



# First Quarter 2017 Earnings Call



**Presented by:**  
Matt Simoncini, President and CEO  
Jeff Vanneste, SVP and CFO

April 26, 2017



## 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 statements contained or incorporated in this presentation or in any other public statements that address operating performance, events or developments that the Company expects or anticipates may occur in the future are forward-looking statements. Factors that could cause actual results to differ materially from these forward-looking statements are discussed in the Company’s Annual Report on Form 10-K for the year ended December 31, 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.



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

# First Quarter 2017 Financial Results



# First Quarter 2017 Highlights



- Delivered record results across a number of key financial metrics
  - Sales of \$5.0 billion, up 9% excluding the impact of foreign exchange
  - Net income of \$306 million, compared to \$248 million in the prior year
  - Core operating earnings of \$432 million, reflecting improved margins in both segments
  - Earnings per share of \$4.35 and adjusted earnings per share of \$4.27, up 26% from the prior year
  - Free cash flow of \$158 million with \$279 million of net cash from operating activities
  
- Continuing to invest in the business
  - Signed definitive agreement to acquire Grupo Antolin's seating business
  - Expanded low-cost footprint, launching three new low-cost component facilities in the quarter
  
- Rewarding shareholders
  - Free cash flow yield of more than 10% based on 2017 Outlook
  - Increased quarterly cash dividend from \$0.30 to \$0.50 per share
  - Increased share repurchase authorization to \$1 billion and repurchased 0.9 million shares in the first quarter

# First Quarter 2017 Global Vehicle Production and Currency



(Units in millions)	First Quarter 2017	
	Actual	Change From Prior Year
China	6.5	up 7%
Europe and Africa	6.1	up 6%
North America	4.6	up 3%
Japan	2.4	up 7%
India	1.1	up 8%
Brazil	0.6	up 24%
<b>Global</b>	<b>23.9</b>	<b>up 6%</b>

## Key Currencies

Euro	\$ 1.06 / €	down 3%
Chinese RMB	6.89 / \$	down 5%

# First Quarter 2017 Reported Financials



(\$ in millions, except per share amounts)

	<i>First Quarter</i>		<i>2017 B/(W)</i>
	<i>2017</i>	<i>2016</i>	<i>2016</i>
<b>Net Sales</b>			
North America	\$ 1,989.2	\$ 1,926.1	3 %
Europe and Africa	1,915.4	1,827.7	5 %
Asia	923.3	817.4	13 %
South America	170.6	91.7	86 %
<b>Global</b>	<b>\$ 4,998.5</b>	<b>\$ 4,662.9</b>	7 %
<b>Pretax Income Before Equity Income, Interest and Other Expense</b>	\$ 416.7	\$ 373.5	12 %
<b>Pretax Income Before Equity Income</b>	\$ 392.2	\$ 343.9	14 %
<b>Net Income Attributable to Lear</b>	\$ 305.8	\$ 248.4	23 %
<b>Diluted Earnings per Share Attributable to Lear</b>	\$ 4.35	\$ 3.29	32 %
<b>SG&amp;A % of Net Sales</b>	3.1%	3.2%	0.1 ppt
<b>Equity Income</b>	\$ (15.4)	\$ (16.8)	\$ (1.4)
<b>Interest Expense</b>	\$ 20.8	\$ 21.1	\$ 0.3
<b>Other Expense, Net</b>	\$ 3.7	\$ 8.5	\$ 4.8
<b>Depreciation / Amortization</b>	\$ 96.9	\$ 90.2	\$ (6.7)

# First Quarter 2017

## Impact of Restructuring and Other Special Items



(\$ in millions, except per share amounts)

	First Quarter 2017			Adjusted	Memo:
	Reported	Restructuring Costs	Other Special Items		Q1 2016 Adjusted
<b>Pretax Income Before Equity Income, Interest and Other Expense</b>	\$ 416.7	\$ 8.8*	\$ 6.0*	\$ 431.5	\$ 386.8
<b>Equity Income</b>	(15.4)			(15.4)	(16.8)
<b>Pretax Income Before Interest and Other Expense</b>	\$ 432.1			\$ 446.9	\$ 403.6
<b>Interest Expense</b>	20.8			20.8	21.1
<b>Other Expense, Net</b>	3.7	-	(1.4)	5.1	8.8
<b>Income Before Taxes</b>	\$ 407.6			\$ 421.0	\$ 373.7
<b>Income Taxes</b>	89.1	(2.2)	(16.9)	108.2	103.2
<b>Net Income</b>	\$ 318.5			\$ 312.8	\$ 270.5
<b>Noncontrolling Interests</b>	12.7			12.7	14.1
<b>Net Income Attributable to Lear</b>	\$ 305.8			\$ 300.1	\$ 256.4
<b>Diluted Earnings per Share</b>	\$ 4.35			\$ 4.27	\$ 3.40

\* Restructuring costs include \$8.0 million in cost of sales and \$0.8 million in SG&A. Other special items include \$3.7 million in cost of sales and \$2.3 million in SG&A.



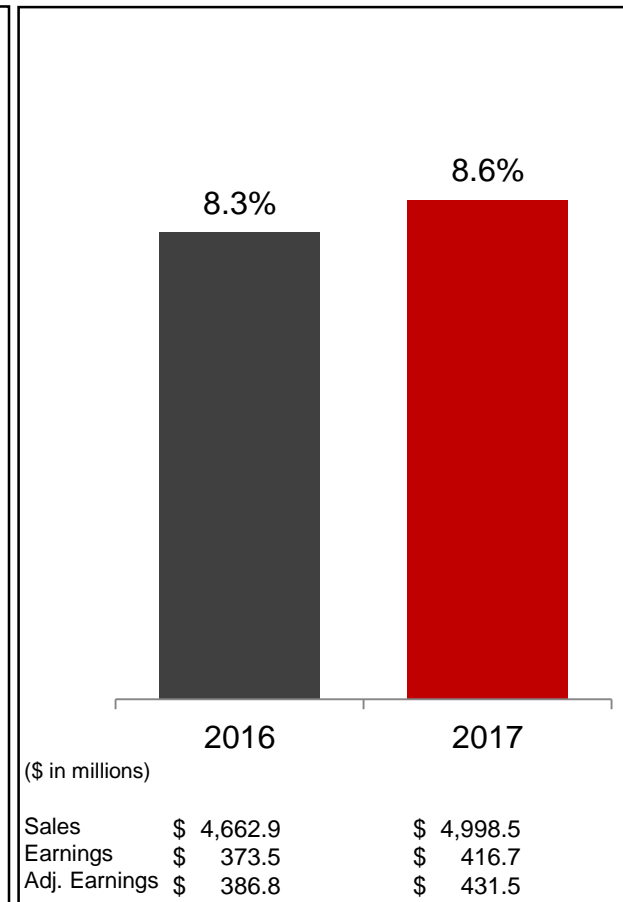
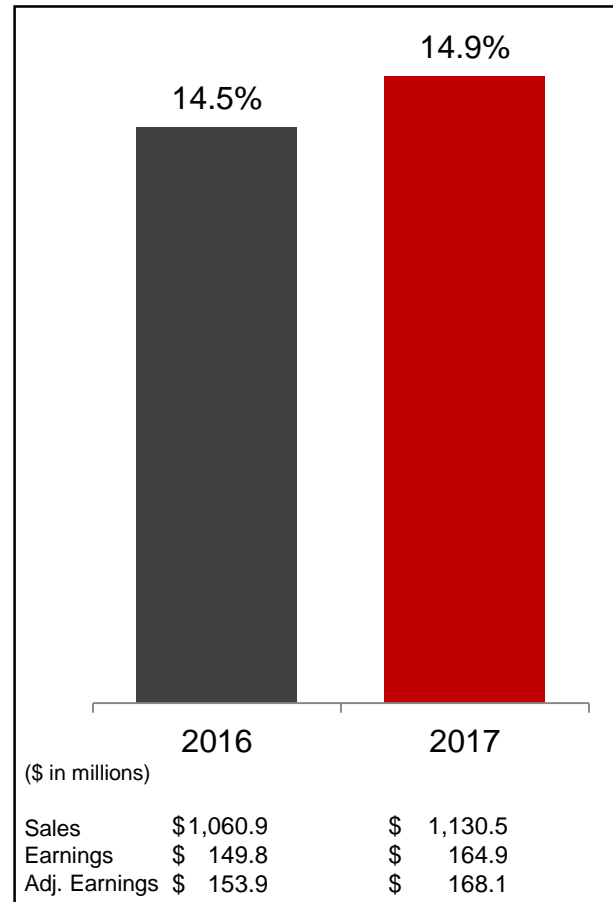
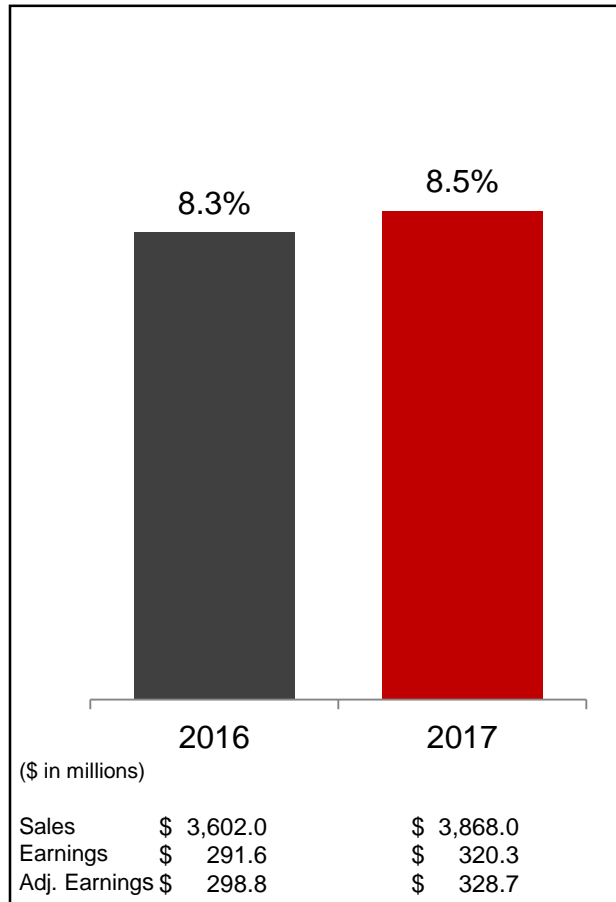
# First Quarter 2017 Adjusted Margins



## Seating

## E-Systems

## Total Company



## Record Earnings In Both Segments

# First Quarter 2017 Free Cash Flow



(\$ in millions)

	<b>First Quarter 2017</b>
Net Income Attributable to Lear	\$ 305.8
Depreciation / Amortization	96.9
Working Capital and Other	<u>(123.8)</u>
Net Cash Provided by Operating Activities	\$ 278.9
Capital Expenditures	<u>(120.8)</u>
<b>Free Cash Flow</b>	<b><u><u>\$ 158.1</u></u></b>

**Expecting Strong Full Year Free Cash Flow With Yield Of Over 10%**

# 2017 Outlook



# 2017 Outlook Global Vehicle Production and Currency



(Units in millions)

	<u>2016 Actual</u>	<u>2017 Outlook</u>	<u>YOY Change</u>
China	25.7	26.3	up 2%
Europe and Africa	22.3	22.8	up 2%
North America	17.8	17.6	down 1%
Japan	8.5	8.9	up 4%
India	4.1	4.4	up 6%
Brazil	2.1	2.3	up 10%
<b>Global</b>	<b>91.3</b>	<b>93.2</b>	<b>up 2%</b>

## 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 8<sup>th</sup> Consecutive Year Of Improving Financial Results**

# Summary Comments

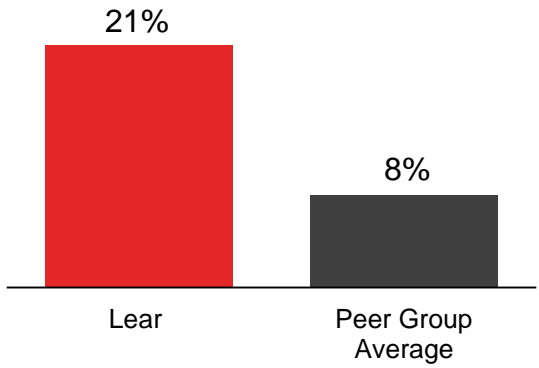




# Lear Key Performance Metrics

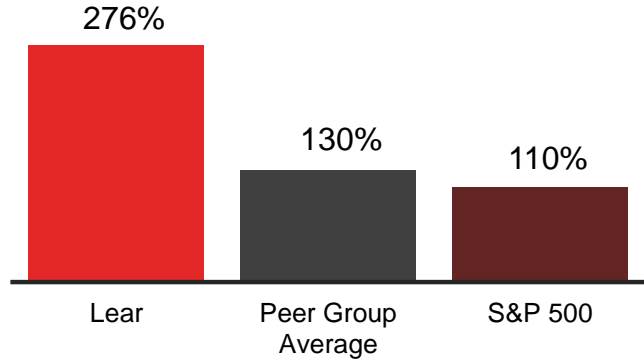
## Adjusted EPS Growth \*

(2011 - 2016 CAGR)

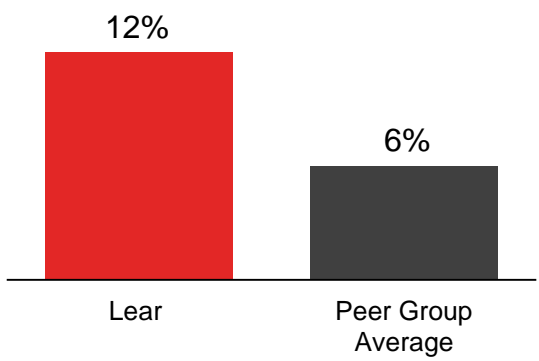


## Total Shareholder Returns \*

(1/1/2012 to 3/31/2017)



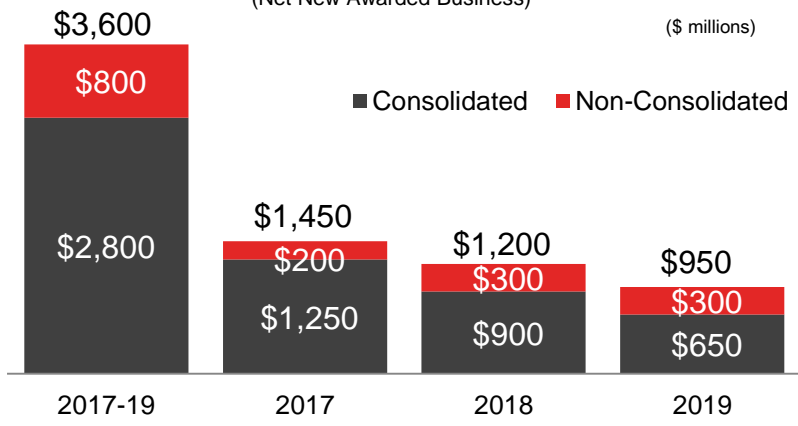
## 2016 Free Cash Flow Yield \*



## 2017 – 2019 Sales Backlog

(Net New Awarded Business)

(\$ millions)



**Lear Remains Significantly Undervalued With Enterprise Value / EBITDA Of 5.2x Compared To Peer Average Of 6.2x**



• Source: Bloomberg – EBITDA based on 2017 consensus. Peer group includes American Axle, BorgWarner, Dana, Delphi, Gentex, Magna International, Superior Industries, Tenneco and Visteon (peer group for valuation multiple also includes Adient)

# Summary Comments



- Investments in the business have strengthened our industry-leading competitive position, driving market share gains, a record sales backlog and outstanding financial results
- Delivered record sales, net income, core operating earnings and EPS in the first quarter
- 2017 Outlook reflects the 8<sup>th</sup> consecutive year of higher sales, adjusted EPS and strong free cash flow
- Acquisition of Grupo Antolin's seating business will complement our seating capabilities and strengthens our global seating business
- Our unique product capabilities in both segments will allow us to take advantage of major industry trends including safety and connectivity
- The continued convergence our two segments, Seating and E-Systems, provide us with a unique competitive advantage

**Well Positioned To Build Upon Record Financial Performance**



# 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 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 capital expenditures.

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 / Adjusted margins



(\$ in millions)	First Quarter	
	2017	2016
<b>Net sales</b>	<b>\$ 4,998.5</b>	<b>\$ 4,662.9</b>
<b>Net income attributable to Lear</b>	<b>\$ 305.8</b>	<b>\$ 248.4</b>
Interest expense	20.8	21.1
Other expense, net	3.7	8.5
Income taxes	89.1	98.2
Equity in net income of affiliates	(15.4)	(16.8)
Net income attributable to noncontrolling interests	12.7	14.1
<b>Pretax income before equity income, interest and other expense</b>	<b>\$ 416.7</b>	<b>\$ 373.5</b>
Costs related to restructuring actions	8.8	11.7
Acquisition costs	1.6	-
Acquisition-related inventory fair value adjustment	1.7	-
Other	2.7	1.6
<b>Core operating earnings</b>	<b>\$ 431.5</b>	<b>\$ 386.8</b>
<b>Adjusted margins</b>	<b>8.6%</b>	<b>8.3%</b>

# Non-GAAP Financial Information

## Adjusted Segment Earnings and Margins



(\$ in millions)	First Quarter 2017		First Quarter 2016	
	Seating	E-Systems	Seating	E-Systems
<b>Net sales</b>	<b>\$ 3,868.0</b>	<b>\$ 1,130.5</b>	<b>\$ 3,602.0</b>	<b>\$ 1,060.9</b>
<b>Segment earnings</b>	<b>\$ 320.3</b>	<b>\$ 164.9</b>	<b>\$ 291.6</b>	<b>\$ 149.8</b>
Costs related to restructuring actions	6.7	2.0	7.2	2.9
Acquisition-related inventory fair value adjustment	1.7	-	-	-
Other	-	1.2	-	1.2
<b>Adjusted segment earnings</b>	<b>\$ 328.7</b>	<b>\$ 168.1</b>	<b>\$ 298.8</b>	<b>\$ 153.9</b>
<b>Adjusted margins</b>	<b>8.5%</b>	<b>14.9%</b>	<b>8.3%</b>	<b>14.5%</b>

# Non-GAAP Financial Information

## Adjusted Net Income and Adjusted EPS



(\$ and shares in millions)	First Quarter	
	2017	2016
<b>Net income attributable to Lear</b>	<b>\$ 305.8</b>	<b>\$ 248.4</b>
Costs related to restructuring actions	8.8	11.7
Acquisition costs	1.6	-
Acquisition-related inventory fair value adjustment	1.7	-
Other	1.3	1.3
Tax impact of special items and other net tax adjustments <sup>1</sup>	(19.1)	(5.0)
<b>Adjusted net income attributable to Lear</b>	<b>\$ 300.1</b>	<b>\$ 256.4</b>
Weighted average number of diluted shares outstanding	70.3	75.5
<b>Adjusted earnings per share</b>	<b>\$ 4.27</b>	<b>\$ 3.40</b>

<sup>1</sup> 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.