Delphi's 1Q15 came in very strong. EPS of $1.21 compared with DBe of $1.15 and consensus of $1.17. Organic top line growth came in at 6% vs. DBe of 3%. And EBIT came in at $472 MM (12.4%) vs. DBe of $449 MM (12.1%) and guidance of $440-$470. EBITDA was $600 MM vs. DBe of $593. As we expected, full year EBIT guidance of $1.980-$2.980 bn was maintained despite revenue guidance being adjusted lower to adjust for FX (now at $1.10 Euro vs. 1.20 Euro previously, which had the effect of lowering revenue by $500 MM). Full year EPS guidance has remained at $5.35-$5.50, though noted that Delphi's EPS guidance incorporates buybacks of ~$250MM per quarter.

The performance this quarter was very encouraging... particularly with regard to the earnings conversion on volume growth, which accelerated to 36% this quarter. And we believe that the setup for the rest of 2015 is quite strong. We'd note that: 1) Organic growth accelerated to 6% during the quarter, up from 3.7in 2014. And based on full year expectations 8% we believe that organic growth could accelerate to 10% by 2H15 (driven by new Infotainment and Active Safety launches in Europe, and a re-acceleration of growth in Electrical Architecture), and continue at a relatively high 10%+ rate in 2016 and 2017; 2) We believe that Q2 may have been better than it looked, as results included a $10MM impact of a commercial settlement; 3) Our analysis suggests that the net yoy impact of FX/Commodities should moderate during 2H, largely because commodities should begin to turn slightly positive (compared with a slight negative impact in Q1), and; 4) We believe that there are additional potential drivers of upside, including an uptick in the pace of share repurchases or an acquisition (i.e. we would be very surprised if Delphi allowed $600-$650 MM cash proceeds from the sale of Thermal to sit on their balance sheet).

We are fine-tuning our 2015 and 2016 EPS estimates to $5.32 (our estimate assumes a $1.05 Euro) and $6.30 from $5.30 and $6.25, based on the Q1 upside and updated guidance for buyback and below the line items. We are maintaining our $94 price target based on a DCF derived 2016 P/E multiple of 15x. If DLPH's multiple expands to 15x our 2017 estimate, which is supported by our DCF analysis, DLPH's shares could climb to ~$110 by late 2016. We continue to believe that there are relatively few companies within the Auto Parts Universe that are as well positioned as Delphi to benefit from the key Automotive Industry Secular Growth Themes. Overall, we are expecting organic top growth of 9-10% per year over the 2015-2017 timeframe. And we continue to note that the company's organic EBIT growth (which we project at more than 11%/yr), combined with deployment of free cash (~5% FCF yield) sets the company up for 16% EPS growth/annual appreciation, even before multiple expansion.