Visteon Q2 2019 Earnings

July 25, 2019

Visteon®

Q2 2019 Overview

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OEM Production Volumes
Key customer volumes down ~8% Y/Y
China production weakness accelerated
Americas and Europe remained soft

Financial Performance
Sales of $733 million
Adj. EBITDA of $46 million
Adj. FCF of $28 million

Outperforming in China
Y/Y sales growth of 30%
$1 billion YTD in new business wins
27 launches in China in last 12 months

Operational Update
Display product ramp-up on track
Completed Mexico plant transfer
Net engineering costs on track

New Business Wins
$3.2 billion YTD in lifetime sales
62% from next-gen digital products
3 SmartCore™ wins YTD

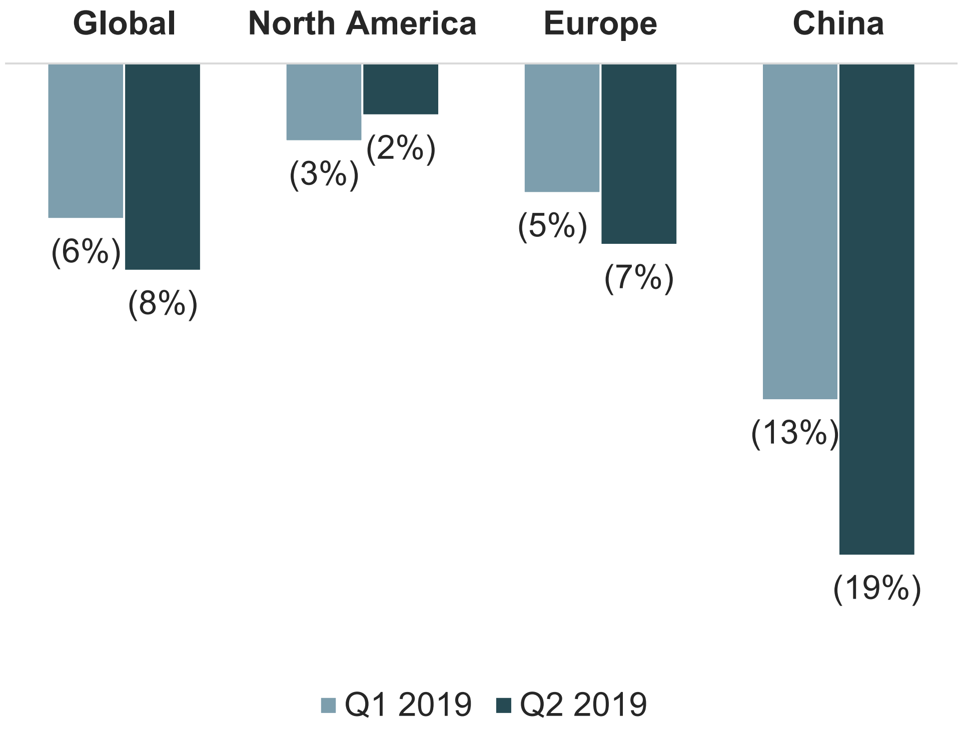
Balanced Capital Structure
Cash of $438 million
Debt of $402 million
$20 million in share repurchases

Q2 2019 Industry Volumes vs. Visteon Sales

Visteon

Weaker than Expected OEM Production (1)

Global volumes declined 8% Y/Y



Visteon Sales Outperformed Market

Visteon sales down 3% Y/Y

- ▼ Lower industry production volumes in all regions
- ▼ Lower sales of mature products in North America and Europe
- ▼ Annual price reductions in-line with historical levels
- ▼ Unfavorable currency, driven by the Euro and RMB
- ▲ 23 new program launches YTD
- ▲ Higher take-rates in China and Europe for new digital products with specific OEMs

(1) Chart represents Y/Y change in industry production volumes.

Q2 2019 China Performance

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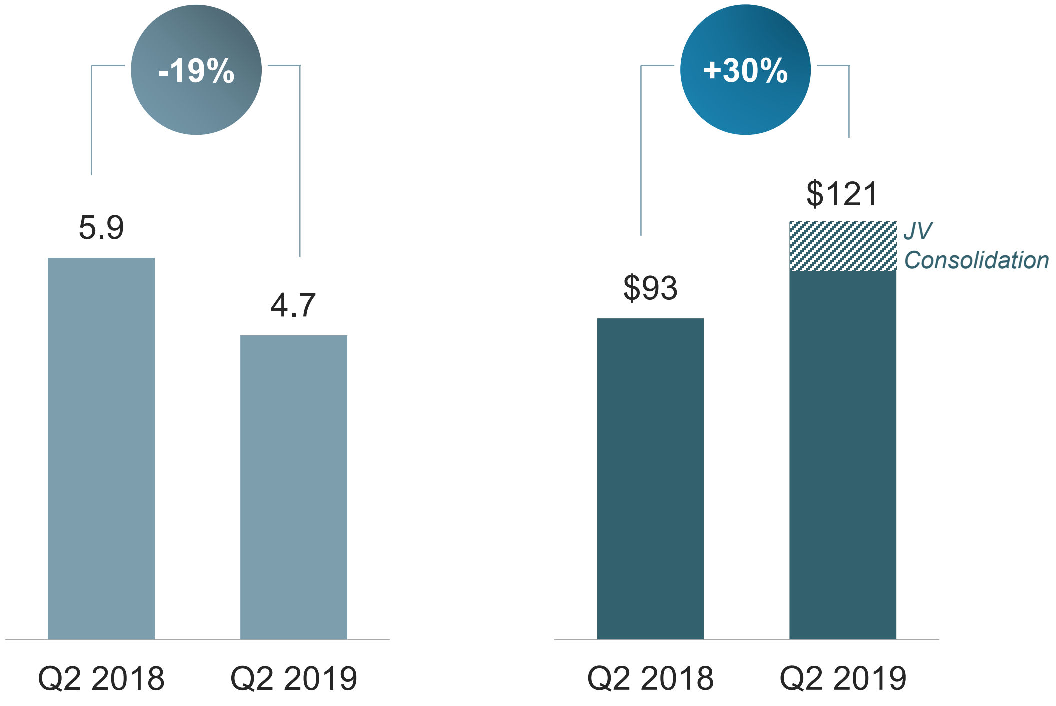
(Units and dollars in millions)

Industry Volumes vs. Visteon Sales



Industry Production Volumes (1) **Visteon China Domestic Sales**

Visteon Key Sales Drivers

- ▲ Continued higher take-rates for digital cluster and infotainment products with specific OEM
- ▲ 27 launches in China in the last 12 months
- ▲ Consolidation of joint venture
- ▼ Currency and pricing
- ▼ Accelerating decline in industry production volumes

(1) Source: CAAM.

Higher Q2 take-rates and launches offset lower industry volumes

Q2 2019 Operational Performance

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EBITDA and Update on Q1 Specific Items

$46 Million in Q2 Adjusted EBITDA
Resolution of Q1 operational items on track
Lower sales of mature products impacting margins
Increased focus on engineering recoveries

Display Product Ramp-up On Track
Design issues resolved in Q1
Supplier yield improving
Visteon mfg. process reaching expected yield

Mexico Plant Transfer Completed
Headcount reductions complete
Material shortages addressed
New leadership team in place

Q2 Highlights and Awards

New Program Launches
Robust launch performance (23 YTD)
Key launches: SmartCore™ with Daimler Trucks, digital cluster with Mitsubishi, TFT display with JLR

Enhancing Engineering Footprint
Opened two best-cost tech centers
On track with announced restructuring activities

Customer Excellence Awards
JLR Supplier Excellence Award
Honda Excellence in Innovation Award
Mahindra Supplier Excellence Award

2019 New Business Wins and Pursuit Pipeline

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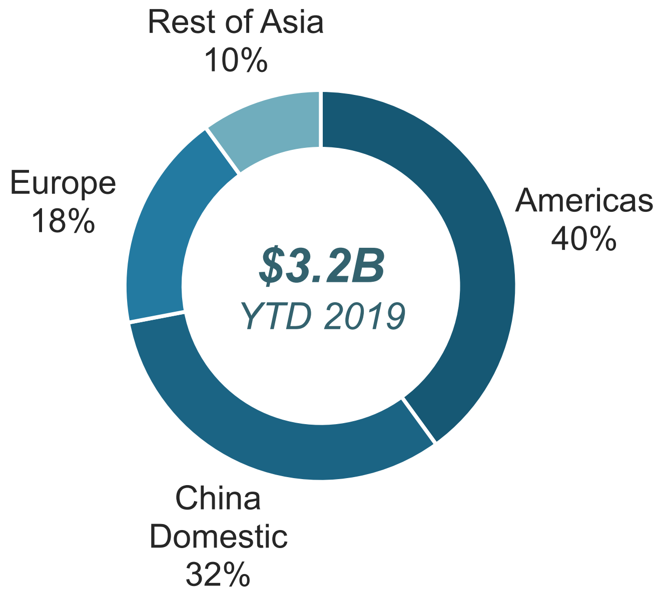
(Dollars in billions)

YTD NBWs



NBW Highlights

***62%** from next-gen digital products* (1)

***36%** on electric cars*

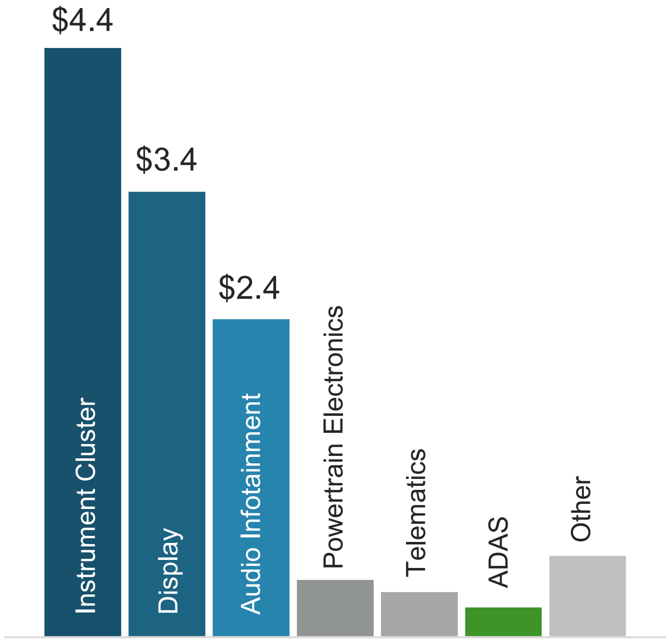
***32%** from China domestic*

***3** wins powered by SmartCore™*

***$22.4B** current backlog* (2)

(1) Includes digital clusters, infotainment and displays.
(2) Represents Anticipated Revenue from Awarded Programs (ARAP).

$11.8B Pursuit Pipeline for 2nd Half 2019



On track to achieve new business win target for full year with strong 2nd half pipeline

Key Q2 New Business Wins

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Display Audio
(Europe OEM)

- 10.1” Android display audio system
- Leverages Visteon’s display audio platform
- Awarded for multiple vehicle lines
- Wireless CarPlay / Android Auto
- 2021 start of production

$110 million Android-based display audio win

Multi-Display Module
(Korea OEM)

- Two displays integrated with single glass cover lens
- Combines instrument cluster and center information display
- Awarded for fully refreshed compact SUV
- 2021 start of production

$110 million multi-display module award

SmartCore™
(China OEM)

- First SmartCore™ 2.0 win in China
- Integrates digital cluster with Android-based infotainment
- Offers AI-based speech and cloud services
- Awarded for multiple vehicle lines
- 2020 start of production

$350 million cross-platform SmartCore™ win

Visteon’s platform-based approach enables reduced time to market

drivecore Customer Engagement Update

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Co-Development Program

GAC MOTOR

- L2+ Highway Co-Pilot with centralized processing of sensors
- Co-development program between Visteon and GAC
- On track to complete feature development by end of 2019
- Commercial production expected to start in 2021
- Technology & ecosystem in place for added opportunities in China

RFI Phase

Europe OEM 1

- European OEM of premium performance vehicles
- DriveCore™ for extending existing system to support L2+ features
- DriveCore™ to enable sensor fusion and Highway Co-Pilot features
- RFI phase with RFQ expected in Q3 for SOP in 2022

RFI Phase

Europe OEM 2

- Global high-volume OEM based in Europe
- Scalable ADAS systems from L1-L2+
- OEM has invested in own ADAS algorithm SW development
- DriveCore™ is ideal platform for open collaboration
- RFI phase with RFQ expected in Q3 for SOP in 2023

Partnership with GAC progressing; in advanced engagements with multiple OEMs

FY 2019 Industry Volume Outlook (1)

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	Prior Outlook	Current Outlook
North America	-3% Y/Y	-4% Y/Y
Europe	-3% Y/Y	-4% Y/Y
China	-4% Y/Y	-10% Y/Y

China Market Environment

Consumer Sentiment Weakening
Trade dispute impacts and slowing economy

Acceleration of China 6 Emissions Standards
65% of China automotive market impacted

Tightening Financing Options
Reduction of peer-to-peer lending

Limited Impact of Incentives
VAT reduction and OEM incentives introduced in 1st half

Continued Production Decline in 2nd Half
Expect 10% Y/Y decline for full year

(1) Full-year 2019 Y/Y production volume outlook for Visteon top customers.

Reducing full-year China production volume outlook from -4% to -10% Y/Y

Summary

Financial Performance
Sales of $733 million in Q2
Adjusted EBITDA of $46 million

New Business Wins
$3.2 billion in YTD new business wins
$11.8 billion 2nd half pursuit pipeline

China Outperformance
Sales up 30% Y/Y in Q2
Higher take rates and launches

DriveCore™
Partnership with GAC progressing
Multiple customer engagements

Operational Update
Curved CID launch resolution on track
Robust launch performance (23 YTD)

Volume Outlook
Continued industry headwinds
Lowering global full-year outlook

Q2 2019 Financial Results

July 25, 2019

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Q2 and 1st Half 2019 Key Financials *

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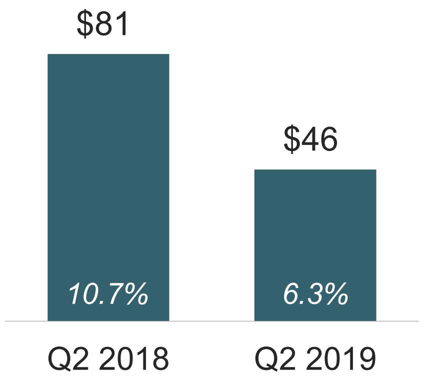
(Dollars in millions)

Sales

YTD $1,572 $1,470

New launches helping to offset lower industry production

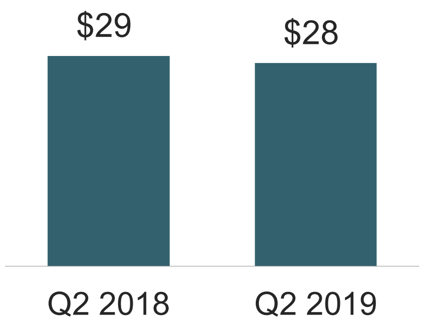
Adjusted EBITDA



YTD $185 $87

Impacted by operational challenges and higher engineering costs

Adjusted FCF



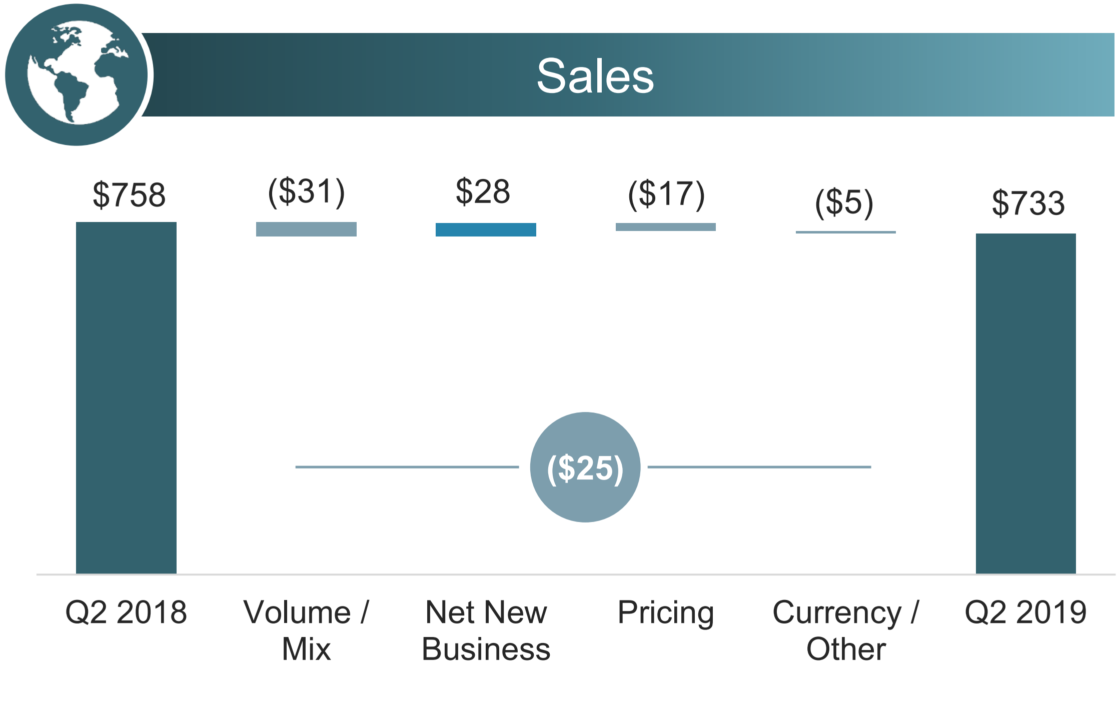
YTD $77 ($2)

Lower Y/Y profitability offset by favorable working capital in Q2

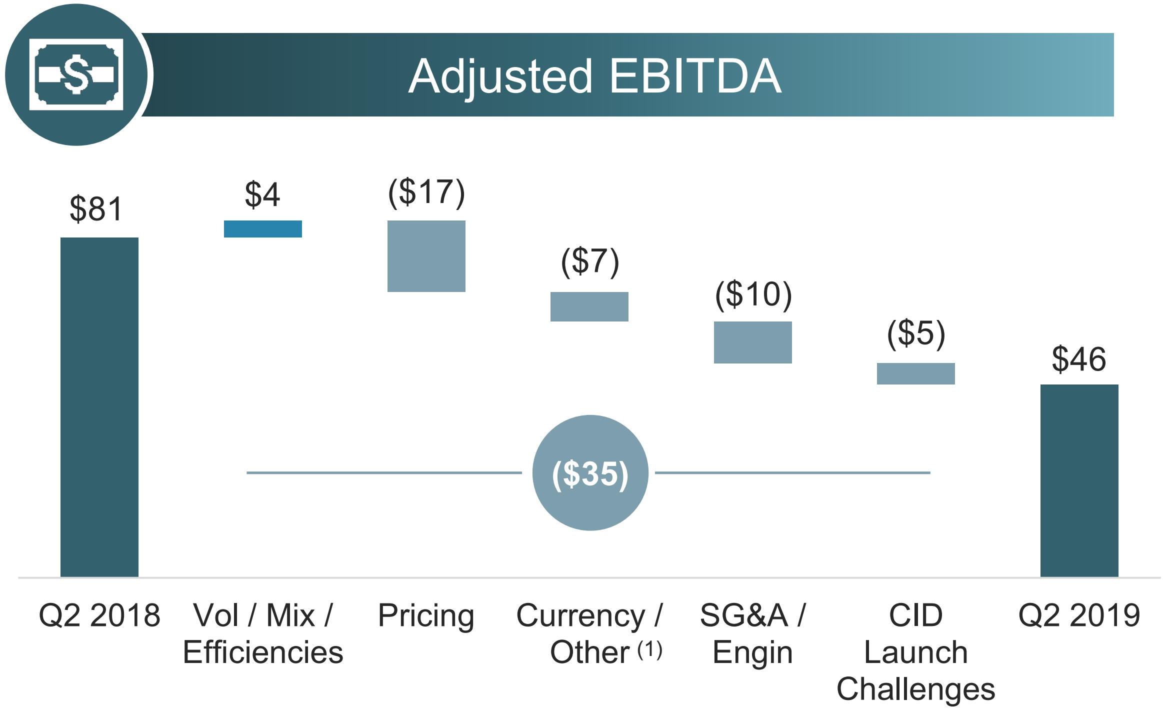
* All items above except sales are non-GAAP measures.
Please see appendix for definitions and important disclosures regarding “Use of Non-GAAP Financial Information.”

Q2 2019 vs. Q2 2018 Key Drivers

(Dollars in millions)



- Y/Y sales reflects the following drivers:
  - Lower production volumes in all regions
  - New product launches offset product roll-offs
  - Customary annual price reductions
  - Unfavorable currency, partially offset by JV consolidation



- Y/Y adjusted EBITDA reflects the following drivers:
  - Impact of lower production volumes offset by cost efficiencies
  - Increased engineering and SG&A
  - Center information display launch costs

(1) Excludes engineering and SG&A currency impacts.

Adjusted Free Cash Flow and Balance Sheet

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(Dollars and shares in millions)

Net Cash	**$438** cash **$402** debt
Q2 Share Repurchase	**$20** *Remaining buyback authorization of $380*
Diluted Shares Outstanding	**28.1**

	Q2 2018	Q1 2019	Q2 2019
Adjusted EBITDA	$81	$41	$46
Trade Working Capital	(9)	1	34
Cash Taxes	(13)	(15)	(8)
Interest Payments	(1)	(3)	(4)
Other Changes	(4)	(17)	(6)
Capital Expenditures	(25)	(37)	(34)
Adjusted FCF	**$29**	**($30)**	**$28**

Q2 2019 adjusted FCF reflects lower Y/Y profits offset by favorable working capital

Updated Full-Year 2019 Guidance

(Dollars in millions)

	Prior Guidance	Updated Guidance
Sales	$2,900-3,000	$2,900-3,000
Adj. EBITDA	$245-270 *(~9% margin)*	$230-250 *(~8% margin)*
Adj. FCF	$45-70	$30-50

Building the Foundation

Technology Innovation

Long-Term Growth

Financial Returns

Appendix

July 25, 2019

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Forward-Looking Information

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- 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:
  - 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, 2018).
- 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 June 30, 2019. 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.

Use of Non-GAAP Financial Information

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- 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 2019, 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

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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.

	2018					2019	
(Dollars in millions)	Q1	Q2	Q3	Q4	Full Year	Q1	Q2
Gross margin	**$129**	**$104**	**$82**	**$96**	**$411**	**$66**	**$70**
Less:							
Stock-based compensation expense	1	1	1	-	3	1	1
Intangibles amortization - COGS	1	1	1	1	4	1	-
Other	-	-	-	-	-	-	1
Subtotal	**$2**	**$2**	**$2**	**$1**	**$7**	**$2**	**$2**
Adjusted gross margin	**$131**	**$106**	**$84**	**$97**	**$418**	**$68**	**$72**

Adjusted SG&A

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

	2018					2019	
(Dollars in millions)	Q1	Q2	Q3	Q4	Full Year	Q1	Q2
SG&A	**$44**	**$55**	**$40**	**$54**	**$193**	**$57**	**$58**
Less:							
Stock-based compensation expense	7	(5)	(3)	(4)	(5)	(4)	(5)
Intangibles amortization - SG&A	(2)	(2)	(3)	(2)	(9)	(3)	(3)
Subtotal	**$5**	**($7)**	**($6)**	**($6)**	**($14)**	**($7)**	**($8)**
Adjusted SG&A	**$49**	**$48**	**$34**	**$48**	**$179**	**$50**	**$50**

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

Visteon

Adjusted Net Income and Adjusted EPS

- *The Company defines Adjusted net income as net income 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.*

	2018					2019	
(Dollars and shares in millions, except per share data)	Q1	Q2	Q3	Q4	Full Year	Q1	Q2
Net income attributable to Visteon	**$65**	**$35**	**$21**	**$43**	**$164**	**$14**	**$7**
Average shares outstanding, diluted	30.8	29.9	29.5	28.9	29.7	28.4	28.2
Earnings per share	**$2.11**	**$1.17**	**$0.71**	**$1.49**	**$5.52**	**$0.49**	**$0.25**
Memo: Adjusted EPS							
Net income attributable to Visteon	**$65**	**$35**	**$21**	**$43**	**$164**	**$14**	**$7**
Restructuring expense	5	5	18	1	29	1	-
Discontinued operations	(2)	1	(1)	1	(1)	-	-
Gain on consolidation	-	-	(4)	-	(4)	-	-
Other	(4)	-	-	-	(4)	-	1
Tax effect of adjustments	-	-	(1)	(1)	(2)	-	-
Subtotal	**($1)**	**$6**	**$12**	**$1**	**$18**	**$1**	**$1**
Adjusted net income	**$64**	**$41**	**$33**	**$44**	**$182**	**$15**	**$8**
Average shares outstanding, diluted	30.8	29.9	29.5	28.9	29.7	28.4	28.2
Adjusted earnings per share	**$2.08**	**$1.37**	**$1.12**	**$1.52**	**$6.13**	**$0.53**	**$0.28**

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

Visteon

Adjusted EBITDA

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

	2018					2019		FY 2019 Guidance	
(Dollars in millions)	Q1	Q2	Q3	Q4	Full Year	Q1	Q2	Low-end	High-end
Net income attributable to Visteon	**$65**	**$35**	**$21**	**$43**	**$164**	**$14**	**$7**	**$62**	**$77**
Depreciation and amortization	22	23	22	24	91	25	24	98	98
Restructuring expense	5	5	18	1	29	1	-	15	15
Interest expense, net	2	2	2	1	7	2	2	9	9
Equity in net income of non-consolidated affiliates	(3)	(4)	(3)	(3)	(13)	(3)	(3)	(12)	(12)
Provision for income taxes	21	12	9	1	43	(5)	8	30	35
Income from discontinued operations, net of tax	(2)	1	(1)	1	(1)	-	-	-	-
Net income attributable to non-controlling interests	4	1	3	2	10	2	1	7	7
Non-cash, stock-based compensation	(6)	6	4	4	8	5	6	20	20
Other	(4)	-	(4)	-	(8)	-	1	1	1
Subtotal	**$39**	**$46**	**$50**	**$31**	**$166**	**$27**	**$39**	**$168**	**$173**
Adjusted EBITDA	**$104**	**$81**	**$71**	**$74**	**$330**	**$41**	**$46**	**$230**	**$250**

	2018					2019		FY 2019 Guidance	
Memo: Adjusted Net Income	Q1	Q2	Q3	Q4	Full Year	Q1	Q2	Low-end	High-end
Net income attributable to Visteon	**$65**	**$35**	**$21**	**$43**	**$164**	**$14**	**$7**	**$62**	**$77**
Restructuring expense	5	5	18	1	29	1	-	15	15
Discontinued operations	(2)	1	(1)	1	(1)	-	-	-	-
Gain on consolidation	-	-	(4)	-	(4)	-	-	-	-
Other	(4)	-	-	-	(4)	-	1	1	1
Tax effect of adjustments	-	-	(1)	(1)	(2)	-	-	-	-
Subtotal	**($1)**	**$6**	**$12**	**$1**	**$18**	**$1**	**$1**	**$16**	**$16**
Adjusted net income	**$64**	**$41**	**$33**	**$44**	**$182**	**$15**	**$8**	**$78**	**$93**

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

Visteon

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.*

	2018					2019		FY 2019 Guidance	
(Dollars in millions)	Q1	Q2	Q3	Q4	Full Year	Q1	Q2	Low-end	High-end
Cash flow from (for) operating activities	$81	$45	($19)	$97	$204	$4	$57	$150	$160
Less: Capital expenditures, including intangibles	(44)	(25)	(27)	(31)	(127)	(37)	(34)	(145)	(135)
Free cash flow	$37	$20	($46)	$66	$77	($33)	$23	$5	$25
Exclude: Restructuring-related payments	11	9	4	6	30	3	5	25	25
Adjusted free cash flow	$48	$29	($42)	$72	$107	($30)	$28	$30	$50

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

Visteon

Adjusted EBITDA Build-up

(Dollars in millions)	2018 Q1	2018 Q2	2018 Q3	2018 Q4	2018 Full Year	2019 Q1	2019 Q2
Sales	$814	$758	$681	$731	$2,984	$737	$733
Gross margin	$129	$104	$82	$96	$411	$66	$70
Intangibles amortization - COGS	1	1	1	1	4	1	-
Stock-based compensation expense	1	1	1	-	3	1	1
Other	-	-	-	-	-	-	1
Adjusted gross margin	**$131**	**$106**	**$84**	**$97**	**$418**	**$68**	**$72**
% of sales	*16.1%*	*14.0%*	*12.3%*	*13.3%*	*14.0%*	*9.2%*	*9.8%*
SG&A	($44)	($55)	($40)	($54)	($193)	($57)	($58)
Intangibles amortization - SG&A	2	2	3	2	9	3	3
Stock-based compensation expense	(7)	5	3	4	5	4	5
Adjusted SG&A	**($49)**	**($48)**	**($34)**	**($48)**	**($179)**	**($50)**	**($50)**
Adjusted EBITDA							
Adjusted gross margin	$131	$106	$84	$97	$418	$68	$72
Adjusted SG&A	(49)	(48)	(34)	(48)	(179)	(50)	(50)
D&A	19	20	18	21	78	21	21
Pension financing benefits, net	3	3	3	4	13	2	3
Adjusted EBITDA	**$104**	**$81**	**$71**	**$74**	**$330**	**$41**	**$46**
% of sales	*12.8%*	*10.7%*	*10.4%*	*10.1%*	*11.1%*	*5.6%*	*6.3%*
Equity in affiliates	$3	$4	$3	$3	$13	$3	$3
Noncontrolling interests	(4)	(1)	(3)	(2)	(10)	(2)	(1)

Reconciliation of Gross Margin

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Gross Margin Build-up

(Dollars in millions)	2018 Q1	2018 Q2	2018 Q3	2018 Q4	2018 Full Year	2019 Q1	2019 Q2
Sales	$814	$758	$681	$731	$2,984	$737	$733
Cost of goods sold (ex. engineering)	(617)	(575)	(522)	(573)	(2,287)	(586)	(576)
Engineering costs, net	(68)	(79)	(77)	(62)	(286)	(85)	(87)
Gross margin	**$129**	**$104**	**$82**	**$96**	**$411**	**$66**	**$70**
<u>% of Sales</u>							
Cost of goods sold (ex. engineering)	75.8%	75.9%	76.7%	78.4%	76.6%	79.5%	78.6%
Engineering costs, net	8.4	10.4	11.3	8.5	9.6	11.5	11.9
Gross margin	**15.8%**	**13.7%**	**12.0%**	**13.1%**	**13.8%**	**9.0%**	**9.5%**
<u>Engineering costs, net</u>							
Engineering costs, gross	($95)	($104)	($111)	($121)	($431)	($108)	($113)
Recoveries	27	25	34	59	145	23	26
Engineering costs, net	**($68)**	**($79)**	**($77)**	**($62)**	**($286)**	**($85)**	**($87)**

Financial Results – U.S. GAAP

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(Dollars in millions, except per share data)	2018 Q1	2018 Q2	2018 Q3	2018 Q4	2018 Full Year	2019 Q1	2019 Q2
Income Statement							
Sales	$814	$758	$681	$731	$2,984	$737	$733
Gross margin	129	104	82	96	411	66	70
SG&A	44	55	40	54	193	57	58
Net income attributable to Visteon	65	35	21	43	164	14	7
Earnings per share, diluted	$2.11	$1.17	$0.71	$1.49	$5.52	$0.49	$0.25
Cash Flow Statement							
Cash flow from (for) operating activities	$81	$45	($19)	$97	$204	$4	$57
Capital expenditures, including intangibles	44	25	27	31	127	37	34

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