Q4	Full Year	Q1	Guidance Midpoint
<b>Cash flow from (for) operating activities</b>	<b>(\$21)</b>	<b>(\$51)</b>	<b>\$74</b>	<b>\$165</b>	<b>\$167</b>	<b>(\$19)</b>	<b>\$260</b>
Less: Capital expenditures, including intangibles	(21)	(15)	(18)	(27)	(81)	(21)	(130)
<b>Free cash flow</b>	<b>(\$42)</b>	<b>(\$66)</b>	<b>\$56</b>	<b>\$138</b>	<b>\$86</b>	<b>(\$40)</b>	<b>\$130</b>
Exclude: Restructuring-related payments	5	4	3	3	15	3	10
<b>Adjusted free cash flow</b>	<b>(\$37)</b>	<b>(\$62)</b>	<b>\$59</b>	<b>\$141</b>	<b>\$101</b>	<b>(\$37)</b>	<b>\$140</b>

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

## Adjusted EBITDA Build-up

(Dollars in millions)	2022					2023
	Q1	Q2	Q3	Q4	Full Year	Q1
Sales	\$818	\$848	\$1,026	\$1,064	\$3,756	\$967
Gross margin	\$76	\$74	\$104	\$114	\$368	\$110
Intangibles amortization	-	-	1	-	1	-
Stock-based compensation expense	1	3	3	3	10	3
Other	2	10	(2)	2	12	1
<b>Adjusted gross margin</b>	<b>\$79</b>	<b>\$87</b>	<b>\$106</b>	<b>\$119</b>	<b>\$391</b>	<b>\$114</b>
<i>% of sales</i>	<i>9.7%</i>	<i>10.3%</i>	<i>10.3%</i>	<i>11.2%</i>	<i>10.4%</i>	<i>11.8%</i>
SG&A	(\$44)	(\$43)	(\$47)	(\$54)	(\$188)	(\$52)
Intangibles amortization	3	3	2	3	11	3
Stock-based compensation expense	4	5	3	4	16	5
Other	-	-	2	-	2	-
<b>Adjusted SG&amp;A</b>	<b>(\$37)</b>	<b>(\$35)</b>	<b>(\$40)</b>	<b>(\$47)</b>	<b>(\$159)</b>	<b>(\$44)</b>
Adjusted EBITDA						
Adjusted gross margin	\$79	\$87	\$106	\$119	\$391	\$114
Adjusted SG&A	(37)	(35)	(40)	(47)	(159)	(44)
D&A	24	22	24	26	96	26
Other income, net	5	5	5	5	20	3
<b>Adjusted EBITDA</b>	<b>\$71</b>	<b>\$79</b>	<b>\$95</b>	<b>\$103</b>	<b>\$348</b>	<b>\$99</b>
<i>% of sales</i>	<i>8.7%</i>	<i>9.3%</i>	<i>9.3%</i>	<i>9.7%</i>	<i>9.3%</i>	<i>10.2%</i>
Equity income (loss) in affiliates	\$3	\$1	(\$1)	(\$4)	(\$1)	(\$5)
Noncontrolling interests	(1)	1	(5)	(1)	(6)	(4)

# Net Engineering

(Dollars in millions)	2022					2023
	Q1	Q2	Q3	Q4	Full Year	Q1
<u>Engineering costs, net</u>						
Engineering costs, gross	(\$81)	(\$81)	(\$83)	(\$96)	(\$341)	(\$83)
Recoveries	33	40	25	47	145	27
<b>Engineering costs, net</b>	<b>(\$48)</b>	<b>(\$41)</b>	<b>(\$58)</b>	<b>(\$49)</b>	<b>(\$196)</b>	<b>(\$56)</b>

# Financial Results – U.S. GAAP

(Dollars in millions, except per share data)	2022					2023
	Q1	Q2	Q3	Q4	Full Year	Q1
<u>Income Statement</u>						
Sales	\$818	\$848	\$1,026	\$1,064	\$3,756	\$967
Gross margin	76	74	104	114	368	110
SG&A	44	43	47	54	188	52
Net income / (loss) attributable to Visteon	22	24	44	34	124	34
Earnings / (loss) per share, diluted	\$0.77	\$0.85	\$1.54	\$1.18	\$4.35	\$1.18
<u>Cash Flow Statement</u>						
Cash flow from (for) operating activities	(\$21)	(\$51)	\$74	\$165	\$167	(\$19)
Capital expenditures, including intangibles	21	15	18	27	81	21

Visteon®

