

# Second Quarter 2016 Financial Results

Presented by:  
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# 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 Quarterly Report on Form 10-Q for the quarterly period 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.

# Agenda

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- **Second Quarter 2016 Financial Results and 2016 Outlook**

*Jeff Vanneste, SVP and CFO*

- **Summary Comments**

*Matt Simoncini, President and CEO*

- **Q and A Session**



# **Second Quarter 2016 Financial Results**

# Second Quarter 2016

## Highlights

- Record sales of \$4.7 billion, reflecting continued growth in both segments
- Net income of \$282 million versus \$182 million from prior year
- Record core operating earnings of \$399 million, an increase of 18% from prior year
- Improved margins in both business segments
- Earnings per share of \$3.82, with adjusted earnings per share of \$3.66, up 30% from prior year
- Generated \$435 million of free cash flow with \$529 million of net cash from operating activities
- Repurchased 2.3 million shares, approximately 3% of shares outstanding
- Increasing full year outlook for earnings and free cash flow

# Second Quarter 2016

## Global Vehicle Production and Currency

(Units in millions)

	Second Quarter 2016	
	Actual	Change From Prior Year
China	5.6	up 4%
Europe and Africa	6.1	up 9%
North America	4.6	up 2%
India	1.0	up 6%
Brazil	0.5	down 16%
Global	22.5	up 3%
<b><u>Key Currencies</u></b>		
Euro	\$ 1.13 / €	up 2%
Chinese RMB	6.53 / \$	down 5%

Source: IHS Automotive July 2016

# Second Quarter 2016 Reported Financials

(\$ in millions, except per share amounts)

	<i>Second Quarter</i>		<i>2016 B/(W)</i>
	<i>2016</i>	<i>2015</i>	<i>2015</i>
<b>Net Sales</b>			
North America	\$ 1,940.8	\$ 1,998.9	(3)%
Europe and Africa	1,923.1	1,727.8	11 %
Asia	737.0	789.8	(7)%
South America	123.9	118.6	4 %
<b>Global</b>	<b>\$ 4,724.8</b>	<b>\$ 4,635.1</b>	2 %
<b>Pretax Income Before Equity Income, Interest and Other (Income) Expense</b>	\$ 372.8	\$ 285.5	31 %
<b>Pretax Income Before Equity Income</b>	\$ 376.0	\$ 256.3	47 %
<b>Net Income Attributable to Lear</b>	\$ 282.4	\$ 181.9	55 %
<b>Diluted Earnings per Share Attributable to Lear</b>	\$ 3.82	\$ 2.33	64 %
<b>SG&amp;A % of Net Sales</b>	3.3%	3.3%	
<b>Equity Income</b>	\$ (19.5)	\$ (8.5)	\$ 11.0
<b>Interest Expense</b>	\$ 20.3	\$ 20.5	\$ 0.2
<b>Other (Income) Expense, Net</b>	\$ (23.5)	\$ 8.7	\$ 32.2
<b>Depreciation / Amortization</b>	\$ 94.5	\$ 84.9	\$ (9.6)

# Second Quarter 2016

## Impact of Restructuring and Other Special Items

(\$ in millions, except per share amounts)	Second Quarter 2016			Adjusted	Memo:
	Reported	Restructuring Costs	Other Special Items		Q2 2015 Adjusted
Pretax Income Before Equity Income, Interest and Other (Income) Expense	\$ 372.8	\$ 27.9*	\$ (2.2)*	\$ 398.5	\$ 337.4
Equity Income	(19.5)			(19.5)	(10.3)
Pretax Income Before Interest and Other (Income) Expense	\$ 392.3			\$ 418.0	\$ 347.7
Interest Expense	20.3			20.3	20.5
Other (Income) Expense, Net	(23.5)		30.9	7.4	8.7
Income Before Taxes	\$ 395.5			\$ 390.3	\$ 318.5
Income Taxes	101.0	7.5	(0.4)	108.1	87.7
Net Income	\$ 294.5			\$ 282.2	\$ 230.8
Noncontrolling Interests	12.1			12.1	11.0
Net Income Attributable to Lear	\$ 282.4			\$ 270.1	\$ 219.8
Diluted Earnings per Share	\$ 3.82			\$ 3.66	\$ 2.82

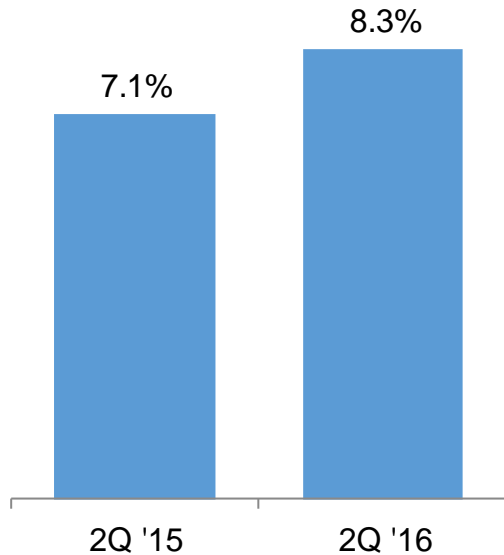
\* Restructuring costs include \$25.2 million in gross profit and \$2.7 million in SG&A. Other special items include \$(2.6) million in gross profit and \$0.4 million in SG&A.



# Second Quarter 2016

## Adjusted Margins

### Seating



(\$ in millions)

Sales	\$ 3,577.7	\$ 3,640.4
Earnings	\$ 214.5	\$ 287.7
Adj. Earnings	\$ 252.9	\$ 302.2

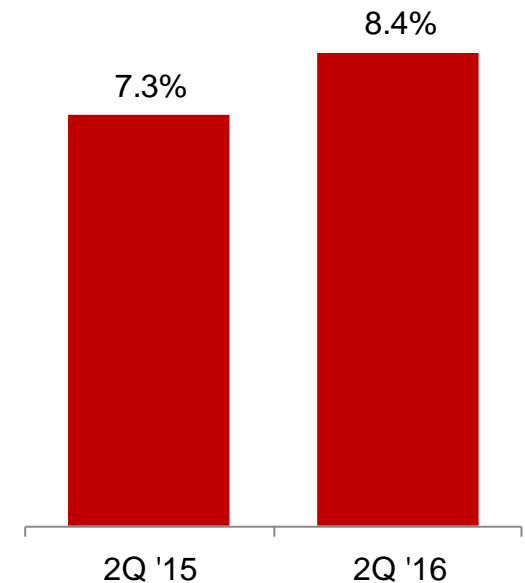
### Electrical



(\$ in millions)

Sales	\$ 1,057.4	\$ 1,084.4
Earnings	\$ 141.9	\$ 151.4
Adj. Earnings	\$ 146.9	\$ 160.9

### Total Company



(\$ in millions)

Sales	\$ 4,635.1	\$ 4,724.8
Earnings	\$ 285.5	\$ 372.8
Adj. Earnings	\$ 337.4	\$ 398.5

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

# Second Quarter 2016

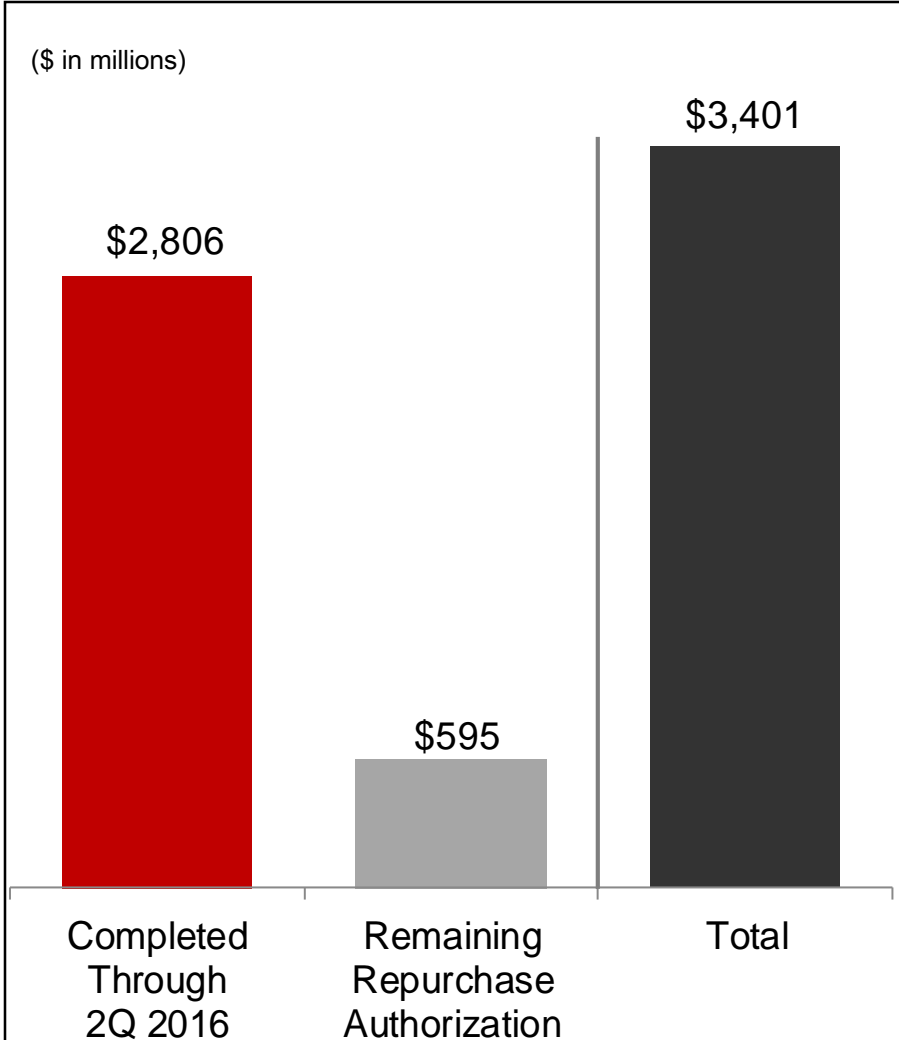
## Free Cash Flow

(\$ in millions)

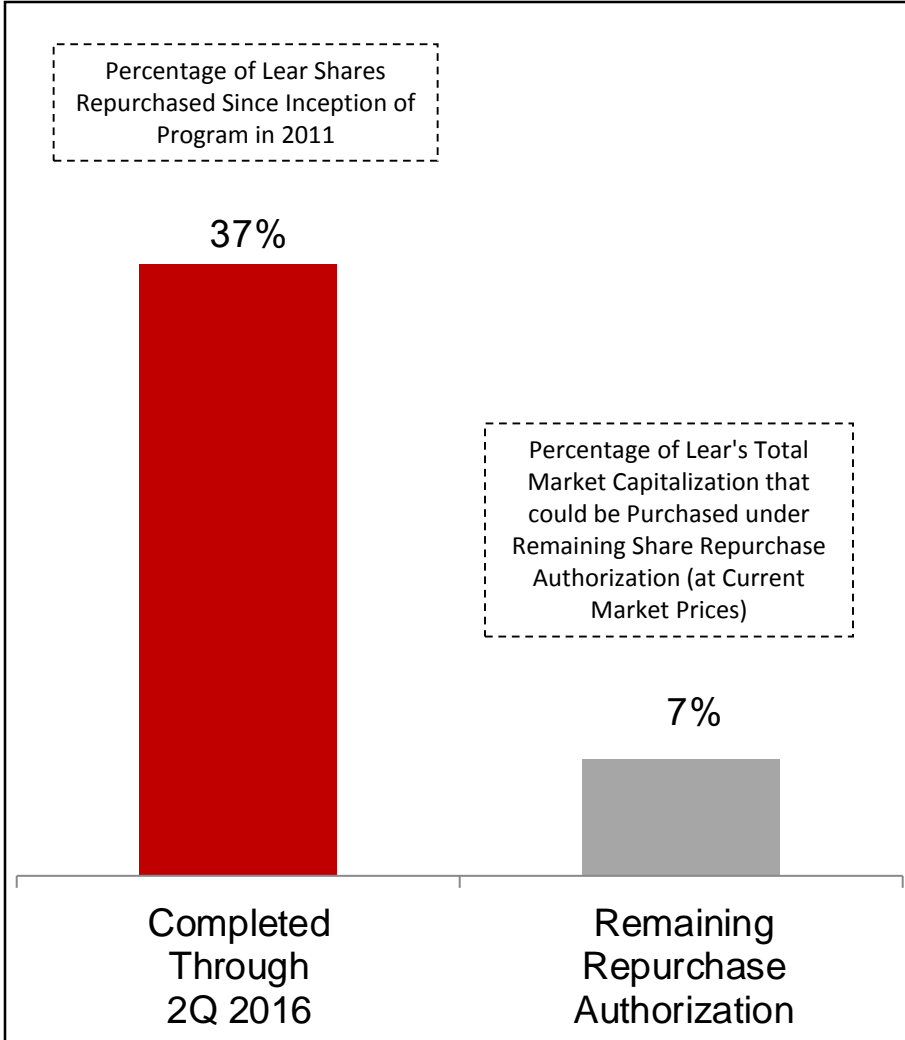
	Second Quarter 2016	First Half 2016
Net Income Attributable to Lear	\$ 282.4	\$ 530.8
Depreciation / Amortization	94.5	184.7
Working Capital and Other	<u>152.1</u>	<u>102.1</u>
Net Cash Provided by Operating Activities	\$ 529.0	\$ 817.6
Capital Expenditures	<u>(93.6)</u>	<u>(181.7)</u>
<b>Free Cash Flow</b>	<u><u>\$ 435.4</u></u>	<u><u>\$ 635.9</u></u>

# Share Repurchase Summary

### Share Repurchases



### Percentage of Shares Repurchased





# 2016 Outlook

# 2016 Global Vehicle Production and Currency

(Units in millions)

	2015 Actual	2016 Outlook	YOY Change	Memo: April Outlook
China	22.5	24.0	up 6%	23.8
Europe and Africa	21.5	22.3	up 3%	22.2
North America	17.5	18.0	up 3%	18.2
India	3.8	4.0	up 6%	4.1
Brazil	2.3	2.0	down 14%	1.9
<b>Global</b>	<b>87.1</b>	<b>89.5</b>	<b>up 3%</b>	<b>89.7</b>

## Key Currencies

Euro	\$ 1.11 / €	\$ 1.10 / €	down 1%	\$ 1.10 / €
Chinese RMB	6.28 / \$	6.60 / \$	down 5%	6.50 / \$

Source: IHS Automotive July 2016

# 2016 Financial Summary

## 2016 Financial Outlook

<b>\$18.5 to \$18.8 billion</b>	Net Sales
<b>\$1.45 to \$1.50 billion</b>	Core Operating Earnings
<b>≈ \$375 million</b>	Depreciation and Amortization
<b>≈ \$85 million</b>	Interest Expense
<b>≈ 28%</b>	Effective Tax Rate
<b>\$935 to \$975 million</b>	Adjusted Net Income
<b>≈ \$70 million</b>	Restructuring Costs
<b>≈ \$1.425 billion</b>	Net Cash Provided by Operating Activities
<b>≈ \$525 million</b>	Capital Spending
<b>≈ \$900 million</b>	Free Cash Flow
<b>\$1.825 to \$1.875 billion</b>	Adjusted EBITDA

**Core Earnings Growth Of 10%+ And Free Cash Flow Yield Of ≈11%**



# Summary Comments

# Past Investments are Driving Record Results

- New low-cost component facilities, strategic acquisitions and restructuring are driving profitable growth
  - Over \$600 million invested to open 30 low-cost component facilities
  - Acquired Guilford Fabrics, Eagle Ottawa, Arada Systems and Autonet Mobile
  - Over \$1 billion in footprint and restructuring actions
- Unique component capabilities in both segments
  - **Seating:** Capabilities in structures, leather, fabric, foam and electronics allow us to deliver the highest level of craftsmanship and unique products like our intelligent seat
  - **Electrical:** Capabilities in connected gateway modules, wireless technology, software and hybrid and high-powered solutions are driving market share gains



# Summary Comments

- Investments in the business have expanded our product capabilities and improved our cost structure, driving market share gains and record financial results
- Both business segments are uniquely positioned with global capabilities, leading technology and a low-cost footprint driving content growth and market share gains
- Sales are well diversified and growing faster than industry production in both business segments
- Increased 2016 outlook reflects 7<sup>th</sup> consecutive year of higher sales and adjusted EPS and strong free cash flow
- Lear continues to outperform peer group average
  - Free cash flow yield of approximately 11%
  - 3-year compounded annual earnings growth of 20%+
  - Return on Invested Capital significantly in excess of our cost of capital

# Non-GAAP Financial Information

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 accounting principles generally accepted in the United States (“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.

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 (income) expense,” “pretax income before equity income, interest, other (income) expense, restructuring costs and other special items” (core operating earnings, adjusted earnings or adjusted segment earnings), “adjusted net income attributable to Lear” (adjusted net income), “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 (income) 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 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 (income) expense, core operating earnings, adjusted net income, 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 (income) expense, core operating earnings, adjusted net income, 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 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 (income) expense

(\$ in millions)	Second Quarter	
	2016	2015
<b>Net income</b>	<b>\$ 282.4</b>	<b>\$ 181.9</b>
Interest expense	20.3	20.5
Other (income) expense, net	(23.5)	8.7
Income taxes	101.0	71.9
Equity in net income of affiliates	(19.5)	(8.5)
Net income attributable to noncontrolling interests	12.1	11.0
<b>Pretax income before equity income, interest and other (income) expense</b>	<b>\$ 372.8</b>	<b>\$ 285.5</b>

# Non-GAAP Financial Information

## Core Operating Earnings and Adjusted Margins

(\$ in millions)	Second Quarter 2016		
	Seating	Electrical	Total
<b>Net sales</b>	<b>\$ 3,640.4</b>	<b>\$ 1,084.4</b>	<b>\$ 4,724.8</b>
Pretax income before equity income, interest and other (income) expense / segment earnings	\$ 287.7	\$ 151.4	\$ 372.8
Costs related to restructuring actions	18.5	8.3	27.9
Other	(4.0)	1.2	(2.2)
<b>Core operating earnings / adjusted earnings</b>	<b>\$ 302.2</b>	<b>\$ 160.9</b>	<b>\$ 398.5</b>
<b>Adjusted margins</b>	<b>8.3%</b>	<b>14.8%</b>	<b>8.4%</b>

(\$ in millions)	Second Quarter 2015		
	Seating	Electrical	Total
<b>Net sales</b>	<b>\$ 3,577.7</b>	<b>\$ 1,057.4</b>	<b>\$ 4,635.1</b>
Pretax income before equity income, interest and other (income) expense / segment earnings	\$ 214.5	\$ 141.9	\$ 285.5
Costs related to restructuring actions	38.3	5.0	51.1
Acquisition costs	-	-	0.2
Other	0.1	-	0.6
<b>Core operating earnings / adjusted earnings</b>	<b>\$ 252.9</b>	<b>\$ 146.9</b>	<b>\$ 337.4</b>
<b>Adjusted margins</b>	<b>7.1%</b>	<b>13.9%</b>	<b>7.3%</b>

# Non-GAAP Financial Information

## Adjusted Net Income and Adjusted EPS

(\$ and shares in millions, except per share amount)	Second Quarter	
	2016	2015
<b>Net income attributable to Lear</b>	<b>\$ 282.4</b>	<b>\$ 181.9</b>
Costs related to restructuring actions	27.9	51.1
Acquisition costs	-	0.2
(Gain) loss related to affiliate	(30.3)	1.8
Other	(2.8)	0.6
Tax impact of special items and other net tax adjustments <sup>1</sup>	(7.1)	(15.8)
<b>Adjusted net income attributable to Lear</b>	<b>\$ 270.1</b>	<b>\$ 219.8</b>
Weighted average number of diluted shares outstanding	73.9	78.1
<b>Adjusted earnings per share</b>	<b>\$ 3.66</b>	<b>\$ 2.82</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.