

Fourth Quarter 2016 Earnings Call



Presented by:
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January 26, 2017

Investor Information

Forward-Looking Statements

This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding anticipated financial results and liquidity. The words "will," "may," "designed to," "outlook," "believes," "should," "anticipates," "plans," "expects," "intends," "estimates," "forecasts" and similar expressions identify certain of these forward-looking statements. The Company also may provide forward-looking statements in oral statements or other written materials released to the public. All such forward-looking statements contained or incorporated in this presentation or in any other public statements which address operating performance, events or developments that the Company expects or anticipates may occur in the future, including, without limitation, statements related to business opportunities, awarded sales contracts, sales backlog and ongoing commercial arrangements, or statements expressing views about future operating results, are forward-looking statements. Actual results may differ materially from any or all forward-looking statements made by the Company. Important factors, risks and uncertainties that may cause actual results to differ materially from anticipated results include, but are not limited to, general economic conditions in the markets in which the Company operates, including changes in interest rates or currency exchange rates; currency controls and the ability to economically hedge currencies; the financial condition and restructuring actions of the Company's customers and suppliers; changes in actual industry vehicle production levels from the Company's current estimates; fluctuations in the production of vehicles or the loss of business with respect to, or the lack of commercial success of, a vehicle model for which the Company is a significant supplier; disruptions in the relationships with the Company's suppliers; labor disputes involving the Company or its significant customers or suppliers or that otherwise affect the Company; the outcome of customer negotiations and the impact of customer-imposed price reductions; the impact and timing of program launch costs and the Company's management of new program launches; the costs, timing and success of restructuring actions; increases in the Company's warranty, product liability or recall costs; risks associated with conducting business in foreign countries; the impact of regulations on the Company's foreign operations; the operational and financial success of the Company's joint ventures; competitive conditions impacting the Company and its key customers and suppliers; disruptions to the Company's information technology systems, including those related to cybersecurity; the cost and availability of raw materials, energy, commodities and product components and the Company's ability to mitigate such costs; the outcome of legal or regulatory proceedings to which the Company is or may become a party; the impact of pending legislation and regulations or changes in existing federal, state, local or foreign laws or regulations; unanticipated changes in cash flow, including the Company's ability to align its vendor payment terms with those of its customers; limitations imposed by the Company's existing indebtedness and the Company's ability to access capital markets on commercially reasonable terms; impairment charges initiated by adverse industry or market developments; the Company's ability to execute its strategic objectives; changes in discount rates and the actual return on pension assets; costs associated with compliance with environmental laws and regulations; developments or assertions by or against the Company relating to intellectual property rights; the Company's ability to utilize its net operating loss, capital loss and tax credit carryforwards; global sovereign fiscal matters and creditworthiness, including potential defaults and the related impacts on economic activity, including the possible effects on credit markets, currency values, monetary unions, international treaties and fiscal policies; the anticipated departure of the United Kingdom from the European Union; and other risks described in the Company's Annual Report on Form 10-K for the year ended December 31, 2015, as supplemented and updated by the Company's Quarterly Report on Form 10-Q for the quarter ended July 2, 2016, and its other Securities and Exchange Commission filings. Future operating results will be based on various factors, including actual industry production volumes, commodity prices and the Company's success in implementing its operating strategy.

Information in this presentation relies on assumptions in the Company's sales backlog. The Company's sales backlog reflects anticipated net sales from formally awarded new programs less lost and discontinued programs. The calculation of the sales backlog does not reflect customer price reductions on existing or newly awarded programs. The sales backlog may be impacted by various assumptions embedded in the calculation, including vehicle production levels on new programs, foreign exchange rates and the timing of major program launches.

The forward-looking statements in this presentation are made as of the date hereof, and the Company does not assume any obligation to update, amend or clarify them to reflect events, new information or circumstances occurring after the date hereof.

Non-GAAP Financial Information

This presentation also contains non-GAAP financial information. For additional information regarding the Company's use of non-GAAP financial information, as well as reconciliations of non-GAAP financial measures to the most directly comparable financial measures calculated and presented in accordance with accounting principles generally accepted in the United States ("GAAP"), please see slides titled "Non-GAAP Financial Information" at the end of this presentation.

Lear proprietary and confidential.

- **Fourth Quarter and Full Year 2016 Financial Results and 2017 Outlook**
Jeff Vanneste, SVP and CFO
- **Summary Comments**
Matt Simoncini, President and CEO
- **Q and A Session**



**Fourth Quarter and
Full Year 2016
Financial Results**



Full Year 2016 Highlights

- Delivered record results across a number of key financial metrics
 - Record sales of \$18.6 billion, up 5% excluding the impact of foreign exchange and commodity prices
 - Net income of \$975 million, compared to \$746 million in the prior year
 - Record core operating earnings of \$1.535 billion, an increase of 17% from the prior year, reflecting improved margins in both business segments
 - Record earnings per share of \$13.33 and adjusted earnings per share of \$14.03, up 39% and 29%, respectively, from the prior year
 - Record free cash flow of \$1.1 billion with \$1.6 billion of net cash from operating activities

- Continued to invest in the business
 - Entered into a strategic partnership with Tempronics for seat heating and cooling
 - Acquired AccuMED, a specialty fabric business
 - Expanded our component capabilities in low-cost countries

- Delivered superior returns to shareholders
 - Free cash flow yield of 11%
 - Upgraded to investment grade by Moody's
 - Repurchased 5.8 million shares, about 8% of the shares outstanding at the beginning of the year
 - Total shareholder return of 9% for 2016 and 250% over the last 5 years

Fourth Quarter and Full Year 2016 Global Vehicle Production and Currency

(Units in millions)	Fourth Quarter 2016		Full Year 2016	
	Actual	Change From Prior Year	Actual	Change From Prior Year
China	7.9	up 15%	25.6	up 14%
Europe and Africa	5.6	up 3%	22.3	up 4%
North America	4.4	up 1%	17.8	up 2%
India	1.0	up 12%	4.1	up 10%
Brazil	0.6	up 8%	2.1	down 9%
Global	24.5	up 7%	91.2	up 5%
<u>Key Currencies</u>				
Euro	\$ 1.08 / €	down 1%	\$ 1.11 / €	Flat
Chinese RMB	6.82 / \$	down 6%	6.64 / \$	down 5%

Fourth Quarter and Full Year 2016 Reported Financials

(\$ in millions, except per share amounts)

	<i>Fourth Quarter</i>		<i>Full Year</i>	
	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
Net Sales				
North America	\$ 1,797.7	\$ 1,970.1	\$ 7,523.6	\$ 7,755.7
Europe and Africa	1,676.4	1,728.8	7,051.8	6,756.1
Asia	1,002.0	921.3	3,444.6	3,235.5
South America	167.4	104.4	537.6	464.1
Global	\$ 4,643.5	\$ 4,724.6	\$ 18,557.6	\$ 18,211.4
Pretax Income Before Equity Income, Interest and Other Expense	\$ 335.8	\$ 338.0	\$ 1,427.2	\$ 1,186.8
Pretax Income Before Equity Income	\$ 308.1	\$ 309.4	\$ 1,338.3	\$ 1,031.5
Net Income Attributable to Lear	\$ 229.9	\$ 235.3	\$ 975.1	\$ 745.5
Diluted Earnings per Share Attributable to Lear	\$ 3.24	\$ 3.07	\$ 13.33	\$ 9.59
SG&A % of Net Sales	3.6%	3.0%	3.4%	3.2%
Equity Income	\$ (23.2)	\$ (18.1)	\$ (72.4)	\$ (49.8)
Interest Expense	\$ 20.5	\$ 20.4	\$ 82.5	\$ 86.7
Other Expense, Net	\$ 7.2	\$ 8.2	\$ 6.4	\$ 68.6
Depreciation / Amortization	\$ 94.8	\$ 90.4	\$ 378.2	\$ 347.8

Fourth Quarter 2016

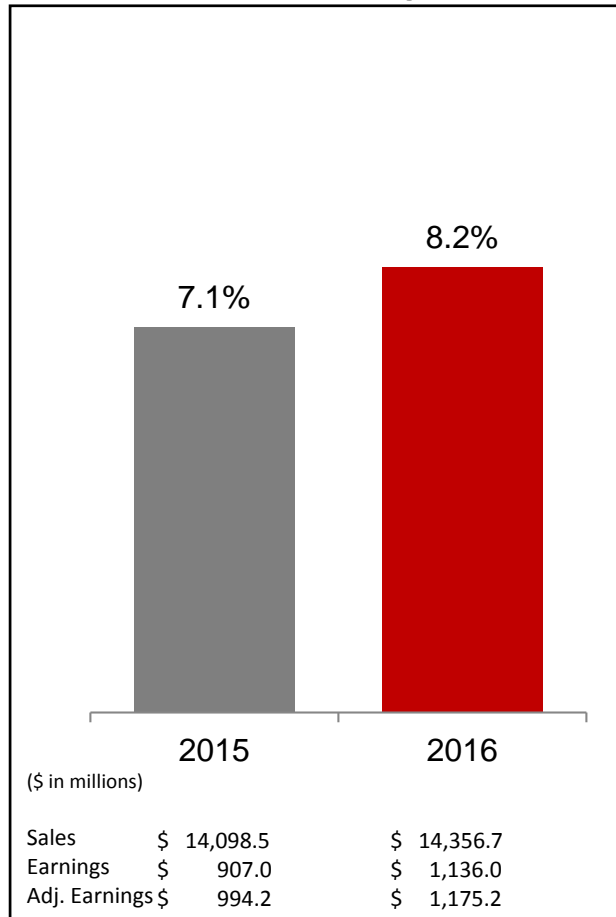
Impact of Restructuring and Other Special Items

(\$ in millions, except per share amounts)	Fourth Quarter 2016			Adjusted	Memo:
	Reported	Restructuring Costs	Other Special Items		Q4 2015 Adjusted
Pretax Income Before Equity Income, Interest and Other Expense	\$ 335.8	\$ 13.5*	\$ 36.3*	\$ 385.6	\$ 358.9
Equity Income	(23.2)			(23.2)	(18.1)
Pretax Income Before Interest and Other Expense	\$ 359.0			\$ 408.8	\$ 377.0
Interest Expense	20.5			20.5	20.4
Other Expense, Net	7.2	0.3	0.2	7.7	8.1
Income Before Taxes	\$ 331.3			\$ 380.6	\$ 348.5
Income Taxes	82.8	2.3	6.8	91.9	85.7
Net Income	\$ 248.5			\$ 288.7	\$ 262.8
Noncontrolling Interests	18.6			18.6	17.6
Net Income Attributable to Lear	\$ 229.9			\$ 270.1	\$ 245.2
Diluted Earnings per Share	\$ 3.24			\$ 3.80	\$ 3.20

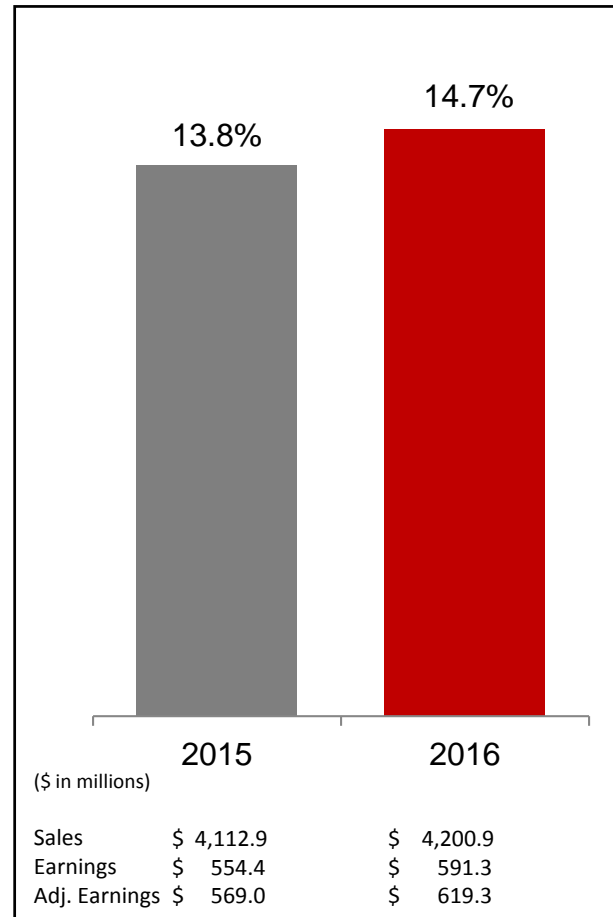
* Restructuring costs include \$11.5 million in gross profit and \$2.0 million in SG&A. Other special items include \$21.6 million in gross profit and \$14.7 million in SG&A.

Full Year 2016 Adjusted Margins

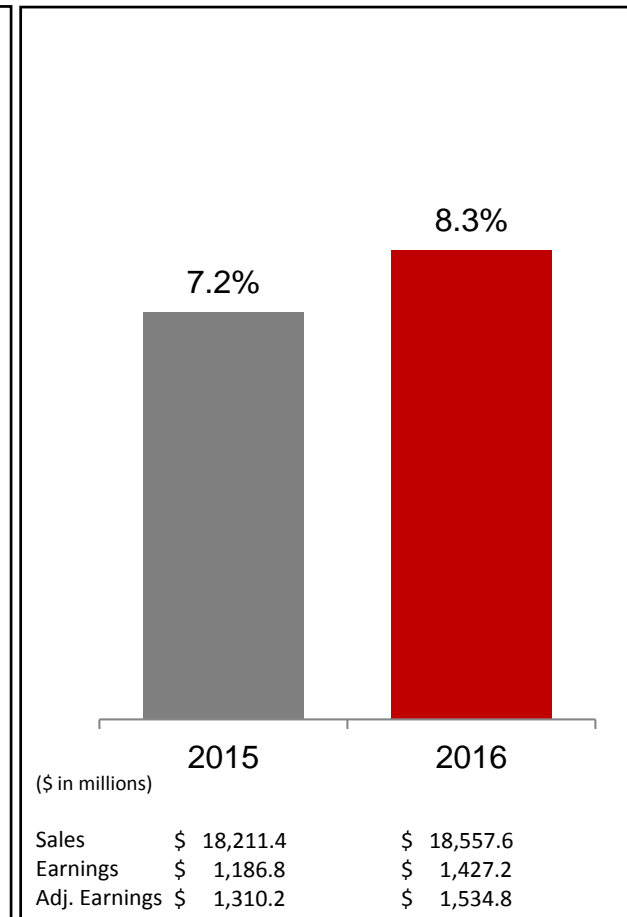
Seating



E-Systems



Total Company



Record Earnings In Both Business Segments

Reported earnings represents pretax income before equity income, interest and other expense. Adjusted earnings represents reported earnings adjusted for restructuring costs and other special items.

Fourth Quarter and Full Year 2016

Free Cash Flow

(\$ in millions)

	Fourth Quarter 2016	Full Year 2016
Net Income Attributable to Lear	\$ 229.9	\$ 975.1
Depreciation / Amortization	94.8	378.2
Working Capital and Other	<u>200.7</u>	<u>266.0</u>
Net Cash Provided by Operating Activities	\$ 525.4	\$1,619.3
Capital Expenditures	<u>(228.0)</u>	<u>(528.3)</u>
Free Cash Flow	<u><u>\$ 297.4</u></u>	<u><u>\$1,091.0</u></u>

Record Full Year Cash Flow With 11% Cash Flow Yield

2017 Outlook



2017 Outlook

Global Vehicle Production and Currency

(Units in millions)

	2016 Actual	2017 Outlook	YOY Change
China	25.6	26.3	up 3%
Europe and Africa	22.3	22.6	up 1%
North America	17.8	17.6	down 2%
India	4.1	4.4	up 5%
Brazil	2.1	2.2	up 2%
Global	91.2	92.7	up 2%

Key Currencies

Euro	\$ 1.11 / €	\$ 1.05 / €	down 5%
Chinese RMB	6.64 / \$	6.95 / \$	down 5%

Record Global Industry Production Projected In 2017

2017 Financial Outlook*

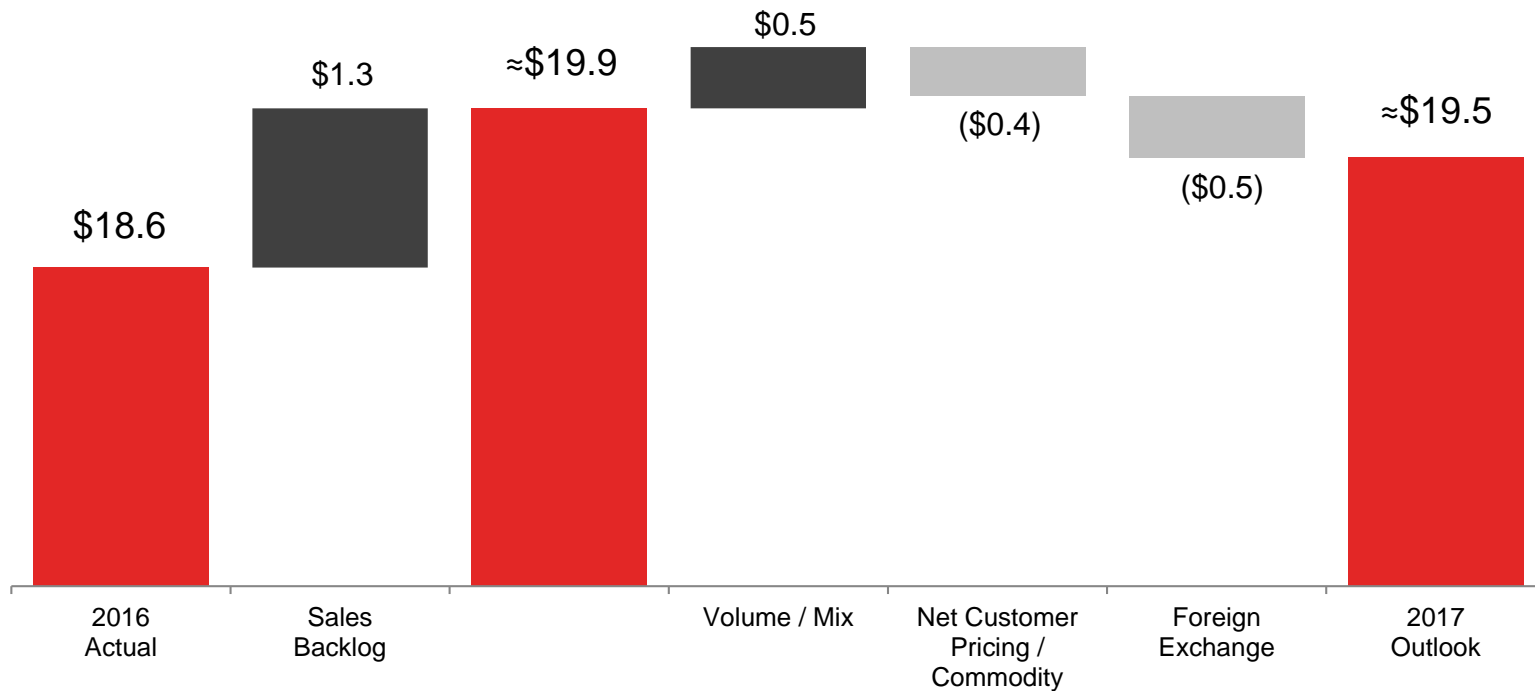
≈ \$19.5 billion	Net Sales
≈ \$1.6 billion	Core Operating Earnings
≈ \$385 million	Depreciation and Amortization
≈ \$85 million	Interest Expense
≈ 26%	Effective Tax Rate
≈ \$1.1 billion	Adjusted Net Income
≈ \$65 million	Restructuring Costs
≈ \$550 million	Capital Spending
\$1.0+ billion	Free Cash Flow

2017 Outlook Reflects 8th Consecutive Year Of Improving Financial Results

* Certain of the forward-looking financial measures are provided on a non-GAAP basis. A reconciliation of forward-looking financial measures to the most directly comparable financial measures calculated and presented in accordance with GAAP is potentially misleading and not practical given the difficulty of projecting event driven transactional and other non-core operating items in any future period. The magnitude of these items, however, may be significant.

2017 Outlook Revenue Walk

(\$ in billions)

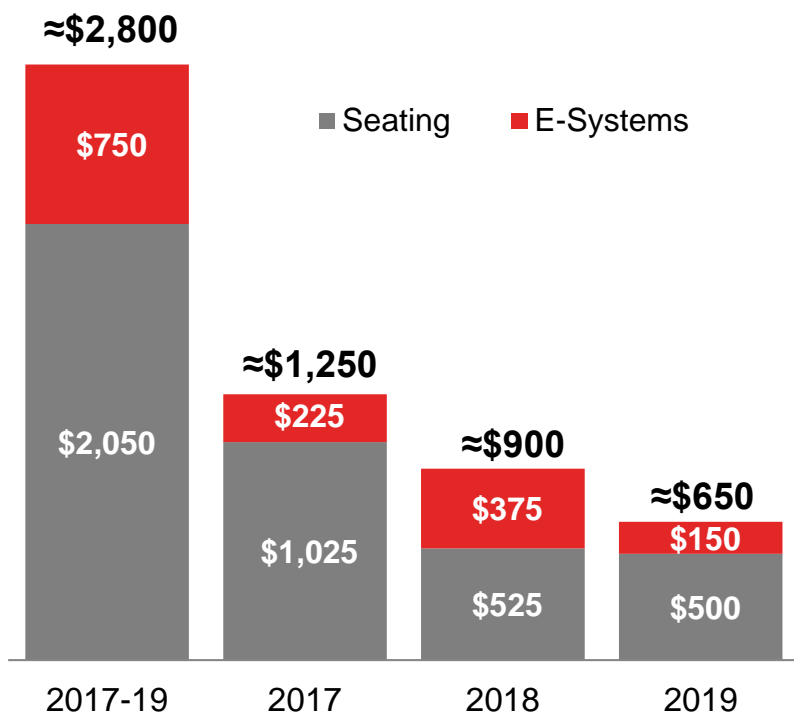


**2017 Sales Growth Of 7% Before The Impact Of
Volume & Mix, Net Customer Price Concessions And Foreign Exchange**

Sales Backlog Supports Continued Sales Growth

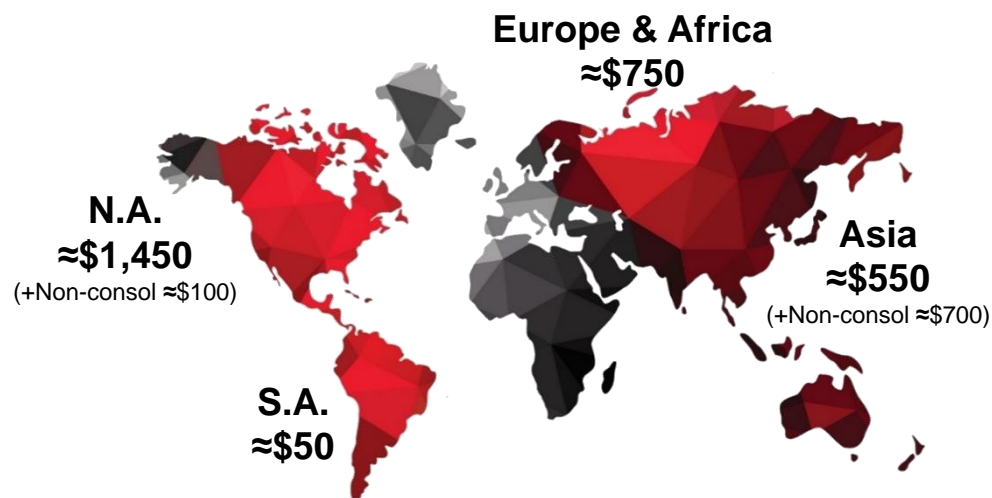
2017 – 2019 Consolidated Sales Backlog

(\$ in millions)



Consolidated Backlog By Region

(\$ in millions)



75% of Consolidated Backlog on CUVs & SUVs

2017- 2019 Sales Backlog Of \$3.6 Billion Including Non-Consolidated Business

Euro at \$1.05

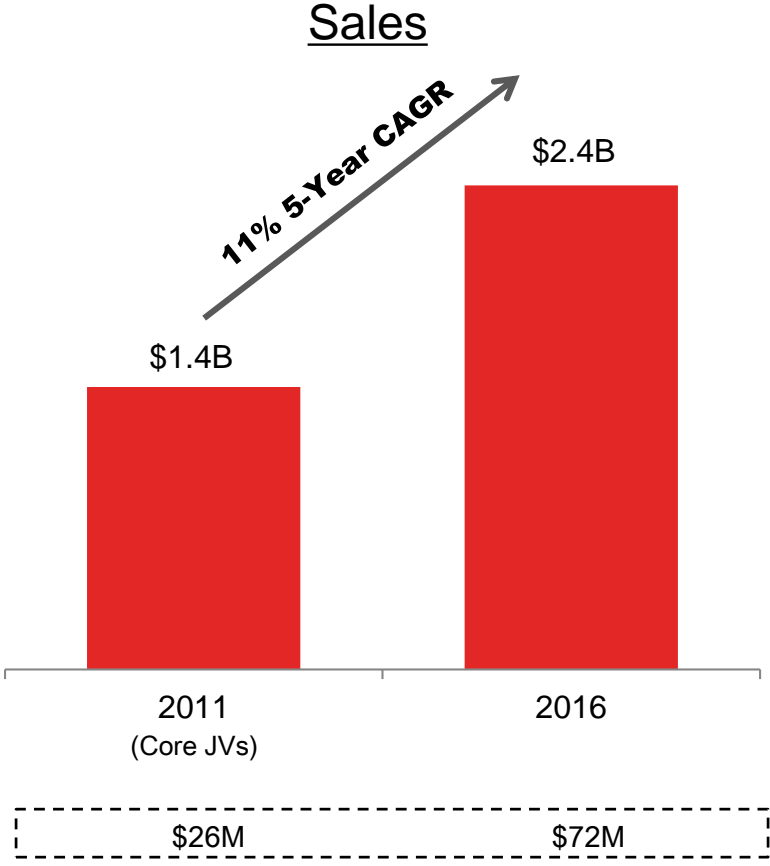
Non-Consolidated Joint Ventures

14 Non-Consolidated Operating JVs:

- 8 Seating
- 6 E-Systems

Customers Served:

- BAIC
- Beijing Hyundai
- Dong Feng Motor
- DFM Nissan
- DPCA
- FAW
- FAW VW / Audi
- GM Daewoo
- Hyundai
- Jiangling
- Jiangling Ford
- Kia
- SAIC
- Shanghai GM
- Shanghai VW



**Strong Partnerships In China Driving Equity Earnings Growth
And \$800 Million Non-Consolidated Backlog**

Summary Comments

A Global Leader In Two Critical Automotive Systems

SEATING

2016 Sales of \$14.4 Billion

Global leader in seat assembly with strong and growing **market share** in all major regions including **China**

Leader in **luxury & performance** seating; Well positioned to capitalize on mix shift toward Crossovers and SUVs

Most **complete seat component capabilities** with **expertise** in fabric, leather and seat cover cutting & sewing allowing the highest level of **craftsmanship**

Unique **software capabilities** enabling the innovative **intelligent seat**



2016 Sales of \$4.2 Billion

Global leader in electrical power and data management with complete **electrical architecture expertise**

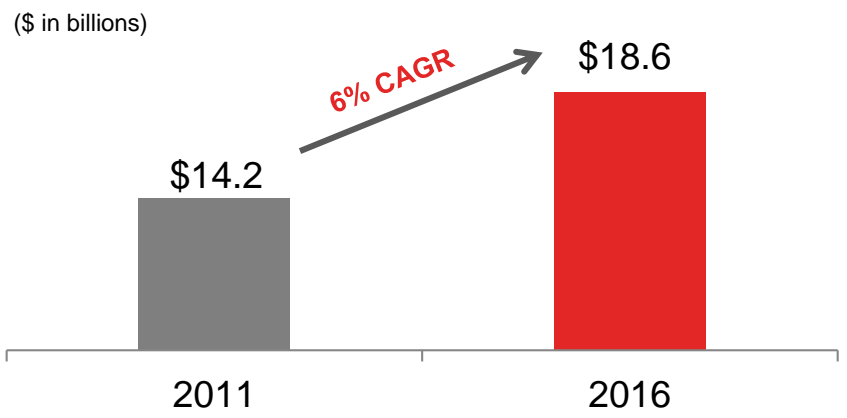
Well positioned to benefit from rapidly increasing demands for additional **electronic content** and **software** driven by trends in **safety** and **fuel economy**

Uniquely positioned to grow with **vehicle electrification** and **connectivity** mega-trends with **industry-leading** electrical distribution and gateway modules

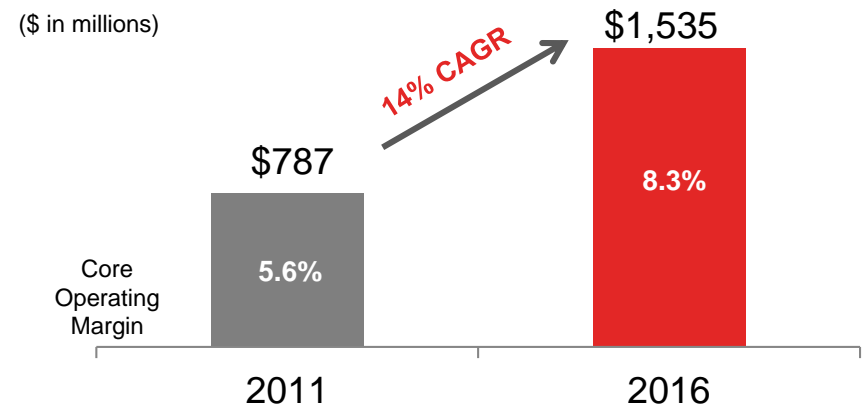
**Lear Is Uniquely Positioned To Deliver
Continued Profitable Sales Growth**

Key Financial Metrics (2011 to 2016)

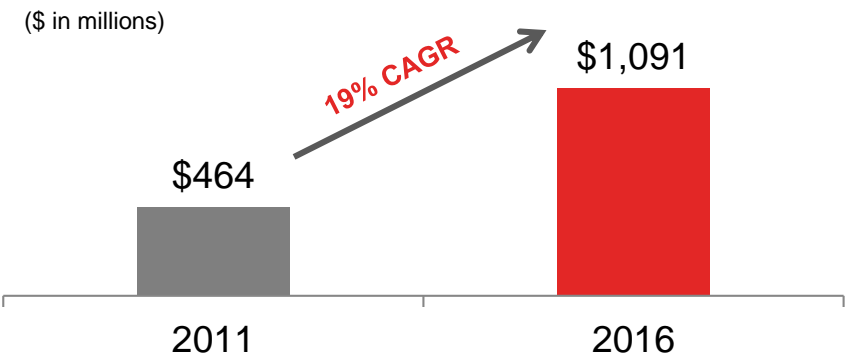
Sales



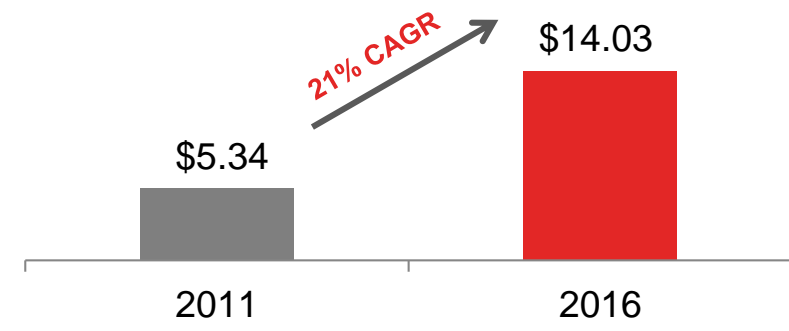
Core Operating Earnings



Free Cash Flow



Adjusted Earnings Per Share



Delivering Superior Financial Performance

Summary Comments

- Investments in the business have strengthened our competitiveness, which is driving market share gains and record financial results
- Record 2016 sales, core operating earnings, free cash flow and adjusted EPS
- 2017 outlook reflects 8th consecutive year of higher sales, adjusted EPS and strong free cash flow
- Record sales backlog, up 40% from prior backlog
- Uniquely positioned to take advantage of major industry trends in Seating (with Crafted by Lear™ and the INTU™ Intelligent Seat) and in E-Systems (with high-power and connectivity capabilities)
- Lear has significantly outperformed the market but remains undervalued relative to the peer group

Delivering Record Results, Outperforming The Market, Well Positioned For Growth And Shares Remain At A Discount To The Peer Group

Non-GAAP Financial Information

In addition to the results reported in accordance with GAAP included throughout this presentation, the Company has provided information regarding “pretax income before equity income, interest and other expense,” “pretax income before equity income, interest, other expense, restructuring costs and other special items” (core operating earnings, adjusted earnings or adjusted segment earnings), “adjusted net income attributable to Lear,” “adjusted diluted net income per share attributable to Lear” (adjusted earnings per share), “tax expense excluding the impact of restructuring costs and other special items” and “free cash flow” (each, a non-GAAP financial measure). Other expense includes, among other things, non-income related taxes, foreign exchange gains and losses, gains and losses related to certain derivative instruments and hedging activities, gains and losses on the extinguishment of debt and gains and losses on the disposal of fixed assets. Adjusted net income attributable to Lear and adjusted earnings per share represent net income attributable to Lear and diluted net income per share attributable to Lear, respectively, adjusted for restructuring costs and other special items, including the tax effect thereon. Free cash flow represents net cash provided by operating activities, less adjusted capital expenditures. Adjusted capital expenditures represent capital expenditures, net of related insurance proceeds.

Management believes the non-GAAP financial measures used in this presentation are useful to both management and investors in their analysis of the Company’s financial position and results of operations. In particular, management believes that pretax income before equity income, interest and other expense, core operating earnings, adjusted net income attributable to Lear, adjusted earnings per share and tax expense excluding the impact of restructuring costs and other special items are useful measures in assessing the Company’s financial performance by excluding certain items that are not indicative of the Company’s core operating performance or that may obscure trends useful in evaluating the Company’s continuing operating activities. Management also believes that these measures are useful to both management and investors in their analysis of the Company’s results of operations and provide improved comparability between fiscal periods. Management believes that free cash flow is useful to both management and investors in their analysis of the Company’s ability to service and repay its debt. Further, management uses these non-GAAP financial measures for planning and forecasting future periods.

Pretax income before equity income, interest and other expense, core operating earnings, adjusted net income attributable to Lear, adjusted earnings per share, tax expense excluding the impact of restructuring costs and other special items and free cash flow should not be considered in isolation or as a substitute for net income attributable to Lear, diluted net income per share attributable to Lear, cash provided by operating activities or other income statement or cash flow statement data prepared in accordance with GAAP or as a measure of profitability or liquidity. In addition, the calculation of free cash flow does not reflect cash used to service debt and, therefore, does not reflect funds available for investment or other discretionary uses. Also, these non-GAAP financial measures, as determined and presented by the Company, may not be comparable to related or similarly titled measures reported by other companies.

Set forth on slide 10 and on the following slides are reconciliations of these non-GAAP financial measures to the most directly comparable financial measures calculated and presented in accordance with GAAP.

Non-GAAP Financial Information

Pretax income before equity income, interest and other expense / Core operating earnings

(\$ in millions)	Fourth Quarter		Full Year		
	2016	2015	2016	2015	2011
Net income attributable to Lear	\$ 229.9	\$ 235.3	\$ 975.1	\$ 745.5	\$ 540.7
Interest expense	20.5	20.4	82.5	86.7	39.7
Other expense, net	7.2	8.2	6.4	68.6	24.2
Income taxes	82.8	74.6	370.2	285.5	68.8
Equity in net income of affiliates	(23.2)	(18.1)	(72.4)	(49.8)	(23.5)
Net income attributable to noncontrolling interests	18.6	17.6	65.4	50.3	29.7
Pretax income before equity income, interest and other expense	\$ 335.8	\$ 338.0	\$ 1,427.2	\$ 1,186.8	\$ 679.6
Costs related to restructuring actions	13.5	20.2	69.9	95.2	71.5
Pension settlement charge	34.2	-	34.2	-	-
Acquisition and other related costs	1.3	-	1.3	10.9	-
Acquisition-related inventory fair value adjustment	-	-	-	15.8	-
Other	0.8	0.7	2.2	1.5	35.4
Core operating earnings	\$ 385.6	\$ 358.9	\$ 1,534.8	\$ 1,310.2	\$ 786.5

Non-GAAP Financial Information

Adjusted Segment Earnings and Margins

(\$ in millions)	2016		2015	
	Seating	E-Systems	Seating	E-Systems
Net sales	\$ 14,356.7	\$ 4,200.9	\$ 14,098.5	\$ 4,112.9
Pretax income before equity income, interest and other expense / segment earnings	\$ 1,136.0	\$ 591.3	\$ 907.0	\$ 554.4
Costs related to restructuring actions	43.9	23.1	69.0	14.0
Acquisition and other related costs	-	-	2.3	-
Acquisition-related inventory fair value adjustment	-	-	15.8	-
Other	(4.7)	4.9	0.1	0.6
Adjusted segment earnings	\$ 1,175.2	\$ 619.3	\$ 994.2	\$ 569.0
Adjusted margins	8.2%	14.7%	7.1%	13.8%

Non-GAAP Financial Information

Adjusted Net Income and Adjusted EPS

(\$ and shares in millions)	Fourth Quarter		Full Year		
	2016	2015	2016	2015	2011
Net income attributable to Lear	\$ 229.9	\$ 235.3	\$ 975.1	\$ 745.5	\$ 540.7
Costs related to restructuring actions	13.2	20.3	69.6	97.2	70.9
Pension settlement charge	34.2	-	34.2	-	-
Acquisition and other related costs	1.3	-	1.3	10.9	-
Acquisition-related inventory fair value adjustment	-	-	-	15.8	-
Loss on redemption of bonds	-	-	-	14.3	-
(Gain) loss related to affiliate, net	-	-	(30.3)	1.8	(5.8)
Other	0.6	0.7	-	1.5	32.8
Tax impact of special items and other net tax adjustments ¹	(9.1)	(11.1)	(23.6)	(43.1)	(70.4)
Adjusted net income attributable to Lear	\$ 270.1	\$ 245.2	\$ 1,026.3	\$ 843.9	\$ 568.2
Weighted average number of diluted shares outstanding	71.1	76.6	73.1	77.8	106.3
Adjusted earnings per share	\$ 3.80	\$ 3.20	\$ 14.03	\$ 10.85	\$ 5.34

¹ Represents the tax effect of restructuring costs and other special items, as well as several discrete tax items. The identification of these tax items is judgmental in nature, and their calculation is based on various assumptions and estimates.

Non-GAAP Financial Information

Free Cash Flow

(\$ in millions)	<u>2011</u>
Net cash provided by operating activities	\$ 790.3
Adjusted capital expenditures ¹	<u>(326.0)</u>
Free cash flow	<u>\$ 464.3</u>

¹ Adjusted capital expenditures represent capital expenditures of \$329.5 million, net of related insurance proceeds of \$3.5 million.