



Figure 4: Delphi Discounted Cash Flow

Delphi								
Discounted Cash Flow Analysis (in \$ millions)								
	2013	2014	2015E	2016E	2017E	2018E	2019E	2020E
	0	0	0	1	2	3	4	5
Revenues	\$16,463	\$17,023	\$15,293	\$16,947	\$18,500	\$19,703	\$20,688	\$21,401
Revenue Growth	6.1%	3.4%	-10.2%	10.8%	9.2%	6.5%	5.0%	3.5%
Operating Expenses	\$14,620	\$15,005	\$13,293	\$14,695	\$15,910	\$16,964	\$17,853	\$18,512
Operating Income	\$1,844	\$2,018	\$2,000	\$2,251	\$2,590	\$2,739	\$2,834	\$2,889
Operating Margin	11.2%	11.9%	13.1%	13.3%	14.0%	13.9%	13.7%	13.5%
Depreciation and Amortization	\$540	\$587	\$535	\$588	\$648	\$690	\$724	\$749
EBITDA Margin	14.5%	15.3%	16.6%	16.8%	17.5%	17.4%	17.2%	17.0%
Pension Non Service	\$27	\$28	\$28	\$28	\$28	\$28	\$28	\$28
EBITDAP	\$2,411	\$2,633	\$2,562	\$2,867	\$3,266	\$3,456	\$3,586	\$3,666
EBITDAP Margin	14.6%	15.5%	16.8%	16.9%	17.7%	17.5%	17.3%	17.1%
EBITDA Growth	11.2%	9.2%	-2.7%	11.9%	13.9%	5.8%	3.8%	2.2%
Taxes	\$296	\$306	\$317	\$387	\$458	\$617	\$639	\$651
Tax Rate %	16%	15%	16%	17%	18%	23%	23%	23%
Working Capital	(\$78)	(\$123)	(\$292)	(\$215)	\$93	\$197	\$310	\$332
WC as % of sales	-0.5%	-0.7%	-1.9%	-1.3%	0.5%	1.0%	1.5%	1.6%
Change in Working Capital	(\$50)	(\$45)	(\$169)	\$77	\$308	\$105	\$113	\$21
CAPEX	\$682	\$855	\$810	\$850	\$900	\$916	\$960	\$910
Capex to Sales	4.1%	5.0%	5.3%	5.0%	4.9%	4.7%	4.6%	4.3%
Restructuring	(150)	(200)	(80)	(80)	-	-	-	-
Incremental Investment	\$482	\$610	\$561	\$847	\$1,208	\$1,021	\$1,073	\$931
Free Cash Flow	\$1,633	\$1,717	\$1,684	\$1,633	\$1,600	\$1,818	\$1,874	\$2,084
Terminal Value								\$31,817
<b>Total Value</b>	<b>\$1,633</b>	<b>\$1,717</b>	<b>\$1,684</b>	<b>\$1,633</b>	<b>\$1,600</b>	<b>\$1,818</b>	<b>\$1,874</b>	<b>\$33,902</b>
<b>Sum of PVs, as of 2014YE (2016-2020)</b>		\$29,153		\$1,633	\$1,454	\$1,503	\$1,408	\$23,155

	2015YE Balance Sheet
<b>Enterprise value</b>	<b>\$29,153</b>
Cash	\$903
Total Debt	(\$2,573)
Underfunded Pension (2014YE, Net of Tax)	(\$754)
Equity in Affiliates	\$101
Minority Interest	(\$508)
Shareholder Value	\$26,322
Shares Outstanding	279.4
Per Share	\$94

Assumptions	
Sales Growth	3.5% Terminal Value
Operating Margin	13.5% WACC - g 6.6%
Tax Rate	22.5% WACC 10.0%
WC % Revenue	1.6%
CAPEX % Rev.	4.3%

Source: Delphi, Deutsche Bank

## Valuation and Risks

Our price target is based on a DCF derived 2016 P/E multiple of 15.0x. Our DCF conservatively assumes a normalized EBITDA margin of 17.0% (vs. our estimates of 16.8% in 2016 and 17.5% in 2017), a terminal growth rate of 3.5% (which could prove conservative given Delphi's exposure to secular content per vehicle growth drivers) and a tax rate of 22.5% (which assumes the US IRS disallows Delphi's status as a non-U.S. entity - resulting in a 4% increase vs.