Visteon charged for high-tech: Supplier steers its future toward cockpit gadgets

By Dustin Walsh

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Two technology-laden demonstration vehicles at Visteon Corp. headquarters in Van Buren Township show “we never stopped innovating,” said Tim Yerdon, vice president of global innovation and design.

Fresh off its 16-month bout in U.S. Bankruptcy Court, Visteon Corp. has emerged a stronger supplier poised to capitalize on high-growth technology integration products.

In October, the Van Buren Township-based supplier e-merged from bankruptcy $2 billion lighter in debt and began trading publicly again last month to little fanfare. Shares were trading at $71.45 in Friday mid-morning trading.

Visteon has been positioning its product lineup to capitalize on the everyday driver's increasing desire for technology in the digital world, creating infotainment and in-dash systems based on global platforms and the mobile Web.

This is possible because Visteon never stopped spending on research throughout its bankruptcy, said Tim Yerdon, vice president of global innovation and design.
"During the last 24 months, we never stopped innovating," he said. "You can be the best company with the best balance sheet, but if you don't keep investing in your products, it will be a short-lived comeback."

Visteon stepped out of the shadows to showcase its technologies at the Consumer Electronics Show in Las Vegas last month, before bringing its two global-platform demonstration vehicles back to its Van Buren Township complex for a press event.

In its test models, drivers and passengers are able to access Internet radio, control ambient interior lighting and integrate a gamut of electronic devices -- iPads, Androids, etc. -- from the driver's or passenger's seats.

"As a supplier, you're trying to predict three years out for a five-year model cycle," Yerdon said.

The ability to control nearly every segment of a car is a universal want and not just for high-end models like BMW and Mercedez-Benz anymore, he said.

Visteon's demonstration cars are based on subcompact and compact models -- small engine, more economical cars -- from Europe and India, where Visteon already has a large presence.

Currently, 80 percent of Visteon's business comes from Europe and Asia, where small cars dominate, with the remaining 20 percent spread among North and South America. "Electronics is going to grow like mad in the coming years," said Paul Haelterman, managing director of Novi-based IHS Automotive Group LLC. "The question is whether suppliers can effectively integrate their electronics into their interior components and make sure they are the chosen supplier for the whole system. Everyone's vying for turf."

Visteon's electronic segment -- instrument panels, infotainment systems (digital media, navigation, etc. displays), HVAC controls and mobile device integration -- generated revenue of $1.6 billion through the first three quarters of 2010, ending Sept. 30 -- its last quarterly statement before exiting bankruptcy on Oct. 1 -- an increase of $232 million from the first three quarters of 2009.

The electronics segment accounted for 28 percent of Visteon's revenue during the first three quarters, or approximately $5.7 billion.

Visteon's "Growth Market Project" car, which was done in partnership with 3M Automotive, shows off how the supplier is integrating technology for India's growing middle class.

Annual car sales are projected to increase up to 5 million vehicles by 2015 and more than 9 million by 2020, according to the Society of Indian Automobile Manufacturers. Visteon hopes, like its competitors, to capitalize on India's growth, Yerdon said.

The name of the game is cramming as much useful technology into the cabin.
"We've spent the last four or five years moving to global platforms," Yerdon said. "As small cars make their way into North America, we'll be well-positioned (for growth)."

A proposed mandate by the U.S. Department of Transportation to make rear-view park-assist cameras standard in U.S. vehicles by 2014 offers suppliers an opportunity to push more electronic systems, Haelterman said.

"That (standard rear-view cameras) is going to force carmakers to put a screen in the cockpit, which in turn allows suppliers to get rid of standard HVAC, radio controls, etc.," he said. "They will be able to just download software down the road, so this really becomes an enabler."

When GM bundled its navigation system with the rear-view system screen on its full-sized SUVs a few years ago, adoption of the navigation systems shot up to 60 percent from only five percent, he said.

Visteon will see strong competition in the electronics market from suppliers with stronger balance sheets, including Continental AG, Robert Bosch GmbH and Milwaukee-based Johnson Controls Inc., which has its automotive experience headquarters in Plymouth. Hanover, Germany-based Continental AG's interiors division, with its infotainment and connectivity business unit in Deer Park, Ill., generated revenue of $5.7 billion in 2009. The supplier also displayed its new interiors electronics technologies at CES this year, including Internet radio, mobile Web applications and multimedia displays.

Suppliers are offering up so many multimedia options because that's what the consumers want, said Brian Dressler, vice president of strategy and portfolio for the unit.

"Us, or Visteon, have to have the flexible platforms because that's what the OEMs or consumers want," he said. "That's why we often have a laundry list of systems together. It's not about being fancier or more interesting than the competitors; it's about selling more cars."

Dressler said he projects continued growth in the product lines, especially in emerging markets.

JCI also unveiled its new interiors and electronics concept at the North American International Auto Show earlier this month. It unveiled its "connected center stack," which is a fully integrated display containing voice-recognition, smart phone connectivity, Internet radio and navigation.

"Our goal is to create connectivity solutions for matching the vehicle's lifecycle to the fast-changing consumer electronics industry," Jeff DeBest, global vice president and general manager of electronics, told reporters at the show.
JCI's automotive experience business unit had a strong first quarter with revenue increasing by 12 percent to $4.6 billion, compared with $4.1 billion last year. The increase is credited to higher production and launches of new interiors programs with increased electronics. In the supplier's first quarter earnings conference call, CEO Stephen Roelle told investors that JCI will invest in future technologies and innovations across its business sectors, especially in emerging markets like China and India.

The amount of electronics in cars has been growing. The dollar value of electronics has grown from $1354 a car in 1995 to $2,191 a car in 2010, according to data compiled by Boston-based Strategy Analytics, respectively.

The automotive electronics market is projected to increase to $258 billion in 2017, up from $157 billion in 2010, according to Strategy Analytics.

The focus on technology integration is a new chapter in Visteon's troubled track record turning profits since its spinoff from Ford Motor Co. in 2000 and subsequent inheritance of high labor costs.

Visteon didn't turn an annual profit until 2009, too late as the supplier couldn't avoid bankruptcy in the same year.

It fended off a $1.25 billion takeover bid by JCI during its bankruptcy struggles and successfully emerged, despite battles with bondholders and Ford over retiree benefits.

"Despite its problems, Visteon has a strong electronics business and I would generally be bullish about Visteon," said Cliff Roesler, managing director of Birmingham-based advisory firm Angle Advisors LLC. "JCI was interested for reason."

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