

# Annual Meeting of Stockholders



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

May 18, 2017



- **Company Overview**
  - *Matt Simoncini, President and CEO*
- **Financial Results and Outlook**
  - *Jeff Vanneste, SVP and CFO*
- **Summary**
  - *Matt Simoncini, President and CEO*

# Company Overview



- Leading global supplier of automotive seating and electrical systems
- Sales are well diversified and growing faster than industry production
- Global capabilities in both business segments with low-cost footprint and superior technology
- Best financial performance among peer group
- Strong and flexible balance sheet with investment grade credit ratings
- Balanced strategy and superior execution delivering best total shareholder returns among peer group
- Lear shares remain undervalued relative to peer group

**Lear Is Uniquely Positioned To Deliver Continued Profitable Sales Growth In Excess Of The Market**



# Global Capabilities with Low-Cost Footprint

**150,000**  
EMPLOYEES

**243** **IN** **37**  
FACILITIES COUNTRIES

LOW-COST  
FOOTPRINT  
**22**  
COUNTRIES

- ARGENTINA
- AUSTRALIA
- BELGIUM
- CANADA
- FRANCE
- GERMANY
- ITALY
- JAPAN
- NETHERLANDS
- SINGAPORE
- SOUTH KOREA
- SPAIN
- SWEDEN
- UNITED KINGDOM
- UNITED STATES
- BRAZIL
- CHINA
- CZECH REPUBLIC
- DOMINICAN REPUBLIC
- HONDURAS
- HUNGARY
- INDIA
- INDONESIA
- MACEDONIA
- MALAYSIA
- MEXICO
- MOLDOVA
- MOROCCO
- PHILIPPINES
- POLAND
- ROMANIA
- RUSSIA
- SERBIA
- SLOVAK REPUBLIC
- SOUTH AFRICA
- THAILAND
- VIETNAM

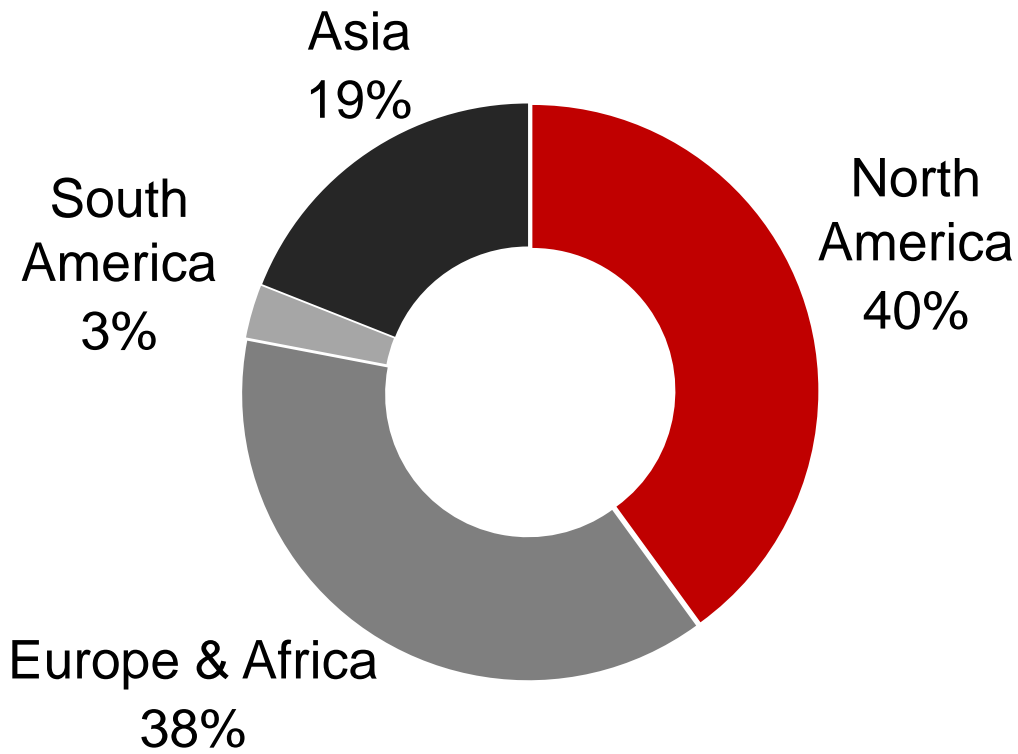
*More Than 80% Of Component Facilities And More Than 90% Of Related Employment Located In Low-Cost Countries*



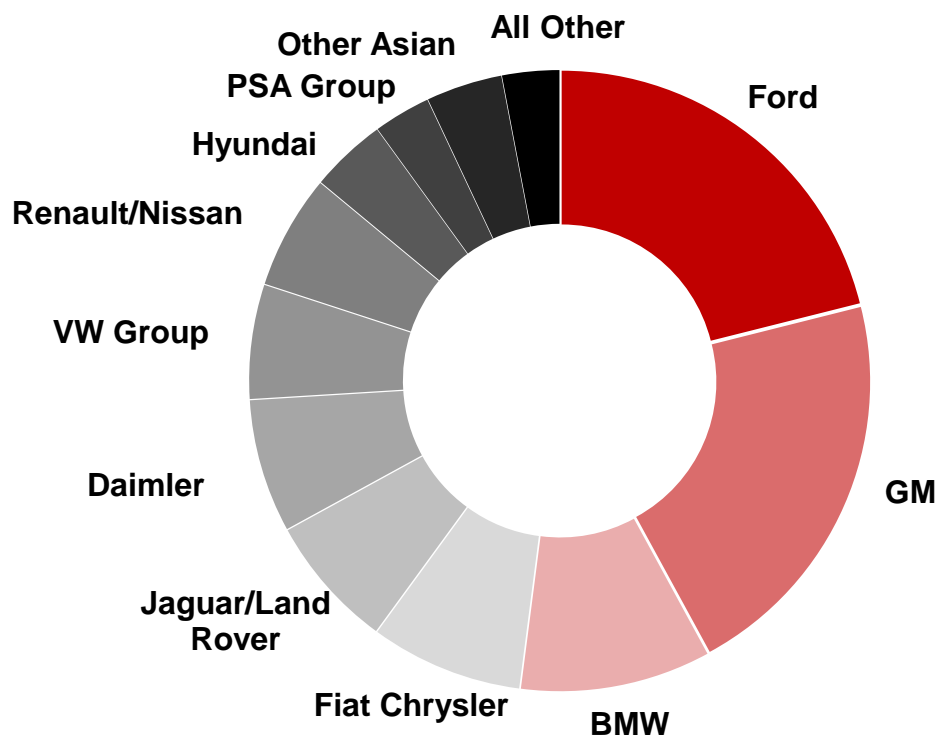
# Sales Diversified by Region and by Customer

2016 Consolidated Sales  
**\$18.6 Billion**

BY REGION



BY CUSTOMER



Lear Content On More Than 400 Vehicle Nameplates Worldwide



# 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**

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

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

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

## E-SYSTEMS

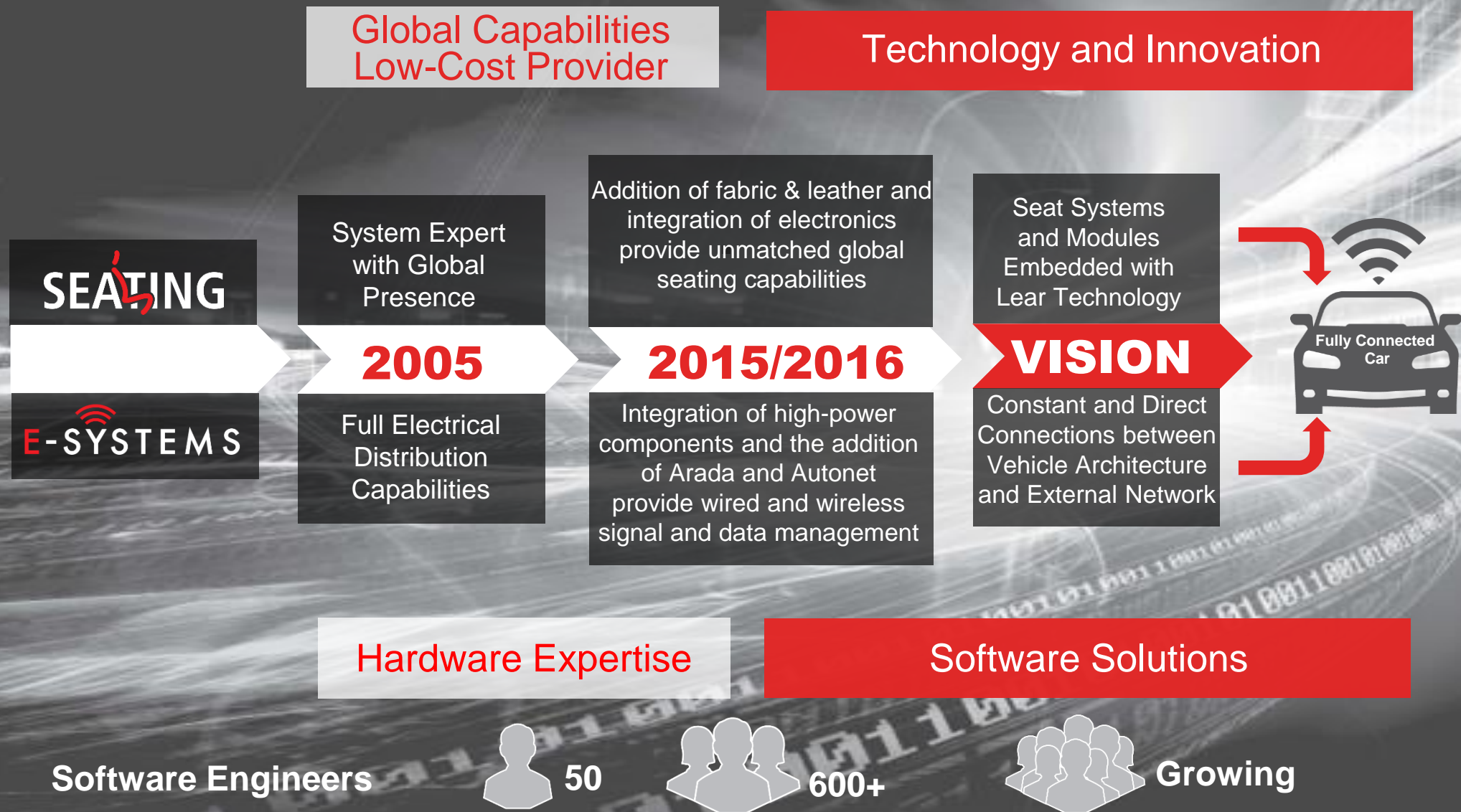
**2016 Sales of \$4.2 Billion**

**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, as well as expertise in **cybersecurity**

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





# 2016 Financial Results





# 2016 Financial Highlights

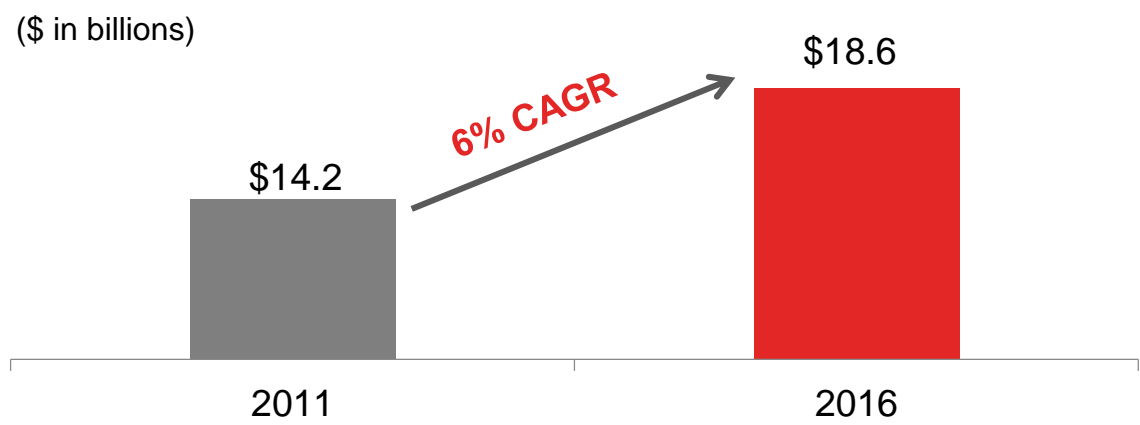


- Delivered record results across a number of key financial metrics
  - Record sales of \$18.6 billion, up 5% excluding the impact of foreign exchange and commodity prices
  - Net income of \$975 million, compared to \$746 million in the prior year
  - Record core operating earnings of \$1.535 billion, 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

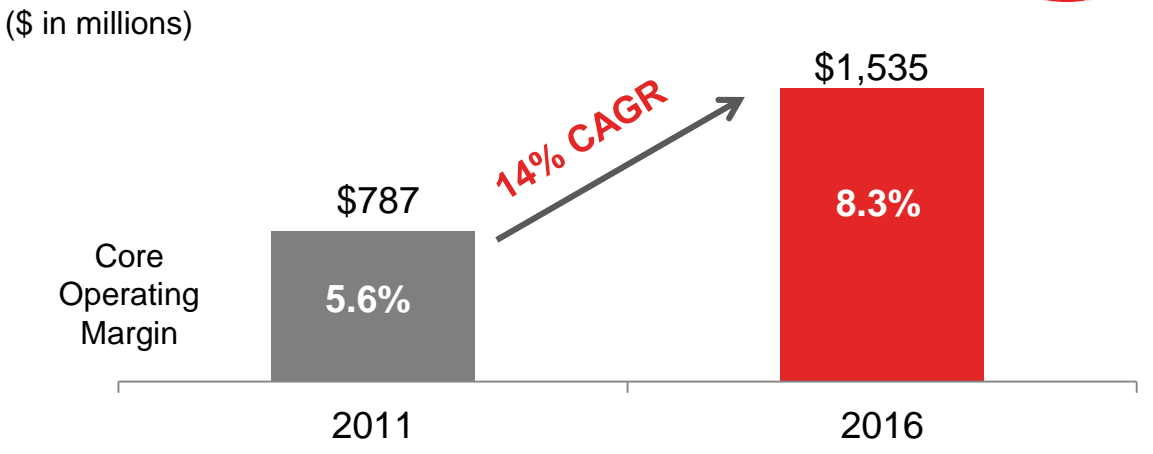


# Key Financial Metrics (2011 to 2016)

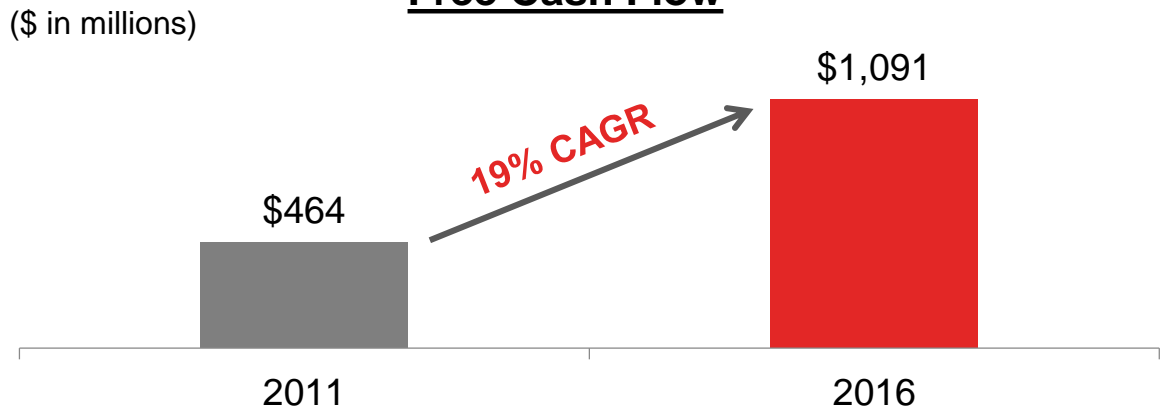
## Sales



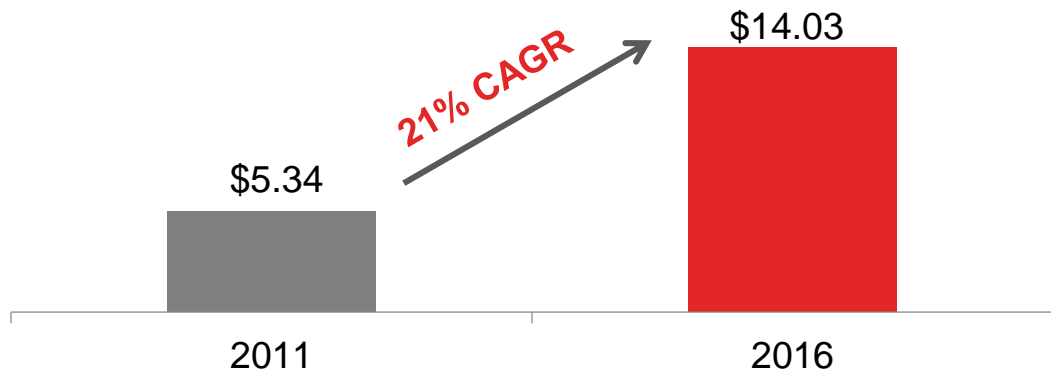
## Core Operating Earnings



## Free Cash Flow



## Adjusted Earnings Per Share

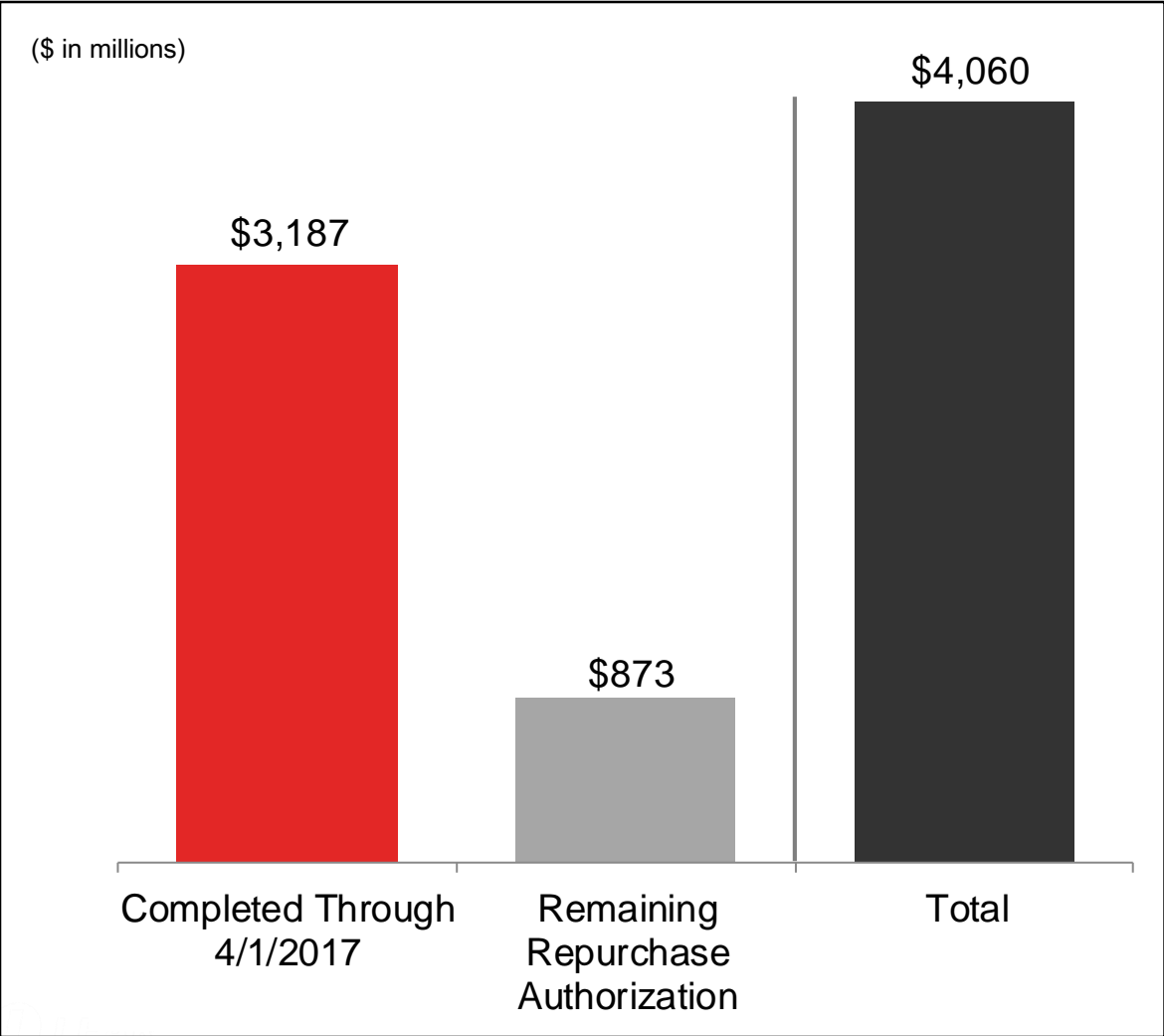


Delivering Superior Financial Performance

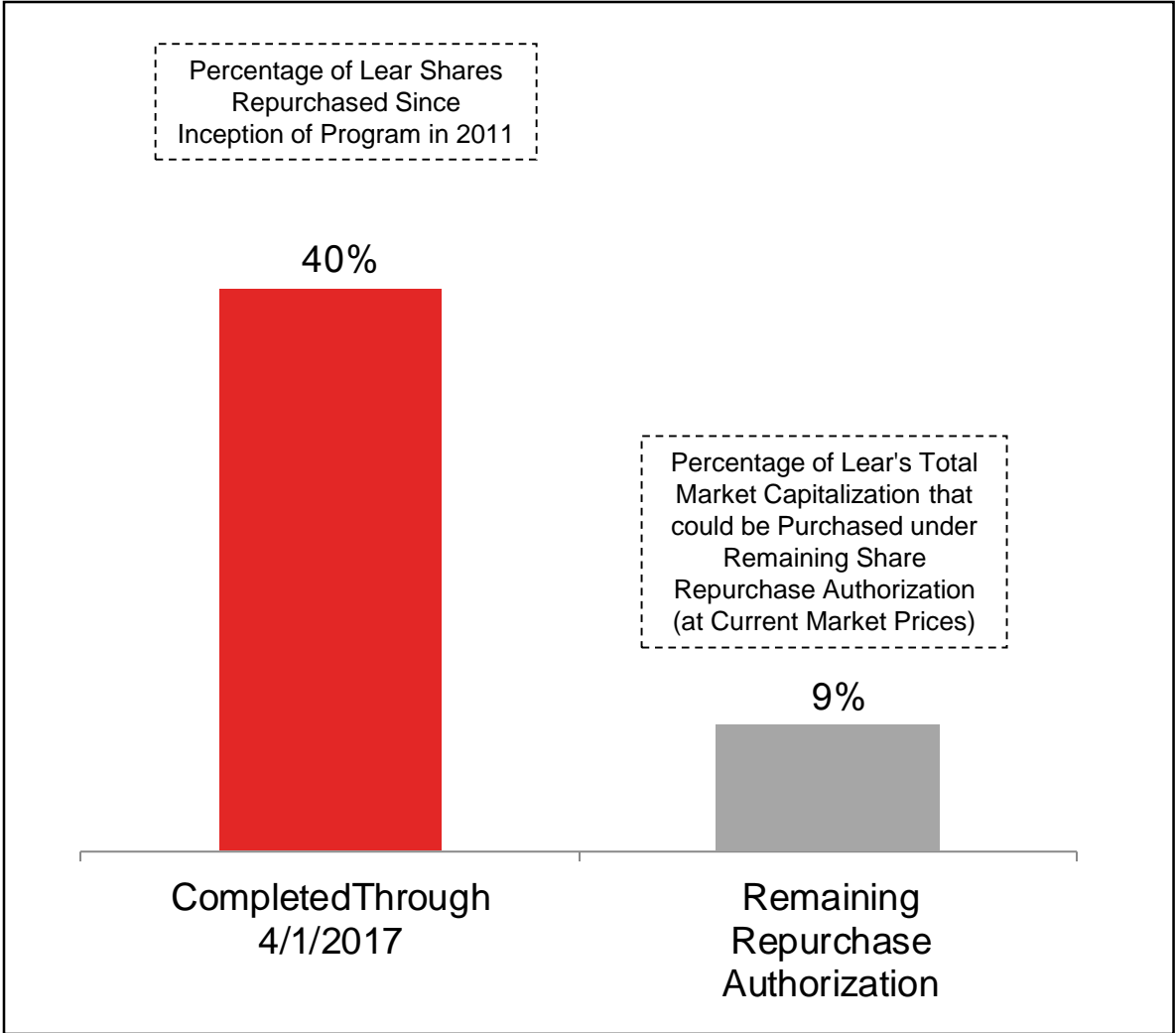


# Share Repurchase Summary

Share Repurchases



Percentage of Shares Repurchased



# 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\*

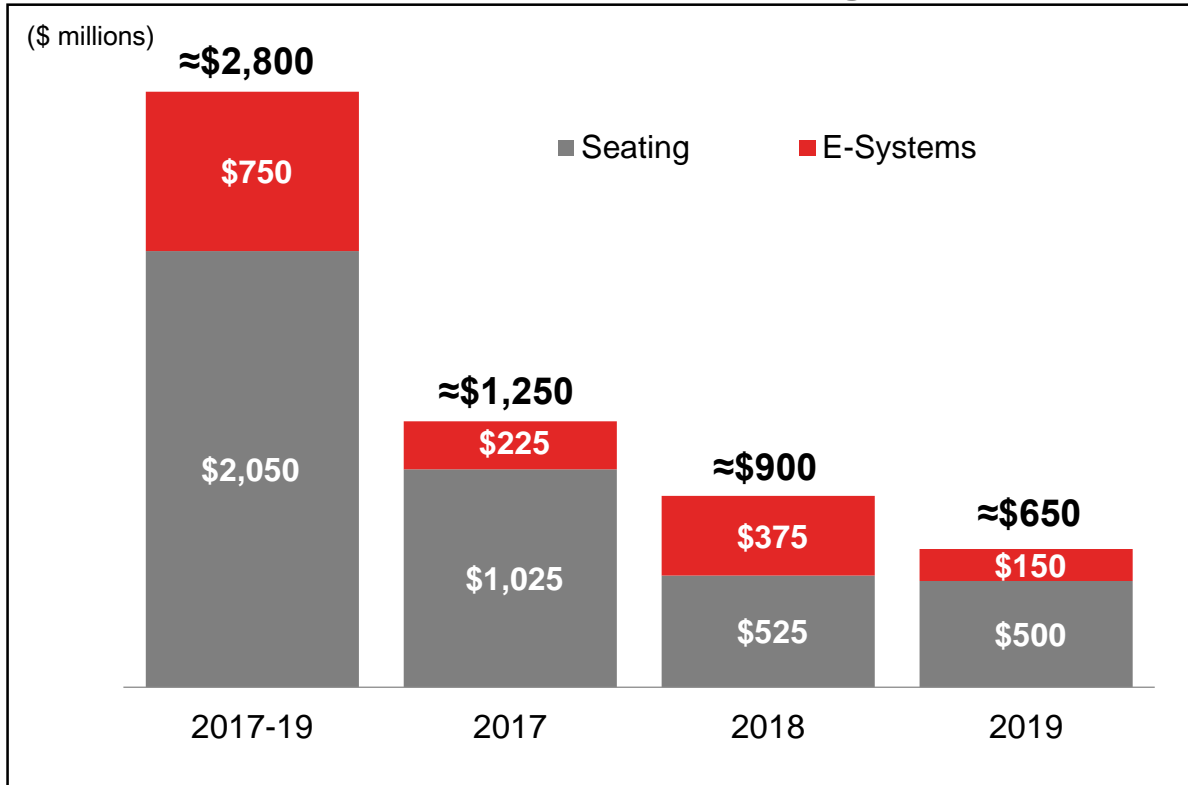
|                  |                               |
|------------------|-------------------------------|
| ≈ \$19.5 billion | Net Sales                     |
| ≈ \$1.6 billion  | Core Operating Earnings       |
| ≈ \$385 million  | Depreciation and Amortization |
| ≈ \$85 million   | Interest Expense              |
| ≈ 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**

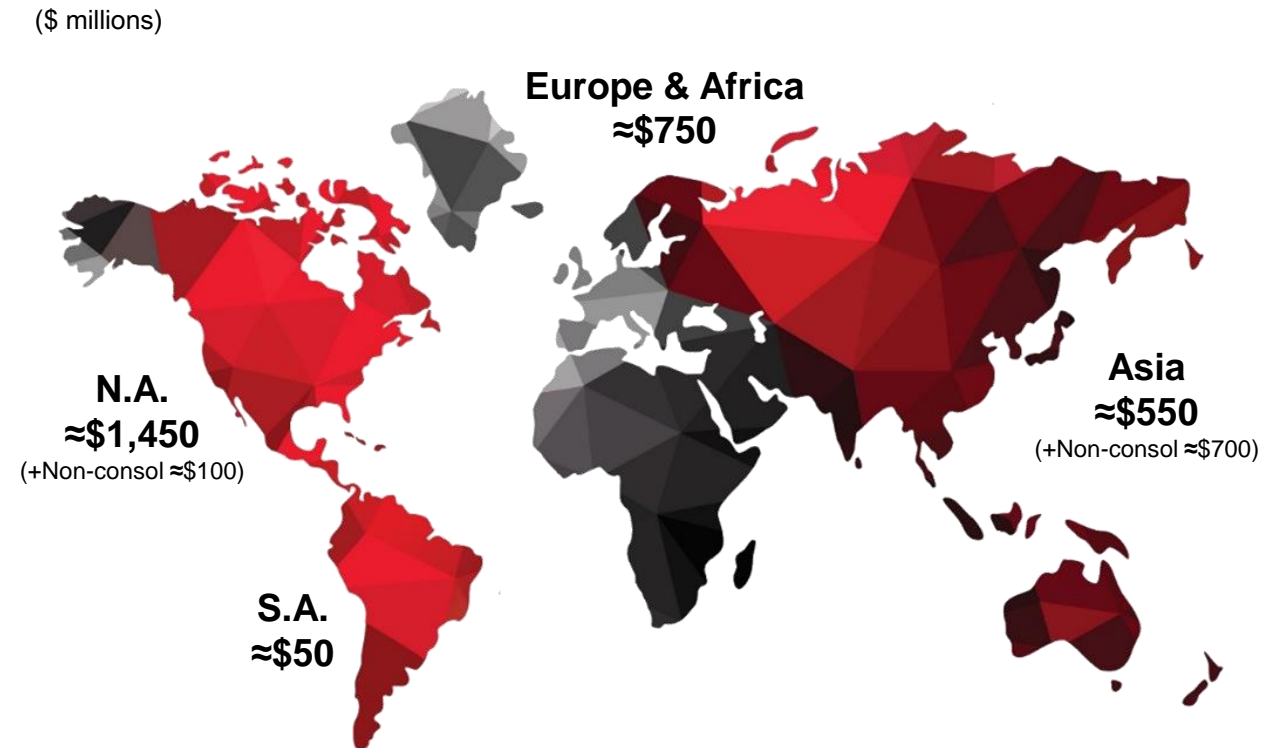
# Sales Backlog Supports Continued Sales Growth



## 2017 – 2019 Consolidated Sales Backlog



## Consolidated Backlog By Region



75% of Consolidated Backlog on CUVs & SUVs

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

# Summary







- Investments in the business have strengthened our industry-leading competitive position, driving market share gains, a record sales backlog and outstanding financial results
- Record 2016 sales, core operating earnings, free cash flow and adjusted EPS
- 2017 Outlook reflects the 8<sup>th</sup> consecutive year of higher sales, adjusted EPS and strong free cash flow
- Our unique product capabilities in both segments will allow us to take advantage of major industry trends including safety and connectivity
- The continued convergence of our two segments, Seating and E-Systems, provide us with a unique competitive advantage
- We have delivered superior returns to shareholders over the last several years but still remain undervalued relative 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, other expense, restructuring costs and other special items” (core operating 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 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 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 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.

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

## Free Cash Flow



(\$ in millions)

|  | <u>2011</u>            | <u>2016</u>              |
|--|------------------------|--------------------------|
| <b>Net cash provided by operating activities</b> | 790.3                  | 1,619.3                  |
| Adjusted capital expenditures <sup>1</sup>       | <u>(326.0)</u>         | <u>(528.3)</u>           |
| <b>Free cash flow</b>                            | <u><b>\$ 464.3</b></u> | <u><b>\$ 1,091.0</b></u> |

<sup>1</sup> Adjusted capital expenditures represent capital expenditures of \$329.5 million and \$528.3 million in 2011 and 2016, respectively, net of related insurance proceeds of \$3.5 million in 2011.

# Non-GAAP Financial Information

## Core Operating Earnings



| (\$ in millions)  | 2011            | 2016              |
|---|-----------------|-------------------|
| <b>Net income attributable to Lear</b>                                    | <b>\$ 540.7</b> | <b>\$ 975.1</b>   |
| Interest expense  | 39.7            | 82.5              |
| Other expense, net  | 24.2            | 6.4               |
| Income taxes  | 68.8            | 370.2             |
| Equity in net income of affiliates  | (23.5)          | (72.4)            |
| Net income attributable to noncontrolling interests                       | 29.7            | 65.4              |
| Costs related to restructuring actions                                    | 71.5            | 69.9              |
| Pension settlement charge   | -               | 34.2              |
| Acquisition and other related costs                                       | -               | 1.3               |
| Losses and incremental costs, net related to the<br>destruction of assets | 13.3            | -                 |
| Other   | 22.1            | 2.2               |
| <b>Core operating earnings</b>  | <b>\$ 786.5</b> | <b>\$ 1,534.8</b> |



# Non-GAAP Financial Information

## Adjusted EPS



| (\$ and shares in millions)   | 2011            | 2016              |
|---|-----------------|-------------------|
| <b>Net income attributable to Lear</b>                                    | <b>\$ 540.7</b> | <b>\$ 975.1</b>   |
| Costs related to restructuring actions                                    | 70.9            | 69.6              |
| Pension settlement charge   | -               | 34.2              |
| Acquisition and other related costs                                       | -               | 1.3               |
| Gain related to affiliate   | (5.8)           | (30.3)            |
| Other   | 32.8            | -                 |
| Tax impact of special items and other<br>net tax adjustments <sup>1</sup> | (70.4)          | (23.6)            |
| <b>Adjusted net income attributable to Lear</b>                           | <b>\$ 568.2</b> | <b>\$ 1,026.3</b> |
| Weighted average number of diluted shares outstanding                     | 106.3           | 73.1              |
| Diluted net income per share attributable to Lear                         | <b>\$ 5.08</b>  | <b>\$ 13.33</b>   |
| <b>Adjusted EPS</b>   | <b>\$ 5.34</b>  | <b>\$ 14.03</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.