

Initiated 2026-10-27 · Price \$16.75 (as of 2026-10-27 9:54 AM ET, market open, stockanalysis) · Mkt cap \$1.29bn (77.1mm shares; \$1.31bn on 78.2mm diluted) · Consumer discretionary / auto parts (seating) · Model: verified

Rating: Hold — Conviction: Low

Adient is cheap at 4.0x EBITDA after a 30% fall in a year, with EBITDA steady at \$880–940mm for three years and nothing maturing before 2031. But little of that EBITDA reaches shareholders after interest, restructuring, capex and ~\$90mm a year paid to JV partners, and the Base upside needs margin gains three years of restructuring haven't delivered. With debt at 65% of capital, the equity is worth roughly zero in the Bear case, so we wait for FY2027 guidance to show margins actually rising before calling it a Buy.

Conviction tests (3a-v-c): T1 fail (Hold → Buy at -1pp: Base midpoint +86%; +1pp gives +22%, still Hold) · T2 fail (Gordon DCF alone +87% reads Buy; exit DCF alone +13% reads Hold) · T3 fail (other claims is an estimate: JV partners' interests valued on earnings rather than book; at book, Base value rises 15%) · T4 pass (no pending deal, ruling or single-contract event; the CFO change on 2026-11-16 is not a value event)

MODEL VALUE RANGE VS PRICE



Business overview

Adient is the largest independent maker of complete car seats, and of the foam, trim, frames and mechanisms inside them. FY2025 sales were \$14.5bn; in 9M FY2026 the split was Americas 48%, EMEA 32% and Asia 21%. Segment adjusted EBITDA came 44% from the Americas, 13% from EMEA and 44% from Asia. ~\$3bn a year of unconsolidated China JV sales add ~\$70mm of equity income. Earnings turn on (1) production on Adient's platforms (Detroit trucks, European OEMs, Chinese local OEMs); (2) recovery of foam, steel and freight costs, about two quarters late; (3) EMEA restructuring (Q3 margin 1.2%).

Competition

The seating market is concentrated. The 10-K names Lear, Toyota Boshoku, Forvia, Magna and Yanfeng, plus Chinese seat makers following their OEMs. Lear is the listed comparable that matters. Its Seating segment grew 3% to \$4.6bn in calendar Q2 2026 (2% organic), at a 6.7% adjusted margin (Lear Q2 call, 2026-07-31). Over the overlapping quarter, Adient grew consolidated sales 5% at a 5.7% margin. Pressure shows first in China: unconsolidated JV sales fell 14% in Q3 as Western combustion-engine platforms lost share to NEVs. New local-OEM wins carry lower margins. On the same stockanalysis basis, Lear trades at 4.8x TTM EV/EBITDA and Magna at 5.2x, against Adient's 3.9x.

Bull case

- 1. **Margins finally expand** — the ~\$35–40mm FY2026 Middle East cost hit rolls off (foam pass-through covers ~90%, lagged), and EMEA restructuring plus automation lift margin from 5.9% toward 7%+. Plays out if FY2027 guidance shows EMEA recovering. *Model: ebitda_margin*
- 2. **Growth over market** — Americas launches and onshoring plus China local-OEM programmes (NIO, Chery) grow sales 3–4% a year net of the metals roll-off. Plays out if global production holds. *Model: rev_growth, terminal_growth*
- 3. **Re-rating toward Lear/Magna** — 4.0x model-basis EBITDA prices continued stagnation. Visible free cash flow growth plus an upsized buyback would move the multiple toward ~5x. Plays out if FY2027 FCF clearly beats ~\$130mm. *Model: exit_ev_ebitda*

Bear case

- 1. **Europe and China erode** — EMEA stays near break-even on lower European production. Western JVs in China keep losing combustion-engine volume, and local-OEM wins dilute margin. Margin falls to ~5% and FY2027 sales drop ~6% in a production downturn. Plays out if European and Chinese ICE output keeps falling. *Model: ebitda_margin, rev_growth*
- 2. **Cash conversion stays thin** — ~\$885mm of FY2026 EBITDA becomes only ~\$130mm of FCF after interest (~\$185mm), cash tax (~\$125mm), capex (~\$300mm) and restructuring (~\$100mm); JV partners take ~\$90mm more, and capex rises in FY2027. With 65% debt, including a floating \$1.12bn term loan, small misses hit the equity directly. Plays out if restructuring cash stays near \$100mm and rates stay high. *Model: capex_pct_rev, wacc*
- 3. **Cycle and share loss cap the terminal value** — Chinese seat makers follow their OEMs abroad, and auto-supplier multiples stay at trough levels. Plays out if Chinese-brand vehicles keep gaining share in Europe and emerging markets. *Model: terminal_growth, exit_ev_ebitda*

Valuation & balance sheet

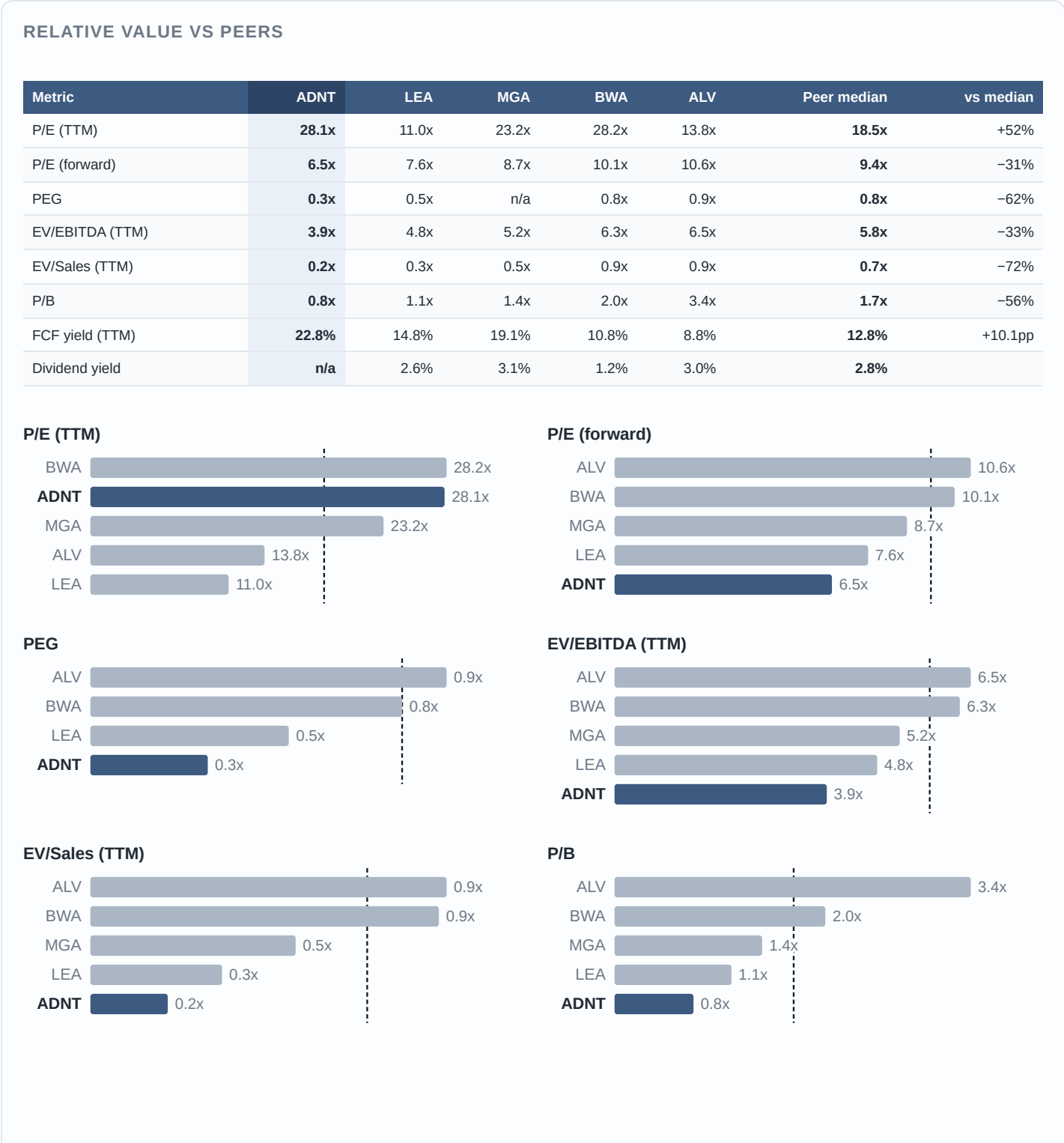
Metric (definition)	Current	Own history (range or 5y avg)	Peers	Source, as-of
EV/EBITDA, model basis (mkt cap on 78.2mm diluted – cash + debt face + NCI at earnings value + pension; excl. operating leases)	4.05x FY2025/LTM adj. EBITDA \$881mm	n/a (unverified)	not computed on this basis	10-Q 2026-06-30; 8-K 2026-08-20; price 2026-10-27
EV/EBITDA TTM (stockanalysis, lease-inclusive)	3.88x	n/a (unverified)	LEA 4.80x · MGA 5.21x · BWA 6.31x · ALV 6.51x	stockanalysis, 2026-10-27
P/E forward (stockanalysis consensus)	6.5x (TTM 28.1x, restructuring-depressed)	52-week price change ~30%	LEA 7.6x · MGA 8.7x · BWA 10.1x · ALV 10.6x	stockanalysis, 2026-10-27
FCF yield (company FY2026 FCF guide ~\$130mm / mkt cap)	~10% (before ~\$90mm NCI dividends)	FCF \$204mm FY2025, \$161mm 9M FY2026	LEA 14.8% · MGA 19.1% · BWA 10.8% · ALV 8.8% (stockanalysis TTM)	Q3 release 2026-08-05; stockanalysis

Model-implied value range (from `model-summary.json` ; generic module, Gordon-growth DCF and exit-EV/EBITDA DCF, midpoints): Bear \$0.00 · Base \$25.18 · Bull \$64.75 per share, i.e. implied returns of –100.0% / +50.3% / +286.6% vs \$16.75. *These ranges show how the bull and bear drivers translate into value; they are not price targets.* The price sits two-thirds of the way from Bear to Base. The Base return contradicts a Hold; we keep the call for three reasons. (1) Most of the upside comes from the Gordon method (\$31.37). Its terminal value implies ~5.5x Y5 EBITDA against today's 4.05x. The exit method uses 4.0x, a ~1% de-rating, and gives \$18.99 (+13%). (2) Base needs margin to rise from 5.9% to 6.3%; flat at 5.9%, the midpoint is \$19.98 (+19%). (3) The Bear prints \$0.00 because value is floored. A 3.25x exit on 5% margins leaves EV below \$1.5bn of net debt plus \$0.76bn of JV-partner and pension claims.

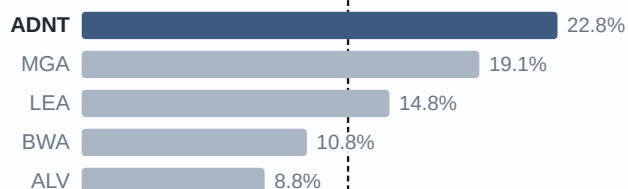
Balance sheet: net leverage 1.70x FY0 EBITDA on the model basis (company: 1.66x at 2026-06-30, target 1.5–2.0x); coverage 5.1x. Liquidity is \$924mm of cash plus \$834mm available on an undrawn \$1.0bn ABL (matures October 2030). The nearest material maturity is

the \$1.12bn Term Loan B in January 2031, after the August 2026 refinancing retired the 7.00% 2028 secured notes. Ratings: n/a (unverified).

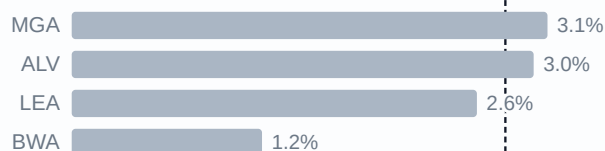
Model note: Built and verified (LibreOffice matched all 3,207 formula cells). Unverified input: `market.other_claims` (\$758mm): NCI at LTM NCI income \$75mm × 8.7 = \$650mm (book \$359mm) plus a \$108mm pension deficit; at book, Base is \$28.90. Assumptions without basis: none. No consistency CHECKS. Base WACC 9.0% is a +0.77pp adjustment over the 8.23% CAPM/market-weight arithmetic (β 1.61, rf 5.00%, 65% debt); the ~50/50 target structure gives 9.34%. capex_pct_rev includes cash restructuring and the FCF bridge's "Other" line, tying model FCF to the ~\$130mm guide. Model EPS (Base Y1 \$3.56) overstates reported EPS: it ignores NCI income, adds back stock compensation and taxes at 25%, not the ~39% adjusted rate; there is no EPS guide and EPS doesn't feed value. FY0 cash and debt are at 2026-06-30 (pro forma for the refinancing), with a \$282mm NWC offset for 9M FCF and the Q4 timing reversal.



FCF yield (TTM)



Dividend yield



As of 2026-10-27. One source and one definition for every company: TTM multiples, forward P/E on stockanalysis consensus, EV/EBITDA and EV/Sales on stockanalysis EV (lease-inclusive) and TTM EBITDA. Not the model's own EV basis (which excludes operating leases and adds noncontrolling interests). Quotes taken 2026-10-27 between 9:50 and 10:07 AM ET with the market open. Dashed line = peer median. Source: stockanalysis.com /stocks/<ticker>/statistics/, fetched 2026-10-27.

Notes. PEGs are the source's own, resting on its analyst growth estimates; the source shows none for MGA. ADNT's 0.29 rests on growth off an FY2025 adjusted-EPS base of \$1.93. ADNT and BWA TTM earnings are depressed by impairments and restructuring (ADNT FY2025 included a \$333mm EMEA goodwill impairment); the forward P/E is the more comparable figure. ADNT's figure on the source's own definition. Company free cash flow excludes ~\$90mm/yr of dividends paid to noncontrolling interests (FY2025), and FY2026 guidance is ~\$130mm (~10% of market cap). Adient pays no dividend; capital is returned by buybacks.

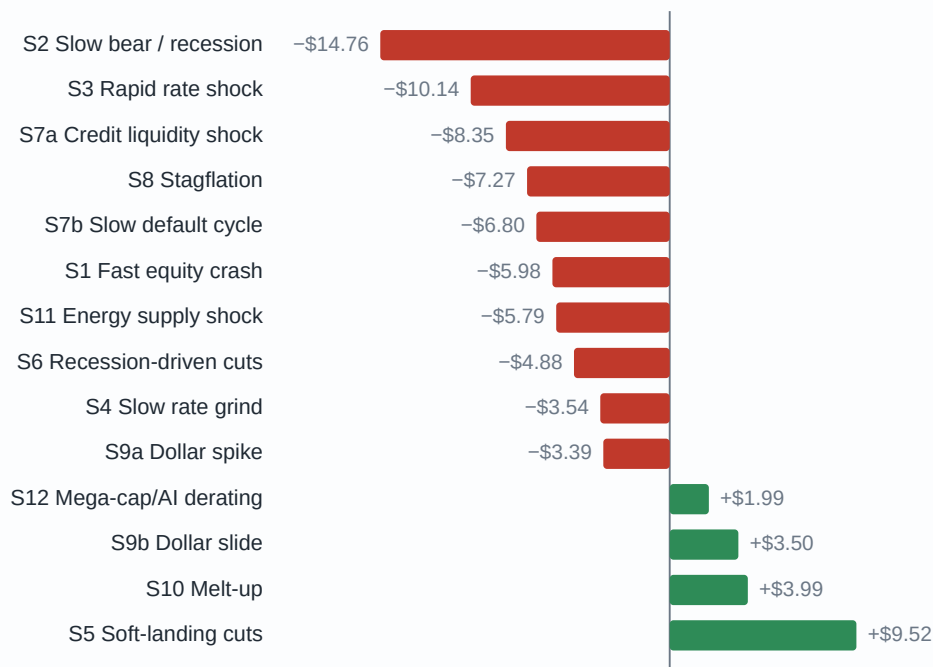
Scenario stress test

Reasoned from the bull/bear drivers above. The model column comes from the scenario overlays (Base case + shock).

Scenario	Effect	Mechanism	Magnitude	Model Δ value vs Base (\$/sh)
S1 Fast equity crash	-	High-beta (1.61), 65%-debt equity de-rates; no operating channel	Med	-\$5.98
S2 Slow bear / recession	-	Production cuts, fixed-cost deleverage in seat plants, trough multiple. Milder than Base – Bear (\$25.18) on purpose: a two-year dip, not a permanent margin reset	High	-\$14.76
S3 Rapid rate shock	-	Discount rate on a 65%-debt structure, floating TLB cost, auto-loan affordability	High	-\$10.14
S4 Slow rate grind	-	Same channels, slower	Low	-\$3.54
S5 Soft-landing cuts	+	Cheaper auto credit lifts production; levered cyclical re-rates	High	+\$9.52
S6 Recession-driven cuts	-	Production cuts partly offset by a lower discount rate	Low	-\$4.88
S7a Credit liquidity shock	-	Sub-investment-grade issuer de-rates with spreads; no maturity before 2031, ABL undrawn	Med	-\$8.35
S7b Slow default cycle	-	Distressed sub-suppliers need support; dearer refinancing; weaker auto credit	Med	-\$6.80
S8 Stagflation	-	Foam chemicals, steel, freight and wages recovered only with a lag; weaker volumes	Med	-\$7.27
S9a Dollar spike	-	Over half of sales outside the Americas; translation cuts reported sales and EBITDA	Low	-\$3.39
S9b Dollar slide	+	Mirror of S9a; FX drove much of FY2026's sales growth	Low	+\$3.50
S10 Melt-up	+	High-beta deep-value cyclical re-rates	Low	+\$3.99
S11 Energy supply shock	-	Petrochemical foam and freight (~\$32mm hit in Q3 alone), lower ICE demand and exports	Med	-\$5.79
S12 Mega-cap/AI derating	+	Rotation into cheap domestic cyclicals without recession	Low	+\$1.99

Currently active/on watch per the playbook: S3 partially active (10Y 5.00% price leg met, pace legs short); S8, S10, S11 on watch. Brent near \$115 already shows up in S11's cost channel.

MODEL VALUE CHANGE VS BASE, BY SCENARIO



What would change the call

Upgrades if: FY2027 guidance (due with FY2026 results, ~early November) implies adjusted EBITDA margin of at least 6.2% and FCF above \$200mm, or EMEA margin recovers above 3% for two quarters. **Downgrades if:** FY2026 lands below ~\$885mm EBITDA or ~\$130mm FCF, FY2027 guidance implies margin below 5.7%, or net leverage rises above 2.0x.

Watch items

- **W1:** FY2026 results — adjusted EBITDA ≈ \$885mm and FCF ≈ \$130mm, despite the Q4 reversal of ~\$45mm in payment timing — Q4 FY2026 release / 10-K — ~early November 2026 (est.) — *Model: ebitda_margin*
- **W2:** FY2027 guidance — adjusted EBITDA margin ≥ 6.1% with capex plus restructuring ≤ 3% of sales — Q4 release — ~early November 2026 (est.) — *Model: ebitda_margin, capex_pct_rev*
- **W3:** EMEA adjusted EBITDA margin back above 3% (Q3: 1.2%) — Q1 FY2027 release — February 2027 (est.) — *Model: ebitda_margin*
- **W4:** Unconsolidated China JV sales trend (Q3: -14%) and equity income near ~\$70mm/yr — quarterly releases — ongoing — *Model: ebitda_margin*

Sources

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- Adient Q3 FY2026 earnings call highlights (search summary) — <https://www.nasdaq.com/articles/adient-q3-earnings-call-highlights> — accessed 2026-10-27
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- Repository macro log logs/macro-2026-10.md (10Y 5.00%, Brent ~\$115, 2026-10-26) — accessed 2026-10-27

Independent single-name research. Directional characterization, not a price target, execution instruction, or portfolio recommendation.