WESTPEAK RESEARCH ASSOCIATION

Goodyear Tire & Rubber Company (NASDAQ:GT)

Consumer Discretionary – Tire & Rubber

Rolling to a Brighter Future

March 8, 2024

Goodyear is a global tire manufacturer and distributor, established in 1898 and headquartered in Akron, Ohio. Serving original equipment mounting and replacement markets for various vehicles, it operates under brands like Cooper, Dunlop, and Kelly.

Thesis

Despite recent financial challenges, Goodyear is well-positioned for increased profitability. With substantial investments in new products and technology, the company stands to benefit from emerging industry trends such as the growth of green technology and the popularity of electric vehicles. Goodyear is also strategically positioning itself as a leader in providing tire sensors for autonomous vehicles, setting it apart from competitors. This, coupled with cost savings from deleveraging, will enable the company to return consistent profits to its shareholders.

Drivers

As both commercial and individual vehicle milage continues to recover from the Covid-19 Pandemic, Goodyear will see its most significant revenue segments increase as demand for replacement tires finishes its rebound. Additionally, consumer preferences and regulatory shifts are placing more emphasis and tires made from renewable materials, a segment in which Goodyear has made great strides.

Valuation

We recommend a **BUY** rating for Goodyear with an expected return of 23.4%. Our analysis reached a target price of 15.13 USD from the EV/EBITDA exit multiple and perpetuity growth approach in the DCF analysis, as well as the P/E and EV/EBITDA multiples derived from the comparable companies analysis. The first three methods were each weighted at 28.33% while the EV/EBITDA method was weighted at 15%.

Analyst: Shane Mahoney, BIE '26
contact@westpeakresearch.com

Equity Research	US
Price Target	**USD$ 15.13**
Rating	Buy
Share Price (Mar. 8 Close)	USD$ 12.26
Total Return	23.4%

Key Statistics	
52 Week H/L	$16.51/$9.86
Market Capitalization	$3.49B
Average Daily Trading Volume	$70.4M
Net Debt	$7.4B
Enterprise Value	$10.9B
Net Debt/EBITDA	3.8x
Diluted Shares Outstanding	285M
Free Float	99.4%
Dividend Yield	n/a

WestPeak's Forecast

	2023A	2024E	2025E
Revenue	$20.1B	$21.2B	$22.9B
EBITDA	$1.7B	$2.0B	$2.2B
Net Income	$(687)M	$(18)M	$83M
EPS	$(2.41)	$(0.06)	$0.29
P/E	n/a	n/a	42.3x
EV/EBITDA	5.0x	4.9x	6.1x

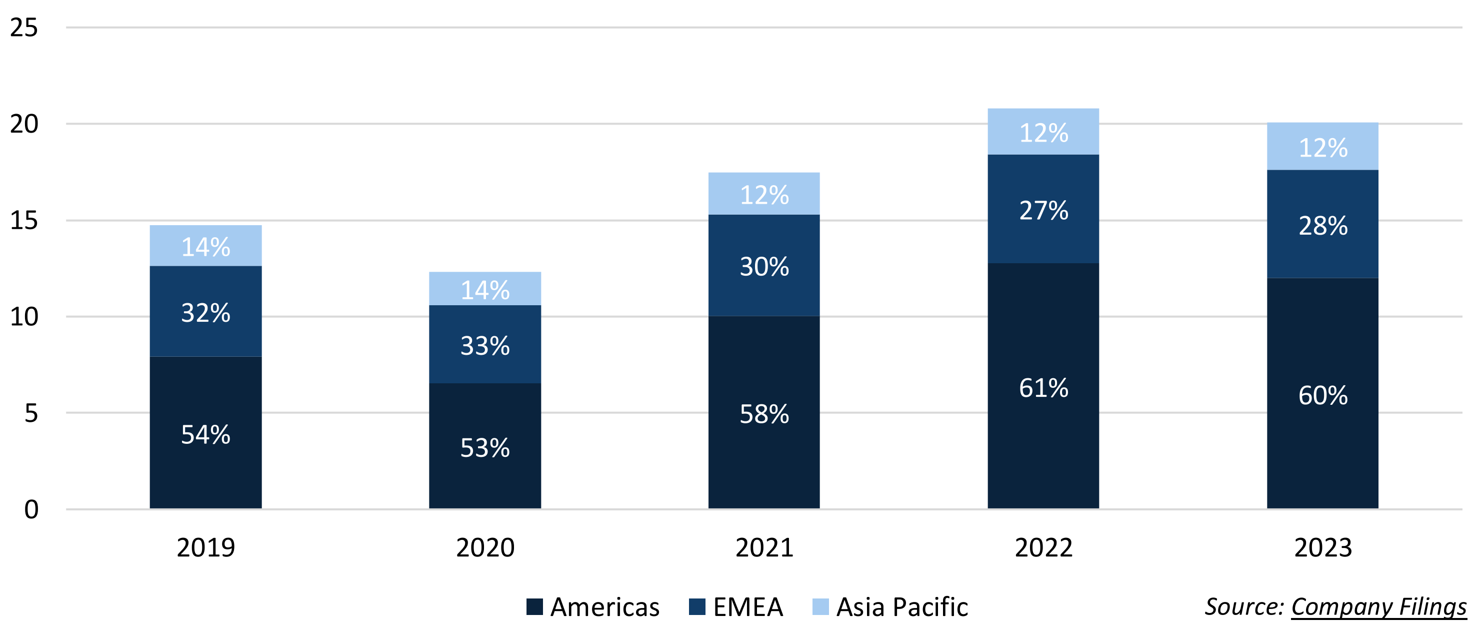
1-Year Price Performance

Business Overview/Fundamentals Goodyear Forward Plan

Company Overview

Goodyear Tire & Rubber Company is a world-leading tire manufacturer founded in 1898 and headquartered in Akron,Ohio. Making up 86% of sales in 2023, their core business is the development, manufacturing, distribution, and sale of tires for a wide range of applications spanning automobiles, buses, aircraft, industrial equipment, and other vehicles. The rest of their business is comprised of retail services, such as retreading, and the sale of chemical and rubber industrial products. Goodyear manufactures its products in 57 manufacturing facilities in 23 countries. Tires sold for replacement make up 78% of tire sales, while tires sold to vehicle manufacturers for mounting as original equipment account for the rest. Tires are sold under the Goodyear brand and several others including Cooper, Dunlop, Kelly, Debica, Sava, Fulda, Mastercraft and Roadmasterbrands and various “house” brands. Products are sold through independent multi-brand tire dealers and a network of 950 company-operated retail outlets where the company also provides repair and other services.

Revenue Breakdown by Geographical Segment (in B USD)
FY19-FY23



Source: Company Filings

Americas

The Americas, encompassing North, Central, and South America, represented Goodyear's largest revenue segment in 2023 at 60% of total revenue. The region engages in the development, manufacturing, distribution, and sale of tires and related products and services. Tires are produced in eight plants in the United States, two plants in Canada, and six plants in Brazil, Chile, Colombia,Mexico, and Peru.

The product portfolio for the Americas includes tires for automobiles, trucks, buses, earthmoving, mining, industrial equipment, aircraft, and various applications. Notable brands such as Goodyear, Cooper, and Dunlop offer a range ofradial passenger tire lines, commercial tires, and winter tires. The commercial business provides tires, retreads, services, and solutions to trucking fleets, with approximately 230 company-owned locations.

In addition to tire manufacturing, the Americas region is involved in various aspects of the automotive industry. This includes the production of tread rubber and tire retreading materials, online sales through dedicated websites, automotive maintenance and repair services at company-owned retail outlets, and the sale of automotive repair and maintenance items, equipment, accessories, and other products to dealers and consumers. Chemical products and natural rubber are sold to Goodyear's other business segments and external customers.

Tire unit sales in the Americas were 73.2 M units for replacement and 14.1 M units for original equipment (OE) customers. Last year, a range of new consumer tires to this segment, such as the Goodyear Wrangler DuraTrac RT and EcoReady, and Cooper's ProControl, Cobra Instinct, and Discover Road+Trail AT. Additionally, Americas' commercial business unveiled new tires within the Goodyear RangeMax line, catering to regional drive needs for emerging commercial electric vehicles. The commercial segment also introduced premium retread products, including Fuel Max, ArmorMax, and UrbanMax lines, designed for both regional and extreme mixed-service customers.

Europe Middle East and Africa

The Europe, Middle East, and Africa (EMEA) region accounted for 28% of total revenue in 2023. In this segment, tires are manufactured for a range of applications under brandssuch as Goodyear, Dunlop, Debica, Sava, Fulda, Cooper, and Avon, alongside other house brands. EMEA also manufactures aviation tires, and retreaded aviation tires, provides retreading services for truck and off-the-road (OTR) tires, offers automotive repair services, and delivers miscellaneous products and services.

In 2023, EMEA introduced new consumer tires under various brands, enhancing its commercial tire portfolio. Notably,the Goodyear FuelMax Endurance range, focusing on fuel efficiency and lower CO_2 emissions, was expanded to additional sizes.

Tire unit sales in EMEA were 36.8 M units for replacement and 13.1 M units for original equipment customers. Distribution of Goodyear and Dunlop brand tires in EMEA primarily occurs through independent multi-brand tire dealers. The company owns approximately 50 retail outlets in the region. An initiative launched in 2021 aimed to optimize the European distribution network for better market value, with ongoing progress in 2022 and 2023.

Strong regulatory oversight by the European Union impacts EMEA operations, particularly through the Tire Safety Regulation and Tire Labeling Regulation, which set performance standards for tires and require consumer information on fuel efficiency, wet grip, and noise characteristics.

Asia Pacific

The Asia Pacific region accounted for 12% of total revenue in 2023. This segment exports tires for numerous applications to various markets, primarily through intersegment sales.The manufacturing operations span nine plants in China, India, Indonesia, Japan, Malaysia, and Thailand.

Asia Pacific engages in several additional activities, such as retreading truck and aviation tires, producing tread rubber and other materials for tire retreading, providing automotive maintenance and repair services at company-owned retail outlets, and offering miscellaneous products and services.

In 2023, Asia Pacific introduced new consumer tires under the Goodyear brand, targeting the premium passenger vehicle market. Notably, the region launched the Goodyear ElectricDrive line, the first dedicated electric vehicle (EV) tire, catering to the growing EV passenger and sport utility vehicle markets.

Tire unit sales in Asia Pacific for 2022 were 20.4 M for replacement and 14.0 M for original equipment customers. Asia Pacific primarily sells Goodyear and Cooper brand tires throughout the region, with Dunlop sold in Australiaand New Zealand. Other brands, including Remington, Kelly, Mastercraft, and Starfire, are sold in smaller quantities. The distribution network includes licensed and franchised retail stores, multi-brand retailers through wholesale dealers, and anincreasing number of online outlets. In Australia, approximately 110 retail stores operate, mainly under the Beaurepaires brand.

Company Strategy

The global tire market has seen increasing competition in recent years from new market entrants in Asia who primarily sell in the continent but also export globally. This change has seen incumbents lose market share, particularly in Asia, and eroded margins. To stay ahead, many players have pivoted their business in terms of product offering and segment inhabitation. In order to reverse shrinking sales and bolster margins, Goodyear has identified three areas of focus: (1) Innovation Excellence (2) Leveraging Partnerships (3) Goodyear Forward Plan.

Innovation Excellence

The company is attempting to retain a competitive edge in the face of low-cost Asian producers by positioning itself at the forefront of tire technology. Goodyear seeks to accomplish this by implementing its existing technologies in more product lines, increasing their appeal to consumers and manufacturers, and continuing to develop the underlying technologies. SoundComfort is a technology that reduces road noise generated by tires without sacrificing grip and performance. SealTech is a technology that automatically seals punctures of up to 5 millimeters in diameter in the tire tread, allowing the vehicle to continue driving safely and providing a practical alternative to spare tires. Tire noise is particularly an issue with heavily treaded tires such as high-performance winter tires. These developments will allow the company to capture more market share in higher-end, higher-margin segments such as the SUV and Light truck segments, where customers demand more premium features.

In 2021, Goodyear introduced SightLine, the first tire intelligence solution designed for cargo van fleets. This innovative technology ensures seamless, safe, and reliable mobility for construction and last-mile delivery vehicles. Initially launched in North America and Europe, SightLine utilizes sensors and cloud-based algorithms for real-time communication with fleet operators. It addresses challenges such as predicting breakdowns, minimizing downtime, and enhancing safety through predictive maintenance technologies. Since its launch, SightLine has been extended to Goodyear's original equipment customers and emerging fleet and mobility providers.

Leveraging Partnerships

Goodyear has taken a partnership-based approach to develop and scale their technological offerings. Notably, the collaboration with ZF, a company that supplies hardware and software systems for passenger and commercial vehicles, resulted in the successful integration of Goodyear's tire intelligence technologies into ZF's cubiX ecosystem, earning recognition as a CES 2024 Innovation Award Honoree. This collaboration significantly contributes to enhancing vehicle motion control software, thereby elevating the driving experience in terms of comfort, control, and efficiency.

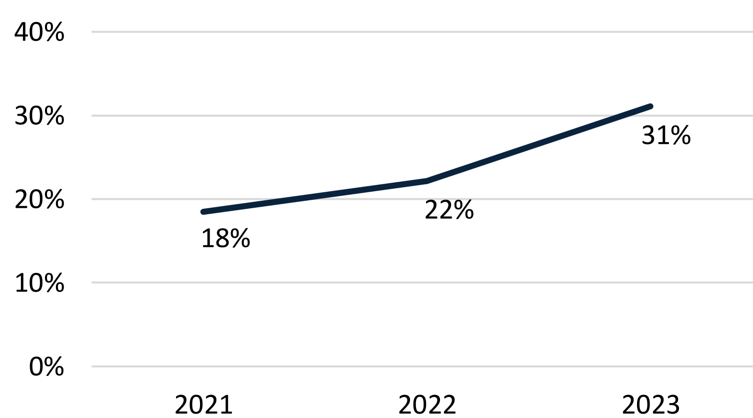
In a strategic alliance with TDK Corporation, Goodyear aims to propel the development and integration of intelligent hardware and software into tires and vehicle ecosystems, fostering the creation of a robust tire sensing system. This partnership leverages TDK's proficiency in sensors and electronics alongside Goodyear's expertise in tire development and intelligent solutions.

In January 2024, in alignment with Goodyear's long-term vision for its SightLine technology, the company partnered with Gatik, an autonomous trucking company that focuses on short haul, business to business logistics. Their box trucks are commercially operating in markets including Texas, Arkansas and Ontario, Canada serving customers such as Walmart, Loblaws and Tyson Foods. SightLine's continuous grip level sensing capability is crucial for allowing Gatik's trucks to make precise steering and braking decisions in collision avoidance scenarios. Without this information, responses may become either too conservative or too aggressive, leading to increased uncertainty and potential risk. Sightline also acts as a fleet management system by continually monitoring the condition of the trucks' tires.

Goodyear Forward Plan

In May of 2023, activist investor firm Elliot Management announced that it had acquired a 10% stake in Goodyear Tire & Rubber Company. A seven month review from an internal committee spurred by pressure from Elliot Management resulted in a comprehensive transformation plan, "Goodyear Forward," with a focus on optimizing its portfolio to generate over 2.0 B USD in gross proceeds. This initiative aims to enhance shareholder value through strategic alternatives for its Chemical business, Dunlop brand, and off-the-road equipment tire business.

Interest Expense to EBITDA (in %)
FY21-FY23



Source: *Company Filings*

The plan outlines substantial actions, including a targeted annual cost reduction of 1.0 B USD by 2025, accompanied by top-line actions for a yearly benefit of 3.0 M USD by the same period.
Goodyear plans to double its segment operating income margin to 10% by the end of 2025, leveraging the benefits of cost reduction and top-line initiatives.

Furthermore, the company aims to achieve a net leverage of 2.0x – 2.5x by 2025, reinforcing its financial position and moving towards an investment-grade rating. The plan involves a debt reduction of approximately 1.5 B USD, net of around 1.1 B USD for restructuring.

Industry Analysis

Goodyear operates in the highly globalized tire market which was worth 245.0 B USD in 2023. Demand for tires is determined primarily by purchases for OEM as opposed to purchases for replacement by consumers and businesses. Making up over 85% of the total market by value, the automotive sector is by far the largest market segment. Most of the demand from this segment comes from the manufacturing of new automobiles, linking tire sales to automotive production. The global tire market is moderately concentrated, being held by many large producers. In the case of regional and highly concentrated Asian automotive markets like China, India, and Indonesia, the market is dominated by local tire manufacturers. Across categories, players compete fiercely on price and technology as tire performance heavily impacts the safety, fuel efficiency and overall performance of the vehicle on which they are mounted. The global tire industry is expected to grow at a 7% CAGR from 2023 to 2027. This is being driven by increasing sales of automobiles, growing replacement demand for tires and the rising prevalence of electric vehicles generating new demand in the market. Rising automobile sales are being stimulated mostly by developing economies in Asia.

Industry Trend #1: Smart Technology

Smart technology is being increasingly integrated into every type of vehicle, including automobiles. Tires are no exception to this trend. In the United States, as of 2008 and in the European Union, as of 2012, it has been mandated that all new passenger car models released must be equipped with a tire pressure monitoring system. The current wave of technological development is in the integration of smart technology. Temperature management systems and other feedback systems help to extend the life of the tires as well as increase their effectiveness. Electric vehicles heavily contribute to this trend since tire efficiency is especially important for extending the range of EVs.

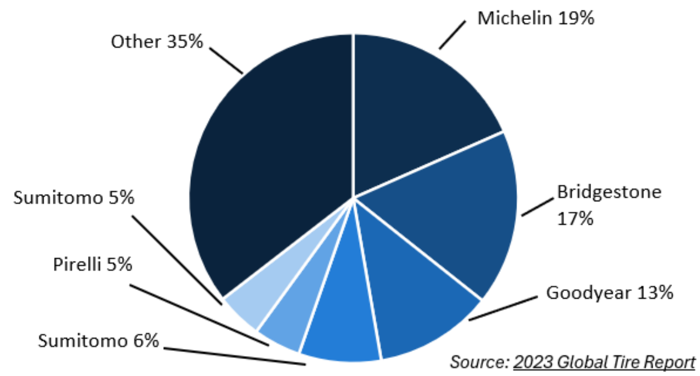
Industry Trend #2: Green Tires

The burgeoning green tire market is undergoing substantial growth and evolution, aligning with the prevailing trend of sustainability within the automotive industry. Emphasizing the reduction of carbon emissions, enhancement of fuel efficiency, and utilization of sustainable materials, green tires are gaining traction as a practical and environmentally conscious solution. These tires, crafted from renewable resources with a focus on performance improvement, are reshaping the industry landscape, driven by the increasing prioritization of sustainability by both consumers and manufacturers. The escalating demand for eco-friendly transportation options propels the adoption of green tires, positioning them as a pivotal element in the industry's commitment to a more sustainable future. Technological advancements and material innovations within the green tire sector are notable, enhancing performance attributes while minimizing environmental impact. Substantial investments in research and development by tire manufacturers are resulting in advanced tread designs, optimized rubber compounds, and innovative manufacturing processes. The prevalence of sustainable and renewable materials, such as responsibly sourced natural rubber, silica derived from rice husk ash, and bio-based components, is on the rise. Collectively, these technological and material advancements yield green tires that deliver exceptional grip, durability, and fuel efficiency without compromising safety standards.

Competitor Analysis

On a worldwide basis, Goodyear has two major competitors: Bridgestone and Michelin. The two companies have a presence in all major markets around the world and combined, account for 36% of global market share. There are a handful of other large, but less significant manufacturers such as Continental and Pirelli. The market in Europe and the Americas is dominated by these large players.

Global Tire Industry Marketshare Breakdown
2023



Source: 2023 Global Tire Report

Michelin

Compagnie Generale des Etablissements Michelin ("Michelin") is a global manufacturer of tires, auto parts and related products. The company has three core segments: tire, tire-related fleet services, and high-tech materials. Automotive tire sales made up 80% of the company's revenue while road transportation and specialty markets made up 13% and7% respectively. The specialty segment includes mining, aircraft and off-the-road tires as well as conveyor belts and high technology materials activities. Road transportation includes services and solutions businesses. Michelin has more than 120 production facilities in about 30 countries and has overall operations in about 170. Europe accounted for 40% of global sales in 2023, North America 35%, and other regions 30%.

Michelin's strategic priority is to support the growing shift to low-carbon mobility primarily via the facilitation of vehicle electrification where tires are a focus of expectations and new opportunities where Michelin is a market leader in that regard. For example, Michelin equips more than 8 out of 10 electric vehicle manufacturers in the world. Through its subsidiary Watea, Michelin is expanding its services to include hydrogen vehicles. The subscription-based service encompasses hydrogen vehicles, charging solutions, maintenance, 24-hour assistance, and digital services.

Michelin, along with Pirelli, Continental, and Nokian Tires, is being investigated by EU antitrust regulators for a potential tire cartel involving price coordination in the European Economic Area. Michelin confirms its inclusion and emphasizes adherence to competition rules. The EU is concerned about possible price coordination among the companies, impacting their shares. If found guilty, fines of up to 10% of global revenue may apply, following a series of EU antitrust actions in the automotive industry.

Bridgestone

Bridgestone Corporation, headquartered in Japan, primarily designs, manufactures, and distributes automobile tires. The company offers a diverse range of tires for various vehicles, including passenger cars, trucks, buses, aircraft, construction and off-road mining vehicles, industrial and agricultural machinery, motorcycles, scooters, and more. In the solution business, the company provides tire-centric solutions, retail, and services to enhance product value through data. The Diversified Products Business focuses on chemical and industrial products, including industrial rubber products, building materials, hoses, and more. With 160 production facilities and development bases in over 150 countries, Bridgestone sells its products globally. In 2022, the Americas represented 50% of global sales, Japan 25%, Europe 15%, and Asia Pacific 10%.

Investment Thesis

Market View

The gradual recovery of automobile manufacturing volumes since 2020 has seen most tire producers return to pre-pandemic profitability. Goodyear's revenue and margins have been weaker and more volatile to this day compared to its competitors. In Q4 2023, the company missed earnings, which the market viewed as a sign of Goodyear's underlying operational weakness as the automotive industry was recovering quickly at that time. This result is reflected in the 30% share price drop between February and March 2020. Since that drop, the share price has remained low as the company has variably beat and missed earnings. Share prices have risen modestly since Elliott Management's investment and the subsequent announcement of the Goodyear Forward plan to cut costs and refocus on profitable segments. However, share prices are still historically low compared to the mid 2010s.

Investment Thesis 1 – Effective Restructuring

The Goodyear Forward plan will strengthen the company's core business in the sale of replacement and OEM tires which was reliably profitable pre 2020. By focusing on higher profit product segments that are expected to grow more quickly than the broader market, the company is setting itself up to increase revenue and strengthen segment margins. The company's brand image of quality and dependability in North America remains an asset that will allow it to occupy these segments in the company's largest market. With income from the sale of stagnate segments, the company will reduce its interest expense which has been growing steadily over the past three years. If this deleveraging is realized, it would add 1.3 B USD to the bottom line by end of 2025. The market is failing to accurately price in the expected benefits of this plan because it is not anticipating that revenues will be large enough to fully realize the debt reductions and margin expansion. We believe that it's strong brand presence and innovations in it's product offerings will allow it to generate the necessary revenue.

Investment Thesis 2 – Autonomous Vehicle Leader

The company is keeping up with the sustainability and electric vehicle trends in the tire industry. However, it is not the dominant player in either of those domains. Goodyear is positioning itself to be a leader in smart tire integration into autonomous vehicles. The company's partnership with Gatik is the first of its kind and it will allow the company to develop and refine this technology before its competitors. The future of Sightline will bring a shift to its core business model as a manufacturer and distributor of tires. The company will generate revenue on a recurring basis after the front end of the transaction when it provides Sightline equipped tires. The value of this product for makers of partially autonomous vehicles and operators of autonomous fleets is in data processing. As the manufacturer, Goodyear has an unparalleled understanding of its tires, and this allows them to analyze the data they generate more effectively than the companies whose vehicles use them. The majority of the value to users of this technology comes from an ongoing partnership with Goodyear. As autonomous systems are integrated more heavily into a greater number of vehicles on the road, the company is poised to be the leader is the provision of integrated tire sensor solutions. This new business segment will generate stable and predictable revenue that will smooth out the company's revenue in a space that is heavily dependent on auto sales.

Catalysts

Strategic Partnerships

The company is taking a partnership-based approach to growth and technology development by seeking out established companies and funding startups through Goodyear Ventures. With a strategic focus on shaping the future of mobility, this initiative aims to foster collaborations that will contribute to the ongoing mobility revolution. By investing in seed-to-growth-stage startups, Goodyear Ventures is strategically positioning itself to drive growth in areas that align with the company's core strengths. The emphasis on enhancing safety, sustainability, and streamlining daily connections reflects a commitment to addressing key challenges in the evolving landscape of mobility. Beyond providing financial support, a partnership with Goodyear leverages the company's iconic brand, extensive retail and service footprint supporting autonomous and electric vehicles, intelligent tire technology, and expertise in product and solution design for emerging OEMs in the mobility sector. This proactive approach of nurturing collaborations with startups will place the company at the source of development in the transportation industry and will allow it to quickly capitalize on innovations to come.

Debt Reduction

Anticipated interest rate decreases by the close of 2024 are poised to stimulate tire demand and alleviate Goodyear's interest burden. The correlation between tire sales and new passenger automobile sales, inherently influenced by interest rates, is a pivotal aspect, with 85% of U.S. new car acquisitions being financed. The projected decline in interest rates is expected to boost the demand for new vehicles, subsequently driving Goodyear's OEM sales, given their dependency on the production and sale of new automobiles. Notably, Goodyear stands out as a highly leveraged company in its sector, currently carrying an average 7.2% interest rate on its debt. A plausible 2% reduction in interest rates within the next two years could yield a substantial decrease in the company's interest expenses, estimated at 73 M USD. This reduction represents approximately 10% of the company's net loss for the fiscal year 2023. The potential cost savings from a lower interest rate environment have the potential to significantly enhance Goodyear's financial performance and overall financial health.

Management Team

Mr. Mark Stewart – President and Chief Executive Officer

Mark Stewart became CEO and President of The Goodyear Tire & Rubber Company in January 2024, transitioning from Chief Operating Officer at Stellantis. At Stellantis, he led the North American region's successful EV transformation, achieving industry-leading margin and cash flow increases. With prior roles at Amazon and ZF TRW Automotive, Stewart brings expertise in operations, technology, and global business. A strong advocate for diversity and inclusion, he received awards for his commitment to economic equality among suppliers. Stewart's leadership marks a shift from Richard J. Kramer's tenure, aligning with Goodyear's strategy for growth and innovation in the evolving automotive and mobility landscape. Stewart holds a bachelor's degree in electrical and electronics engineering from Vanderbilt University and an MBA from the University of Tennessee-Knoxville. His 2024 base salary is 1.4 M USD.

Ms. Christina Zamarro – Executive Vice President and Chief Financial Officer

Christina Zamarro assumed the position of Executive Vice President and Chief Financial Officer at The Goodyear Tire & Rubber Company on January 1, 2023. Joining Goodyear in 2007, she has held various leadership roles, overseeing financial operations, planning, accounting, treasury, tax, audit, and investor relations. Additionally, she serves on Goodyear's Diversity & Inclusion Executive Council. Zamarro, an experienced finance leader, previously worked at Ford Motor Company, contributing to corporate and operating finance functions, including treasury and financial planning and analysis. Her extensive knowledge of Goodyear and the automotive sector, coupled with strategic insights, has played a role in the company's financial and operational achievements. Zamarro holds an MBA from Vanderbilt University and a BA in Economics from Ohio Wesleyan University.

Mr. Christopher Helsel – Senior Vice President, Global Operations and Chief Technology Officer

Christopher Helsel serves as the Senior Vice President of Global Operations and Chief Technology Officer at Goodyear Tire & Rubber Company. Since assuming this role in 2017, he has overseen tire technology, innovation, research, and product development globally. With a focus on enhancing core tire products and pioneering innovations "beyond" tires, Helsel's strategic decisions include establishing a Silicon Valley office for mobility-centric partnerships. Guided by the FACE trends (Fleets, Autonomous, Connected, Electric), he envisions developing products aligning with customer needs. Helsel's leadership extends to industry councils, serving on the Exascale Computing Project Industry Council and acting as a lead executive partner with Sandia National Labs. Joining Goodyear in 1996, he brings extensive experience in computer modeling, tire design, and technology development. Helsel holds a mechanical engineering degree from Cleveland State University and a Master's from the University of Akron.

Mr. Gary VanderLind – Senior Vice President and Chief Human Resources Officer

VanderLind serves as the Senior Vice President and Chief Human Resources Officer at The Goodyear Tire & Rubber Company. Joining Goodyear in 1985, he initially worked in the company's North American retail operation, managing company-owned stores and gaining deep insights into Goodyear's culture. Transitioning to human resources in 1991, VanderLind held leadership roles in the function across North America and Europe before assuming his current position in 2019. As the global human resources leader, VanderLind is dedicated to fostering a high-performance culture, ensuring associates reach their full potential, and contributing to the company's long-term growth. Throughout his HR tenure, he has prioritized increasing associate engagement to strengthen Goodyear's competitive advantage and collaborative culture. In addition to overseeing a global team of HR professionals, VanderLind manages Goodyear's commitments to diversity and inclusion, as well as health and wellness. Vanderlind holds a BSc in Business Management and Human Resources from Ohio University.

Executive Compensation 2023 (USD)

Name	Position	Salary	Stock Awards	NEIPC*	CPNDC**	Other	Total
Richard J. Kramer	CEO	1,433,333	4,915,483	6,592,600	1,666,533	132,353	14,740,302
Christina Zamarro	CFO	725,000	2,122,986	1,189,350	435,273	78,596	4,551,205
Christopher Helsel	CTO	792,000	2,496,374	2,752,510	528,952	82,305	6,652,141
Gary Vanderlind	CHRO	637,000	1,826,284	2,493,739	719,472	51,849	5,728,344
Darren R. Wells	CAO	845,000	3,458,594	2,104,578	800,238	65,081	7,273,491
Stephen R. McClellan	President	796,667	1,324,749	2,071,225	659,383	89,091	4,941,115
Christopher R. Delany	President	781,667	1,324,749	1,809,800	633,472	29,853	4,579,541

Source: Company Filings

*Non-Equity Incentive Plan Compensation **Change in Pension Value and Nonqualified Deferred Compensation Earnings

Shareholder Base, Liquidity, Market Depth

Ownership Breakdown

Goodyear Tire and Rubber Company has 283.5M shares outstanding, with a free float currently at 99.4% float and roughly a 3% short. The 10 shareholders listed below make up 50% of share ownership and insiders hold less than 1% of shares outstanding.

Holder	Position	% Shares Outstanding	Market Value (M)	Insider (Y/N)
Blackrock	35,959,736	12.62%	440.9	N
Vanguard Group Inc.	29,102,067	10.21%	356.8	N
Dimensional Fund Advisors	16,501,327	5.79%	202.3	N
Wellington Management	14,978,975	5.26%	183.6	N
State Street Corp	10,116,752	3.55%	124.0	N
AllianceBernstein Holdings	9,508,887	3.34%	116.6	N
Nomura Holdings Inc.	8,325,751	2.92%	102.1	N
LSV Asset Management	7,288,094	2.56%	89.4	N
Geode Capital Management	6,378,522	2.24%	78.2	N
American Century Investments	5,448,325	1.91%	66.8	N
Top 10 Shareholders	143,608,436	50%	1760.6	

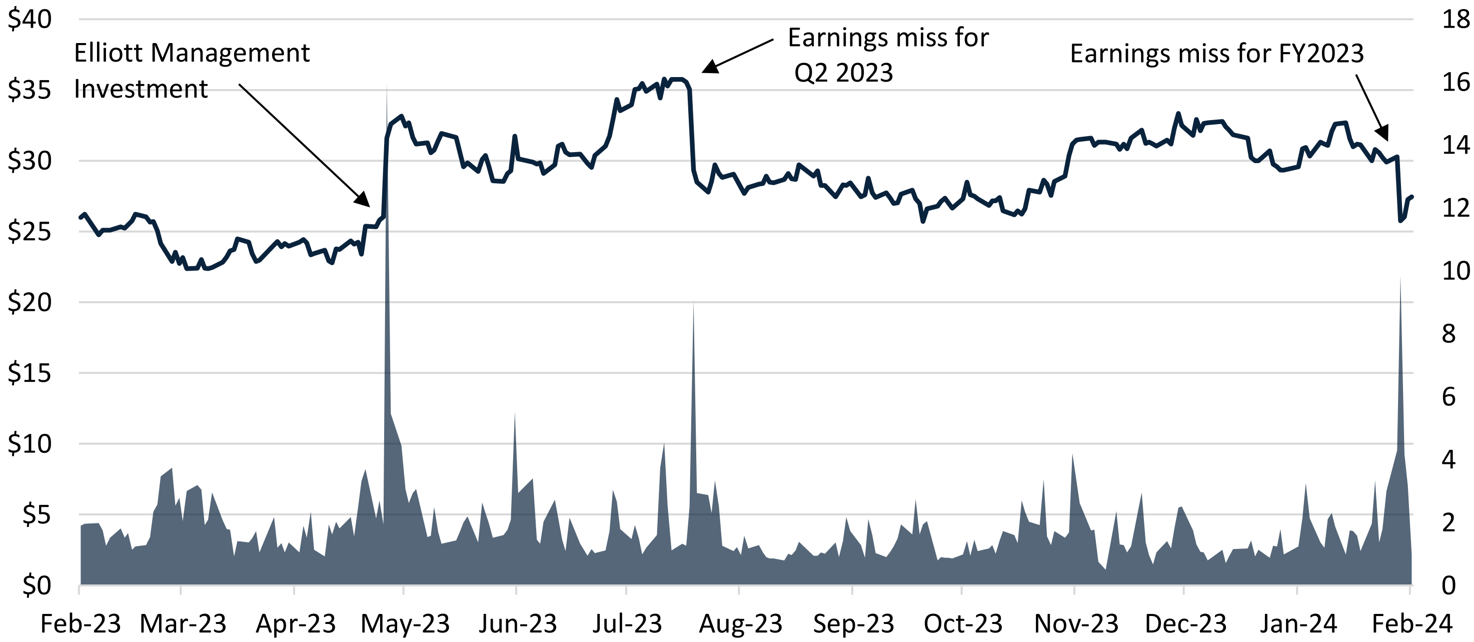
Source: Bloomberg

Liquidity

The table below shows the daily trading volume of Goodyear over the past year. The average over that period was 3.96 M USD, the low was 2.37 M USD. The high of 36.8 M USD in May represents trading activity related to Elliot management's acquisition of a 10% stake in Goodyear, the firm has since exited its position.

Share Price (in USD) and Daily Trading Volumes (in M shares)

Mar 2023–Mar 2024



Source: S&P Capital IQ

Valuation

Discounted Cash Flow (DCF) Assumptions

Revenue

The overall global tire market is expected to grow at a CAGR of 3.7% from 2024 until 2030, we believe that Goodyear's product focus on faster growing segments such as electric and autonomous vehicles, which are expected to grow at a CAGR of 17.8% over the same period , as well as it's continued integration of premium features will allow it to grow at a faster rate of 7.8%.

Weighted Average Cost of Capital (WACC)

We calculated a WACC of 7.1% for Goodyear Tire and Rubber Company using data provided by Bloomberg. First, our cost of equity was derived from the U.S. 5-Year Treasury Bill risk-free rate of 4.2%, the annualized S&P 500 expected market return of 9.6%, and a beta of 1.42. Second, we arrive at our cost of debt using a pre-tax cost of debt of 7.4% and an effective tax rate of 35.0%. Taking this data into account, we calculated Goodyear's WACC at 6.9%.

Shane Mahoney | contact@westpeakresearch.com

Capital Expenditures (CAPEX)

We forecasted Goodyear's capital expenditures to be 13.5% through 2028. This is marginally higher than recent years as production and supply chain capabilities will need to be adjusted in order to meet demand for new product lines and existing product lines that will become more significant. However, this is offset slightly by the sell off of chemical and off-the-road equipment business whose infrastructure will no longer need to be maintained.

Terminal EV/EBITDA Multiple

We have used a 2024E EV/EBITDA exit multiple of 5.3x- the industry mean. This is slightly above Goodyear's 2024E EV/EBITDA exit multiple of 4.9x which is justified by Goodyear's industry-leading focus on technology and its significant investment into development.

Costs

Goodyear's COGS has been steady at 70-75% over the past 5 years. To be cautious, we are keeping COGS at 75% due to concerns about fluctuating costs of raw materials linked to commodity markets. SG&A has been relatively more variable between 13% and 18% over the last 5 years with a slight trend down. As the final cost-saving synergies of the Cooper Tire acquisition are realized, we expect SG&A to stabilize at 13%.

Comparable Company Set

Out of the ten companies in this set, six are tire manufacturers which were selected for their similar size, business model and operations. The four other companies are either retailers or producers of auto parts which were selected because they trade on American stock exchanges and operate predominantly in North America, unlike the comparable tire producers.

Continental AG

Continental AG, headquartered in Germany, is a diversified automotive supplier operating globally. The company specializes in various automotive technologies, including tires, interior electronics, brake systems, and powertrain components. With a commitment to innovation, Continental AG contributes to the automotive industry's advancements.

Michelin

Michelin, a French tire manufacturer, is renowned for its global leadership in the tire industry. With a rich history, Michelin produces a wide range of premium tires for various vehicles. The company emphasizes quality, performance, and sustainability, consistently delivering cutting-edge tire solutions.

Bridgestone Corp

Bridgestone Corp, based in Japan, stands as one of the world's largest tire and rubber companies. Renowned for its commitment to quality and innovation, Bridgestone produces tires for diverse applications, from automotive and commercial vehicles to motorcycles. The company's global presence reflects its dedication to providing high-performance tire solutions.

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Hankook Tire and Technology Co Ltd

Hankook Tire and Technology Co Ltd, headquartered in South Korea, is a prominent tire manufacturer globally. Specializing in producing high-quality tires for a range of vehicles, including passenger cars and trucks, Hankook focuses on technological advancements to enhance safety and performance on the road.

Pirelli & Co

Pirelli & Co, an Italian company, is synonymous with luxury and high-performance tires. As a leading tire manufacturer, Pirelli is recognized for its premium and ultra-high-performance tires catering to sports cars, luxury vehicles, and motorcycles. The brand's commitment to quality and innovation is evident in its tire offerings.

Sumitomo Rubber Industries

Sumitomo Rubber Industries, based in Japan, is a global player in the tire industry. With a diverse product portfolio, including tires for automobiles, motorcycles, and industrial equipment, Sumitomo Rubber Industries emphasizes technology and performance. The company's commitment to quality ensures its competitiveness in the global market.

Lear Corp

Lear Corp, headquartered in the United States, is a leading supplier of automotive seating and electrical systems. The company focuses on providing innovative solutions for comfortable and connected driving experiences. Lear's expertise in automotive technologies contributes to its standing as a key player in the industry.

Autozone Inc.

AutoZone Inc., based in the United States, is a leading retailer and distributor of automotive parts and accessories, including tires. With an extensive network of stores, AutoZone caters to the DIY automotive market, offering a wide range of products and services. The company's commitment to customer satisfaction and accessibility positions it as a prominent player in the aftermarket automotive industry.

Ford Motor Co.

Ford Motor Co., a renowned American automaker, holds a prominent position in the global automotive industry. With a history dating back over a century, Ford is recognized for its iconic vehicles, innovative technologies, and commitment to sustainability. The company's diverse vehicle lineup caters to various market segments, reflecting its influence on the automotive landscape.

BrogWarner Inc.

BorgWarner Inc., headquartered in the United States, is a global automotive technology supplier. Specializing in propulsion solutions, including turbochargers, transmissions, and electric propulsion systems, BorgWarner plays a crucial role in enhancing vehicle efficiency and performance. The company's commitment to advancing automotive technology solidifies its position in the industry.

Recommendation

Buy

Based on the analysis conducted, we believe that Goodyear Tire and Rubber Company is undervalued by the market. Despite recent financial troubles and unstable growth, the company is positioned to take advantage of an automotive industry that is transitioning to electric vehicles and a consumer preference and regulatory environment that is increasingly favouring sustainably manufactured tires. Our implied share price weighting is as follows:

- A 28.33% weighting on the Perpetuity Growth DCF method, which projects a 15.46 USD share price
- A 28.33% weighting on the Exit Multiple Implied Price DCF method, which projects a 15.97 USD share price
- A 28.33% weighting on the EV/EBITDA Implied Price method, which projects a 17.63 USD share price
- A 15% weighting on the P/E Implied Price Method, which projects an 8.19 USD share price

The above weighting results in a target share price of 15.13 USD representing a 23.4% return. The P/E Implied Price Method was assigned a diminished weighting of 15% owing to the near-term variability of net income that could distort the measurement. Given the projected stability of EBITDA, the remaining weighting was evenly distributed across the EV/EBITDA Implied Price method and the two remaining methods.

Risks

Labour Relations

The company's global workforce of over 74,000 employees includes a significant portion (approximately 27,500) represented by labour unions in various countries. These union contracts, which outline wages, benefits, and working conditions, are crucial for uninterrupted operations. Key agreements with the United Steelworkers (USW) in the United States, covering 5,300 associates at 31 December 2023, are set to expire in July 2026. Additionally, 2,200 employees at the Texarkana and Findlay plants in the US have separate USW contracts expiring in June 2024. Further abroad, roughly 20,000 associates across Luxembourg, Poland, Brazil, Mexico, China, Slovenia, Turkey, India, and Serbia are covered by union contracts expiring throughout 2024. Although the company maintains positive relationships with its employees, there's inherent uncertainty with contract renewals. Unsuccessful negotiations or disputes with these unions could lead to strikes or work stoppages, potentially causing significant disruptions or inefficiencies in production at the company's 57 manufacturing facilities across 23 countries. Furthermore, revised contracts might necessitate higher labour costs across this significant portion (approximately 37%) of the company's workforce. These scenarios could have a material negative impact on the company's business, financial performance, and overall liquidity.

Debt Constraints

The company's financial flexibility is significantly constrained by the terms of its various debt agreements, including secured credit facilities, senior unsecured notes, and other outstanding debts. These agreements limit Goodyear's ability to maneuver in several ways, potentially hindering its business operations and strategic initiatives like the Goodyear Forward plan.

Specifically, the agreements may restrict taking on additional debt or issuing redeemable preferred stock (limiting funding for growth or acquisitions), distributing profits to shareholders through dividends or stock buybacks (potentially impacting investor sentiment), selling assets or using them as collateral (hindering portfolio optimization strategies), engaging in certain transactions with subsidiaries or affiliates (limiting internal financial restructuring), or participating in sale-and-leaseback agreements (a potential tool for raising capital). Furthermore, pursuing specific mergers, consolidations, or asset sales, which could unlock strategic growth opportunities, might be contingent on obtaining waivers or amendments to the credit agreements depending on the transaction details.

Intense Market Competition

In the highly competitive global tire market, several factors pose challenges for Goodyear. Established players like Bridgestone and Michelin hold significant market share in their home territories and are expanding globally. This competitive landscape is further intensified by Continental, Hankook, Kumho, Nexen, Pirelli, and numerous regional manufacturers. The situation is likely to become more complex as these competitors increase production capacity in low-cost countries, potentially leading to price pressures and reduced profit margins for Goodyear. To maintain a competitive edge, Goodyear must continuously innovate and deliver new tire technologies that meet evolving consumer demands. This includes catering to the growing market for EVs. Additionally, the company needs to adapt to potentially disruptive trends such as autonomous vehicles and shifting consumer preferences, which might necessitate offering services beyond traditional tire sales. Furthermore, cost reduction efforts are crucial. Optimizing production across its global network of 57 facilities in 23 countries, leveraging its purchasing power to secure favourable material costs, and relentlessly improving operational efficiency are all essential for maintaining competitiveness. If Goodyear is unable to effectively navigate these complex market dynamics, it could experience a decline in market share, particularly in the United States, which could have a material adverse impact on the company's financial performance.

Appendix 1: Summary

Summary Page

(Figures in mm USD)	Dec-18 FY2018	Dec-19 FY2019	Dec-20 FY2020	Dec-21 FY2021	Dec-22 FY2022	Mar-23 Q1-2023	Jun-23 Q2-2023	Sep-23 Q3-2023	Dec-23 Q4-2023	Dec-23 FY2023	Dec-24 FY2024	Dec-25 FY2025	Dec-26 FY2026	Dec-27 FY2027	Dec-28 FY2028
Income Statement															
Revenue	15,475.0	14,745.0	12,321.0	17,478.0	20,805.0	4,941.0	4,867.0	5,142.0	5,116.0	20,066.0	21,207.0	22,868.2	24,660.9	26,595.7	28,683.7
EBITDA	1,980.0	1,615.0	651.0	1,970.0	2,018.0	335.0	291.0	543.0	526.0	1,695.0	2,014.7	2,172.5	2,342.8	2,526.6	2,724.9
Net Income	708.0	(297.0)	(1,250.0)	780.0	209.0	(99.0)	(208.0)	(84.0)	(296.0)	(687.0)	(18.4)	82.6	189.8	306.3	432.7
Earnings Per Share	$ 2.96	$ (1.27)	$ (5.34)	$ 2.95	$ 0.73	$ (0.35)	$ (0.73)	$ (0.29)	$ (1.04)	$ (2.41)	$ (0.06)	$ 0.29	$ 0.67	$ 1.07	$ 1.52
Cash Flow Statement															
Capital Expenditures	(811.0)	(770.0)	(647.0)	(981.0)	(1,061.0)	(291.0)	(245.0)	(271.0)	(243.0)	(1,050.0)	(1,121.0)	(1,133.2)	(1,152.8)	(1,172.8)	(1,193.2)
Acquisitions	(68.0)	(113.0)	(96.0)	(1,974.0)	(75.0)	2.0	(104.0)	(5.0)	(1.0)	(108.0)	-	-	-	-	-
Divestitures	70.0	118.0	96.0	139.0	159.0	(82.0)	87.0	92.0	118.0	215.0	-	-	-	-	-
Dividend Payment	(138.0)	(148.0)	(37.0)	-	-	-	-	-	-	-	-	-	-	-	-
Dividend Per Share	$ 0.58	$ 0.64	$ 0.16	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Dividend Payout to Earnings	19.5%	-49.8%	-3.0%	-	-	-	-	-	-	-	-	-	-	-	-
Dividend Payout to Core FCF	6.9%	8.8%	6.4%	-	-	-	-	-	-	-	-	-	-	-	-
Dividend Yield	2.2%	4.0%	1.6%	-	-	-	-	-	-	-	-	-	-	-	-
Balance Sheet															
Current Assets	5,997.0	6,000.0	5,705.0	7,407.0	8,749.0	9,294.0	8,921.0	8,733.0	7,733.0	7,733.0	7,816.4	8,012.5	8,448.5	9,029.7	9,768.4
Non-Current Assets	10,875.0	11,185.0	10,801.0	13,995.0	13,682.0	13,877.0	13,893.0	13,766.0	13,932.0	13,932.0	13,833.7	13,979.4	14,127.6	14,278.3	14,431.7
Assets	16,872.0	17,185.0	16,506.0	21,402.0	22,431.0	23,171.0	22,814.0	22,499.0	21,665.0	21,665.0	21,650.1	21,991.9	22,576.1	23,308.0	24,200.0
Current Liabilities	4,781.0	5,287.0	5,106.0	6,612.0	7,140.0	6,984.0	6,940.0	6,694.0	7,230.0	7,230.0	7,238.5	7,497.6	7,892.0	8,317.7	8,777.0
Non-Current Liabilities	7,021.0	7,353.0	8,141.0	9,606.0	9,825.0	10,763.0	10,601.0	10,644.0	9,598.0	9,598.0	9,598.0	9,598.0	9,598.0	9,598.0	9,598.0
Liabilities	11,802.0	12,640.0	13,247.0	16,218.0	16,965.0	17,747.0	17,541.0	17,338.0	16,828.0	16,828.0	16,836.5	17,095.6	17,490.0	17,915.7	18,375.0
Shareholders' Equity	4,864.0	4,351.0	3,078.0	4,999.0	5,300.0	5,253.0	5,105.0	4,993.0	4,668.0	4,668.0	4,644.6	4,727.2	4,917.0	5,223.3	5,656.0
Cash	873.0	974.0	1,624.0	1,164.0	1,311.0	1,163.0	1,112.0	1,058.0	985.0	985.0	(154.7)	(391.6)	(59.5)	(145.8)	(127.5)
Debt	5,353.0	5,315.0	5,584.0	6,991.0	7,495.0	8,494.0	8,271.0	8,344.0	7,363.0	7,363.0	7,363.0	7,363.0	7,363.0	7,363.0	7,363.0
Net Debt	4,480.0	4,341.0	3,960.0	5,827.0	6,184.0	7,331.0	7,159.0	7,286.0	6,378.0	6,378.0	7,517.7	7,754.6	7,422.5	7,508.8	7,490.5
Minority Interests	206.0	194.0	181.0	185.0	166.0	171.0	168.0	168.0	169.0	169.0	169.0	169.0	169.0	169.0	169.0
Debt/EBITDA	2.3 x	2.7 x	6.1 x	3.0 x	3.1 x					3.8 x	3.7 x	3.6 x	3.2 x	3.0 x	2.7 x
Operating Metrics															
Return on Equity (ROE)	14.6%	-6.8%	-40.6%	15.6%	3.9%					-14.7%	-0.4%	1.7%	3.9%	5.9%	7.7%
Return on Assets (ROA)	4.2%	-1.7%	-7.6%	3.6%	0.9%					-3.2%	-0.1%	0.4%	0.8%	1.3%	1.8%
Return on Invested Capital (ROIC)	13.5%	-23.3%	-12.0%	26.1%	8.4%					7.9%	10.1%	11.3%	13.4%	14.8%	16.3%
Valuation Metrics															
Stock Price (High)	$ 33.26	$ 20.79	$ 15.19	$ 24.14	$ 24.12	$ 12.04	$ 15.14	$ 16.51	$ 12.26	$ 16.51	$ 12.26	$ 12.26	$ 12.26	$ 12.26	$ 12.26
Stock Price (Low)	$ 18.37	$ 10.68	$ 4.57	$ 10.17	$ 9.67	$ 9.86	$ 10.12	$ 11.94	$ 12.26	$ 9.86	$ 12.26	$ 12.26	$ 12.26	$ 12.26	$ 12.26
Stock Price (Average)	$ 25.82	$ 15.74	$ 9.88	$ 17.16	$ 16.90	$ 10.95	$ 12.63	$ 14.23	$ 12.26	$ 13.19	$ 12.26	$ 12.26	$ 12.26	$ 12.26	$ 12.26
Diluted Shares Outstanding (Average)	239.0	233.0	234.0	264.0	286.0	285.0	285.0	285.0	285.0	285.0	285.0	285.0	285.0	285.0	285.0
Market Capitalization (Average)	6,169.8	3,666.3	2,311.9	4,528.9	4,832.0	3,120.8	3,599.6	4,054.1	3,494.1	3,757.7	3,494.1	3,494.1	3,494.1	3,494.1	3,494.1
Enterprise Value (Average)	10,855.8	8,201.3	6,452.9	10,540.9	11,182.0	10,622.8	10,926.6	11,508.1	10,041.1	10,304.7	11,180.8	11,417.7	11,085.6	11,171.9	11,153.6
P/E	8.7 x	n/a	n/a	5.8 x	23.1 x					n/a	n/a	42.3 x	18.4 x	11.4 x	8.1 x
EV/EBITDA	5.5 x	5.1 x	9.9 x	5.4 x	5.5 x					6.1 x	5.5 x	5.3 x	4.7 x	4.4 x	4.1 x
FCF Yield to Market Capitalization	9.8%	18.0%	46.8%	25.2%	1.5%					21.2%	-12.8%	12.9%	29.0%	16.8%	19.5%
FCF Yield to Enterprise Value	5.6%	8.0%	16.8%	10.8%	0.7%					7.7%	-4.0%	3.9%	9.1%	5.2%	6.1%
Free Cash Flow															
EBIT	1,202.0	820.0	(538.0)	1,087.0	1,054.0	84.0	36.0	298.0	277.0	695.0	1,037.8	1,185.0	1,338.2	1,504.5	1,685.1
Tax Expense	(303.0)	(474.0)	(110.0)	267.0	(190.0)	(29.4)	(12.6)	(104.3)	(97.0)	(243.3)	(363.2)	(414.7)	(468.4)	(526.6)	(589.8)
D&A	778.0	795.0	1,189.0	883.0	964.0	251.0	255.0	245.0	249.0	1,000.0	976.9	987.5	1,004.6	1,022.1	1,039.8
Capital Expenditures	(811.0)	(770.0)	(647.0)	(981.0)	(1,061.0)	(291.0)	(245.0)	(271.0)	(243.0)	(1,050.0)	(1,121.0)	(1,133.2)	(1,152.8)	(1,172.8)	(1,193.2)
Changes in NWC	(261.0)	289.0	1,187.0	(113.0)	(693.0)	(862.0)	331.0	(71.0)	996.0	394.0	(977.3)	(173.8)	290.4	(241.8)	(261.0)
Unlevered Free Cash Flow	605.0	660.0	1,081.0	1,143.0	74.0	(847.4)	364.4	96.7	1,182.1	795.8	(446.8)	450.8	1,012.1	585.3	681.0

Valuation Summary

Current Price	**$ 12.26**
Target Price	$ 15.13
Total Return	23.4%
Recommendation	**BUY**

DCF Valuation	
Perpetuity Growth Implied Price	$ 15.46
Exit Multiple Implied Price	$ 15.97
Comps Valuation	
Comps - EV/EBITDA Implied Price	$ 17.63
Comps - P/E Implied Price	$ 8.19

Appendix 2: Discount Cash Flow Analysis

Discounted Cash Flow Analysis

(Figures in mm USD)

WACC Calculations

Cost of Equity	
Risk-free rate	4.2%
Expected market return	9.6%
Market Risk Premium	**5.4%**
Beta	1.42
Cost of Equity	**11.8%**

Cost of Debt	
Pre-tax cost of debt	7.4%
Effective tax rate	35.0%
Cost of Debt	**4.8%**

WACC	
Market value of equity	3,494.1
Market value of debt	8,344.0
Total Capitalization	11,838.1
Cost of equity	11.8%
Cost of debt	4.8%
WACC	**6.9%**

Free Cash Flow

(Figures in mm USD)	Dec-18 FY2018	Dec-19 FY2019	Dec-20 FY2020	Dec-21 FY2021	Dec-22 FY2022	Mar-23 Q1-2023	Jun-23 Q2-2023	Sep-23 Q3-2023	Dec-23 Q4-2023	Dec-23 FY2023
EBIT	1,202.0	820.0	(538.0)	1,087.0	1,054.0	84.0	36.0	298.0	277.0	695.0
Less: Tax expense	(303.0)	(474.0)	(110.0)	267.0	(190.0)	(29.4)	(12.6)	(104.3)	(97.0)	(243.3)
Add: Depreciation and amortization	778.0	795.0	1,189.0	883.0	964.0	251.0	255.0	245.0	249.0	1,000.0
Less: Capital expenditures	(811.0)	(770.0)	(647.0)	(981.0)	(1,061.0)	(291.0)	(245.0)	(271.0)	(243.0)	(1,050.0)
Less: Change in net working capital	(261.0)	289.0	1,187.0	(113.0)	(693.0)	(862.0)	331.0	(71.0)	996.0	394.0
Unlevered Free Cash Flow	**605.0**	**660.0**	**1,081.0**	**1,143.0**	**74.0**	**(847.4)**	**364.4**	**96.7**	**1,182.1**	**795.8**
Discount factor										
Present Value of Unlevered Free Cash Flow										

(Figures in mm USD)	Mar-24 Q1-2024	Jun-24 Q2-2024	Sep-24 Q3-2024	Dec-24 Q4-2024	Dec-24 FY2024	Dec-25 FY2025	Dec-26 FY2026	Dec-27 FY2027	Dec-28 FY2028
EBIT	251.5	244.8	272.1	269.3	1,037.8	1,185.0	1,338.2	1,504.5	1,685.1
Less: Tax expense	(88.0)	(85.7)	(95.3)	(94.3)	(363.2)	(414.7)	(468.4)	(526.6)	(589.8)
Add: Depreciation and amortization	242.6	243.7	244.7	245.8	976.9	987.5	1,004.6	1,022.1	1,039.8
Less: Capital expenditures	(278.4)	(279.6)	(280.8)	(282.1)	(1,121.0)	(1,133.2)	(1,152.8)	(1,172.8)	(1,193.2)
Less: Change in net working capital	(847.2)	35.7	(176.7)	10.9	(977.3)	(173.8)	290.4	(241.8)	(261.0)
Unlevered Free Cash Flow	**(719.4)**	**158.8**	**(35.9)**	**149.7**	**(446.8)**	**450.8**	**1,012.1**	**585.3**	**681.0**
Discount factor	1.25	1.50	1.75	2.00	2.00	3.00	4.00	5.00	6.00
Present Value of Unlevered Free Cash Flow	**(662.0)**	**143.7**	**(31.9)**	**131.0**	**(419.2)**	**369.2**	**775.5**	**419.6**	**456.7**

Discounted Cash Flow Valuations

Perpetuity Growth Method		
Perpetuity Growth Rate		**2.0%**
PV sum of unlevered FCF		2,318.8
Terminal value		9,540.4
Enterprise Value		**11,859.2**
Add: Cash		1,058.0
Less: Debt		8,344.0
Less: Other EV adjustments		168.0
Equity Value		**4,405.2**
Shares outstanding		285.0
Implied Share Price	**$**	**15.46**
Current Price	$	12.26
Implied Price	**$**	**15.46**
Total Return		**26.1%**

Exit Multiple Method		
Terminal EV/EBITDA Multiple		**5.3 x**
PV sum of unlevered FCF		2,318.8
Terminal value		9,686.7
Enterprise Value		**12,005.6**
Add: Cash		1,058.0
Less: Debt		8,344.0
Less: Other EV adjustments		168.0
Equity Value		**4,551.6**
Shares outstanding		285.0
Implied Share Price	**$**	**15.97**
Current Price	$	12.26
Implied Price	**$**	**15.97**
Total Return		**30.3%**

Perpetuity Growth Rate	WACC 8.10%	7.60%	7.10%	6.60%	6.10%
1.00%	$ 2.90	$ 5.32	$ 8.13	$ 11.44	$ 15.41
1.50%	$ 4.63	$ 7.37	$ 10.61	$ 14.48	$ 19.20
2.00%	$ 6.64	$ 9.80	$ 13.58	$ 18.18	$ 23.91
2.50%	$ 9.01	$ 12.70	$ 17.19	$ 22.78	$ 29.93
3.00%	$ 11.84	$ 16.23	$ 21.69	$ 28.66	$ 37.89

Terminal EV/EBITDA Multiple	WACC 8.10%	7.60%	7.10%	6.60%	6.10%
3.3 x	$ 1.38	$ 2.09	$ 2.82	$ 3.58	$ 4.36
4.3 x	$ 7.37	$ 8.25	$ 9.16	$ 10.09	$ 11.06
5.3 x	$ 13.36	$ 14.41	$ 15.49	$ 16.61	$ 17.76
6.3 x	$ 19.35	$ 20.57	$ 21.83	$ 23.12	$ 24.46
7.3 x	$ 25.34	$ 26.73	$ 28.16	$ 29.64	$ 31.17

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Appendix 3: Comparables Company Analysis

Comparable Company Analysis

(Figures in mm USD)

Company	Ticker	Share Price	Diluted Shares Outstanding	Equity Value	Enterprise Value	EV/EBITDA Multiple 2023A EV/EBITDA	2024E EV/EBITDA	2025E EV/EBITDA	P/E Multiple 2023A P/E	2024E P/E	2025E P/E
Continental AG	(ETR: CON)	$ 77.04	200.0	15,408	20,453.7	4.9 x	4.1 x	3.6 x	220.1 x	10.4 x	8.2 x
Michelin	(EPA: ML)	$ 37.19	715.0	26,589.0	30,166.0	5.4 x	5.2 x	5.0 x	12.6 x	11.9 x	10.6 x
Bridgestone Corp	(TYO: 5108)	$ 42.40	713.7	30,260.5	31,377.7	5.7 x	5.6 x	5.1 x	12.8 x	12.1 x	11.0 x
Hankook Tire & Techr	(KRX: 161390)	$ 40.55	123.9	5,023.1	4,335.5	4.5 x	3.5 x	3.3 x	9.2 x	8.4 x	7.0 x
Pirelli & Co	(BIT: PIRC)	$ 5.88	1,000.0	5,880.0	9,826.9	6.6 x	6.3 x	6.0 x	13.4 x	11.5 x	10.9 x
Sumitomo Rubber Ind	(TYO: 5110)	$ 11.97	1,337.5	16,010.2	17,423.4	25.2 x	22.0 x	18.1 x	44.3 x	14.8 x	9.7 x
Lear Corp	(NYSE: LEA)	$ 140.30	57.0	8,001.7	10,492.5	7.3 x	6.1 x	5.2 x	16.1 x	11.6 x	8.8 x
Autozone Inc	(NYSE: AZO)	$ 3,079.49	17.3	53,247.5	61,573.9	15.5 x	14.1 x	13.6 x	23.3 x	20.6 x	18.8 x
Ford Motor Co	(NYSE: F)	$ 12.18	3,902.8	47,535.9	63,755.9	3.6 x	3.8 x	4.1 x	6.5 x	6.8 x	7.2 x
BrogWarner Inc.	(NYSE: BWA)	$ 33.04	229.8	7,591.9	10,168.9	4.4 x	5.2 x	4.9 x	8.3 x	9.4 x	7.9 x
Goodyear Tire and R	**(NASDAQ: GT)**	**$ 12.26**	**285.0**	**3,494.1**	**10,948.1**	**5.0 x**	**4.9 x**	**6.1 x**	**4.2 x**	**17.3 x**	**(35.0 x)**
Median							**5.4 x**	**5.1 x**		**11.6 x**	**9.3 x**
Mean							**7.6 x**	**6.9 x**		**11.5 x**	**10.0 x**
High							**22.0 x**	**18.1 x**		**20.6 x**	**18.8 x**
Low							**3.5 x**	**3.3 x**		**8.4 x**	**7.0 x**

	EV/EBITDA Impliled Price		P/E Implied Price	
Median	$ 16.11	$ 5.88	$ 8.21	-$ 3.25
Mean	**$ 33.45**	**$ 17.63**	**$ 8.19**	**-$ 3.51**
High	$ 146.75	$ 88.64	$ 14.61	-$ 6.58
Low	$ 1.20	-$ 5.07	$ 6.00	-$ 2.46

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