

# Third Quarter 2019 Financial Results

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October 25, 2019



Ray Scott, President and CEO

Jeff Vanneste, Senior Vice President and CFO

Jason Cardew, Vice President, Finance

# Safe Harbor Statement

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## 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, 2018, 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 Company enters into contracts with its customers to provide production parts generally at the beginning of a vehicle’s life cycle. Typically, these contracts do not provide for a specified quantity of production, and many of these contracts may be terminated by the Company’s customers at any time. Therefore, these contracts do not represent firm orders. Further, 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.

# Agenda

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- **Business Update**  
*Ray Scott, President and CEO*
- **Financial Review**  
*Jeff Vanneste, Senior Vice President and CFO*  
*Jason Cardew, Vice President, Finance*
- **Concluding Remarks**  
*Ray Scott, President and CEO*

# Business Update

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Ray Scott, President and CEO

# Third Quarter 2019 Financial Overview

Sales

**\$4.8B**

Core Operating Earnings

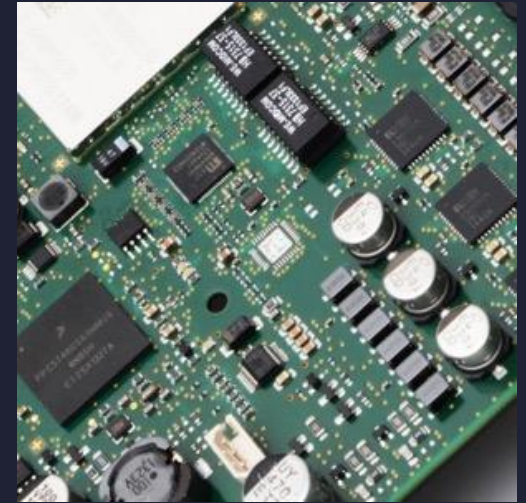
**\$338M**

Adjusted Earnings per Share

**\$3.54**

Adjusted Operating Margin

**7.0%**



# Business Highlights

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**Delivered solid Q3 financial results despite a challenging industry environment**

**Named Carl Esposito E-Systems President**

**Previously announced restructuring efforts on track**

**E-Systems improvement plan progressing**

**Partnered with Hyundai to develop in-vehicle commerce platform powered by Xevo Market**

**Captured four J.D. Power Seat Quality Awards; Xevo Market named 2020 PACE Award finalist**

# Financial Review

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Jeff Vanneste, Senior Vice President and CFO  
Jason Cardew, Vice President, Finance

# Third Quarter 2019

## Global Vehicle Production and Currency

(Units in millions)	Q3 2018 Actual	Q3 2019 Actual	vs. Prior Year
China	5.9	5.5	Down 6%
Europe and Africa	4.8	4.8	Flat
North America	4.0	4.0	Flat
India	1.2	1.0	Down 20%
Brazil	0.7	0.7	Up 3%
<b>Global</b>	<b>21.5</b>	<b>20.8</b>	<b>Down 3%</b>

Source: IHS Markit as of October 2019

### Key Currencies

Euro	\$1.16 / €	\$1.11 / €	Down 4%
Chinese RMB	6.79 / \$	6.99 / \$	Down 3%



# Third Quarter 2019

## Key Financials

(\$ in millions, except per share amounts)

	Third Quarter		
	2018	2019	B/(W)
Net Sales	\$ 4,892	\$ 4,825	(1)%
Core Operating Earnings	\$ 399	\$ 338	(15)%
Operating Margin %	8.2%	7.0%	
Adjusted Net Income	\$ 269	\$ 217	(19)%
Adjusted Earnings per Share	\$ 4.09	\$ 3.54	(13)%
Memo:			
Other Expense, Net*	\$ 11	\$ 8	\$ 3
Equity Income	\$ (3)	\$ (5)	\$ 2
Noncontrolling Interest	\$ 22	\$ 23	\$ (1)
Free Cash Flow	\$ 107	\$ 193	\$ 86

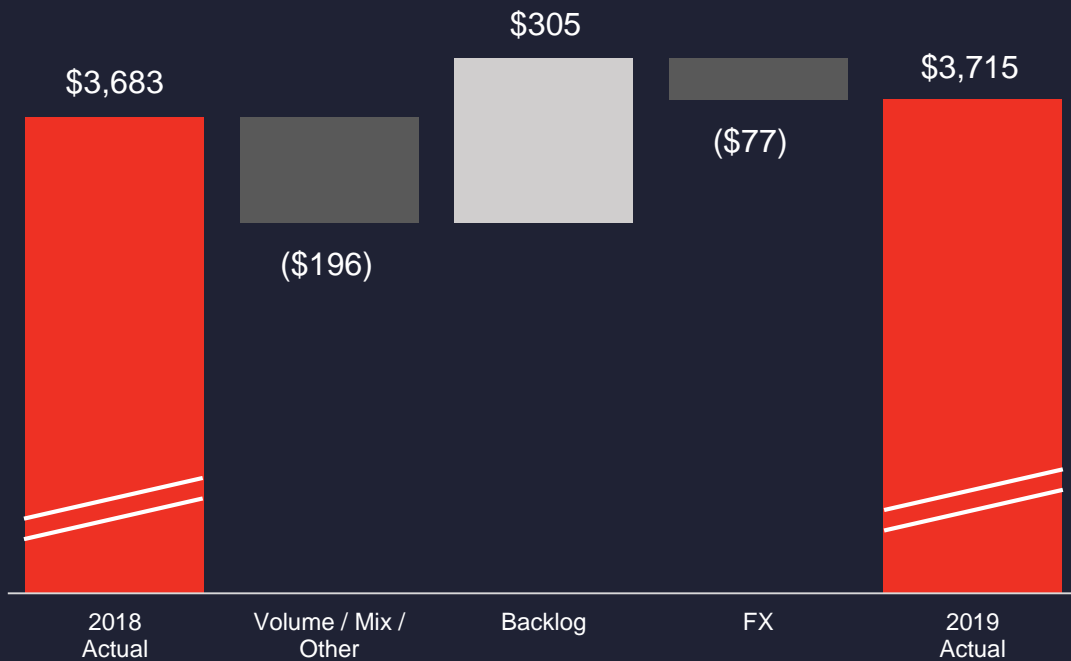
\* Excludes impact of restructuring and other special items

Please see appendix for discussion of non-GAAP financial measures, as well as reconciliations of non-GAAP financial measures to the most directly comparable financial measures calculated and presented in accordance with GAAP.

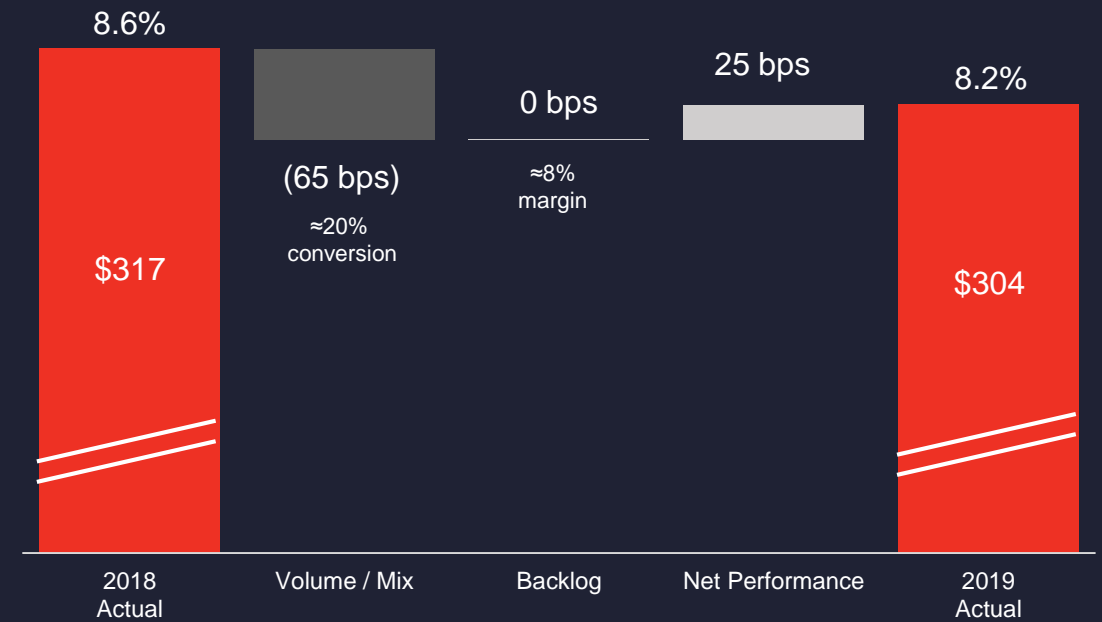
# Seating Third Quarter Sales and Margin Drivers

(\$ in millions)

## Sales



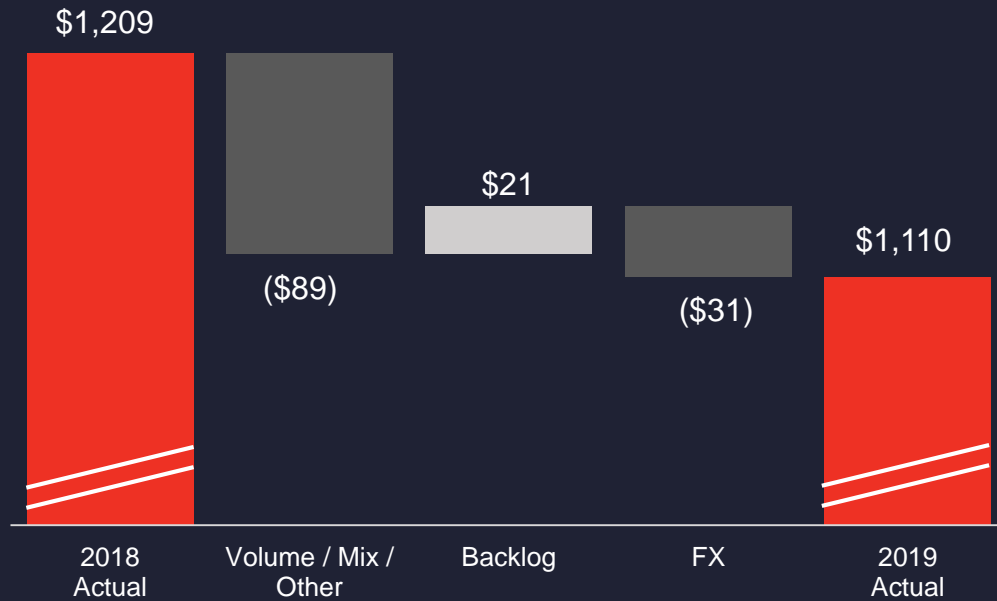
## Adjusted Earnings and Margin



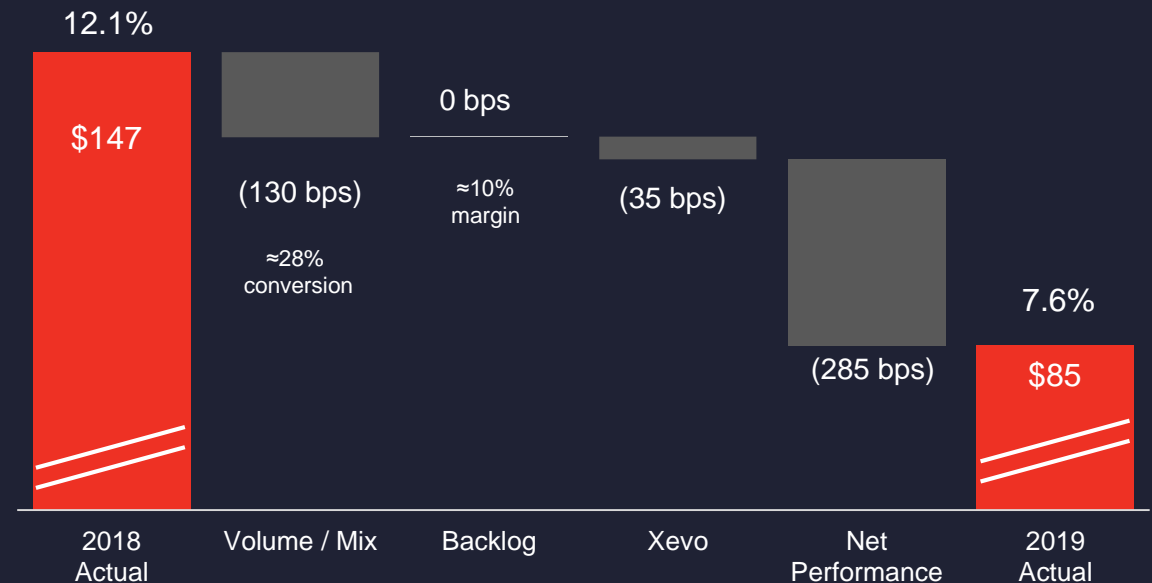
# E-Systems Third Quarter Sales and Margin Drivers

(\$ in millions)

## Sales



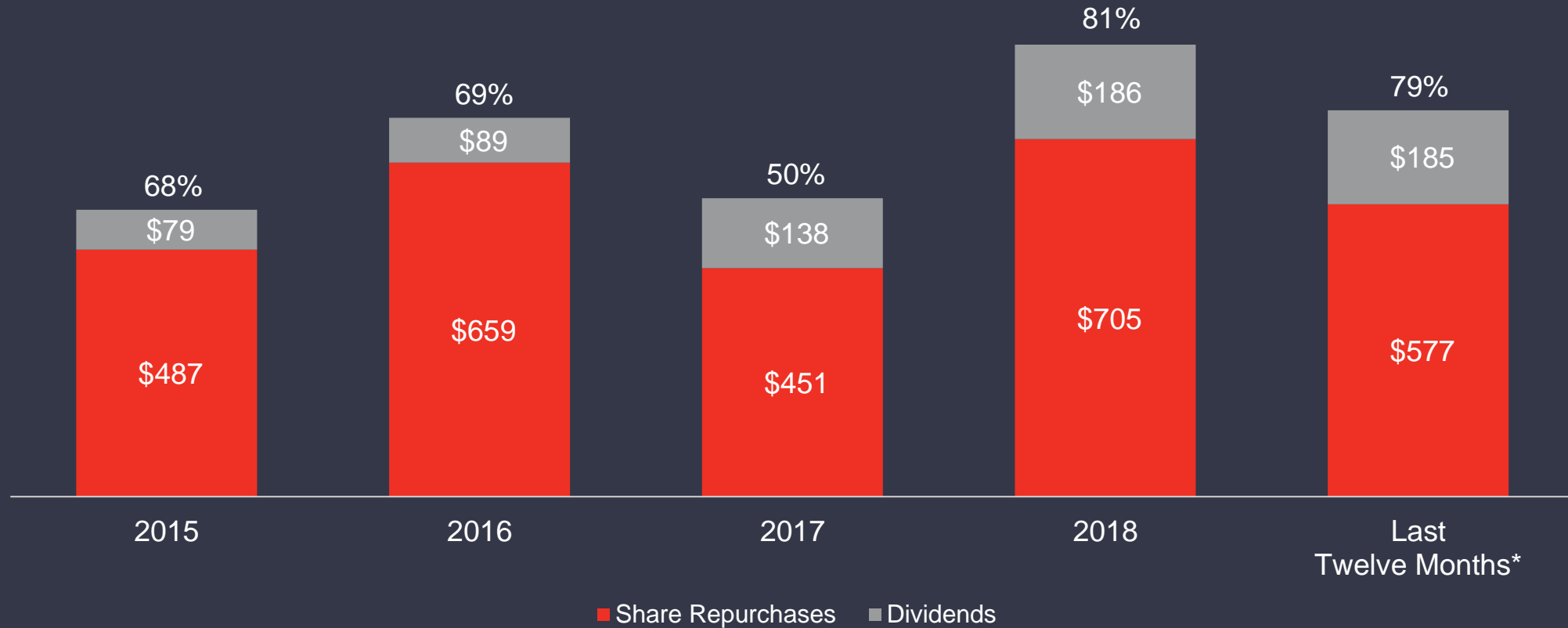
## Adjusted Earnings and Margin



# Return of Capital to Shareholders

Capital Returned as a Percentage of Free Cash Flow

(\$ in millions)



# 2019 Full Year Outlook

## Global Vehicle Production and Currency

(Units in millions)	FY 2018 Actual	FY 2019 Outlook	vs. Prior Year	vs. Prior Outlook	Lear Top Platforms 2019 FY Outlook
China	25.3	23.0	Down 9%	Down 2%	Down >20%
Europe and Africa	22.7	21.9	Down 3%	Down 1%	Down 9%
North America	17.0	16.3	Down 4%	Down 2%	Down 12%
India	4.7	4.0	Down 14%	Down 9%	
Brazil	2.8	2.8	Up 2%	Down 3%	
<b>Global</b>	<b>92.5</b>	<b>87.1</b>	<b>Down 6%</b>	<b>Down 2%</b>	

Source: IHS Markit as of October 2019

Source: Lear estimates

Key Currencies	FY 2018 Actual	FY 2019 Outlook	vs. Prior Year	vs. Prior Outlook
Euro	\$1.18 / €	\$1.12 / €	Down 6%	Flat
Chinese RMB	6.61 / \$	6.93 / \$	Down 5%	Down 1%

Source: Lear estimates

# 2019 Full Year Outlook

Net Sales	\$19.0 - \$19.5 billion	Interest Expense	≈\$100 million	Restructuring Costs	≈\$200 million
Core Operating Earnings	\$1,200 - \$1,300 million	Effective Tax Rate	22% - 23%	Capital Spending	≈\$625 million
Adjusted EBITDA	\$1,720 - \$1,820 million	Adjusted Net Income	\$765 - \$845 million	Free Cash Flow	\$550 - \$650 million

Note: 2019 Outlook assumes an average Euro of \$1.12 and an average Chinese RMB of 6.93/\$

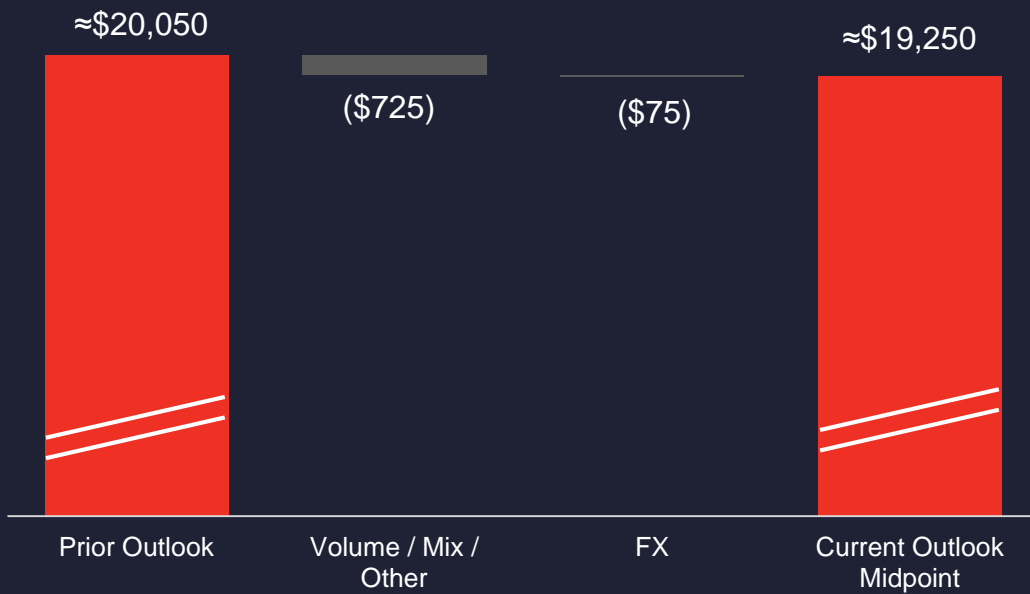


Certain of the forward-looking financial measures are provided on a non-GAAP basis. A reconciliation of forward-looking financial measures to the most directly comparable financial measures calculated and presented in accordance with GAAP is potentially misleading and not practical given the difficulty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

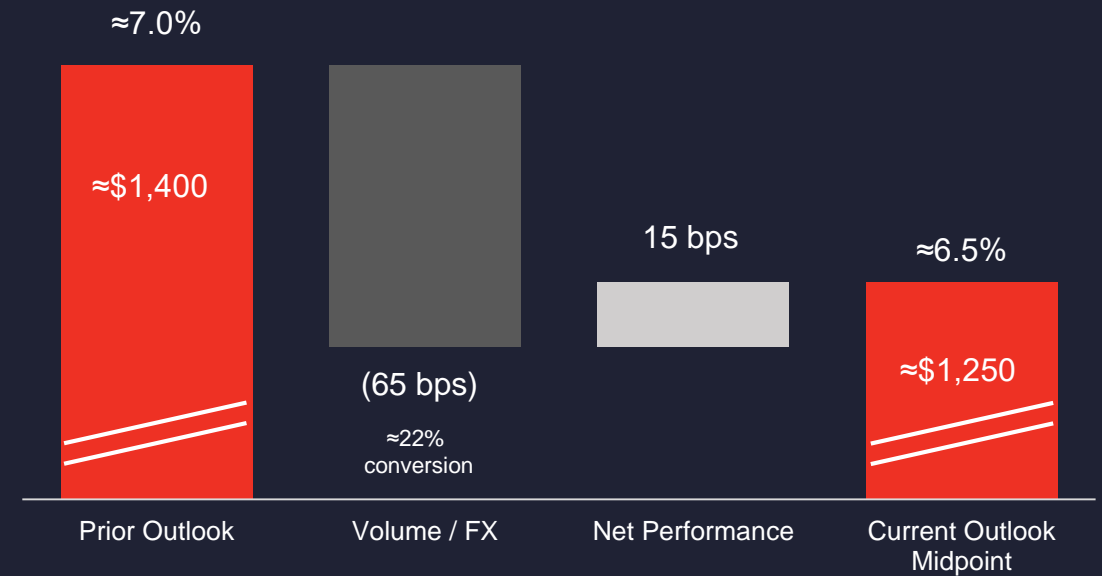
# Changes from Prior Outlook

(\$ in millions)

## Sales



## Adjusted Earnings and Margin



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# Concluding Remarks

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Ray Scott, President and CEO



# Concluding Remarks

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Resilient business model,  
strong balance sheet and  
free cash flow generation



Industry-leading talent and value-  
enhancing operational and  
organizational plan



Two high-performing  
product segments with  
powerful growth drivers



Strategically positioned in autonomy,  
connectivity, electrification and  
shared mobility



Accelerating innovation, including  
in software and data



Capital allocation strategy  
designed to maximize long-term  
shareholder value

# Appendix

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# 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 or adjusted segment earnings), “pretax income before equity income, interest, other expense, depreciation expense, amortization of intangible assets, restructuring costs and other special items” (adjusted EBITDA), “adjusted net income attributable to Lear” (adjusted net income), adjusted diluted net income per share available to Lear common stockholders (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, losses on the extinguishment of debt, gains and losses on the disposal of fixed assets, gains and losses on the consolidation and deconsolidation of affiliates and the non-service cost components of net periodic benefit cost. Adjusted net income represents net income attributable to Lear adjusted for restructuring costs and other special items, including the tax effect thereon. Adjusted earnings per share represents diluted net income per share available to Lear common stockholders adjusted for the redeemable noncontrolling interest adjustment, 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.

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 EBITDA, 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 EBITDA, 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 available to Lear common stockholders, 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.

# Financial Outlook

	<i>Current Outlook</i>	<i>Prior Outlook</i>
Net Sales	\$19.0 - \$19.5 billion	\$19.8 - \$20.3 billion
Core Operating Earnings	\$1,200 - \$1,300 million	\$1,350 - \$1,450 million
Adjusted EBITDA	\$1,720 - \$1,820 million	\$1,870 - \$1,970 million
Interest Expense	≈\$100 million	≈\$100 million
Other Expense	≈\$30 million	≈\$30 million
Equity Earnings	≈\$20 million	≈\$20 million
Effective Tax Rate	22% - 23%	22% - 23%
Non-Controlling Interest	≈\$75 million	≈\$75 million
Adjusted Net Income	\$765 - \$845 million	\$885 - \$965 million
Restructuring Costs	≈\$200 million	≈\$200 million
Capital Spending	≈\$625 million	≈\$650 million
Free Cash Flow	\$550 - \$650 million	\$675 - \$775 million



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.

# Non-GAAP Financial Information

## Impact of Restructuring and Special Items

(in millions, except per share amounts)

	Third Quarter 2019			Adjusted	Memo: Q3 2018 Adjusted
	Reported	Restructuring Costs	Other Special Items		
Pretax Income Before Equity Income, Interest and Other Expense	\$ 300.7	\$ 29.4	\$ 8.1	\$ 338.2	\$ 399.2
Equity Income	(5.1)			(5.1)	(3.4)
Pretax Income Before Interest and Other Expense	\$ 305.8			\$ 343.3	\$ 402.6
Interest Expense	24.0		(0.2)	24.2	21.2
Other Expense, Net	9.7	4.0	(2.3)	8.0	10.6
Income Before Taxes	\$ 272.1	\$ 33.4	\$ 5.6	\$ 311.1	\$ 370.8
Income Taxes	33.5	(5.7)	(32.0)	71.2	79.2
Net Income	\$ 238.6			\$ 239.9	\$ 291.6
Noncontrolling Interests	22.7			22.7	22.2
Net Income Attributable to Lear	\$ 215.9			\$ 217.2	\$ 269.4
Diluted Earnings per Share	\$ 3.58			\$ 3.54	\$ 4.09

\* Restructuring costs include \$27.1 million in cost of sales and \$2.3 million in SG&A. Other special items include \$4.7 million in cost of sales and \$3.4 million in SG&A.

# Non-GAAP Financial Information

Core Operating Earnings and Adjusted Margins (\$ in millions)	Third Quarter	
	2018	2019
<b>Net sales</b>	<b>\$ 4,891.6</b>	<b>\$ 4,825.0</b>
<b>Net income attributable to Lear</b>	<b>\$ 252.5</b>	<b>\$ 215.9</b>
Interest expense	21.2	24.0
Other expense, net	13.2	9.7
Income taxes	57.6	33.5
Equity in net income of affiliates	(3.4)	(5.1)
Net income attributable to noncontrolling interests	22.2	22.7
Restructuring costs and other special items -		
Costs related to restructuring actions	22.3	29.4
Acquisition costs	-	0.1
Loss related to affiliate	1.2	-
Other	12.4	8.0
<b>Core operating earnings</b>	<b>\$ 399.2</b>	<b>\$ 338.2</b>
<b>Adjusted margins</b>	<b>8.2%</b>	<b>7.0%</b>

# Non-GAAP Financial Information

## Adjusted Earnings Per Share

(In millions, except per share amounts)

### Net income available to Lear common stockholders

Redeemable noncontrolling interest

### Net income attributable to Lear

Costs related to restructuring actions

Acquisition and other related costs

Tax ruling in a foreign jurisdiction

(Gain) loss related to affiliate

Other

Tax impact of special items and other net tax adjustments <sup>1</sup>

### Adjusted net income attributable to Lear

Weighted average number of diluted shares outstanding

### Diluted net income per share available to Lear common stockholders

### Adjusted earnings per share

	Third Quarter	
	2018	2019
	\$ 250.2	\$ 219.5
	2.3	(3.6)
	<b>252.5</b>	<b>215.9</b>
	22.3	33.4
	-	0.1
	-	(0.2)
	2.9	(4.0)
	13.3	9.7
	(21.6)	(37.7)
	<b>\$ 269.4</b>	<b>\$ 217.2</b>
	65.9	61.3
	<b>\$ 3.80</b>	<b>\$ 3.58</b>
	<b>\$ 4.09</b>	<b>\$ 3.54</b>

<sup>1</sup> Reflects 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

## Adjusted Segment Earnings and Margins

(\$ in millions)

	Third Quarter 2018		Third Quarter 2019	
	Seating	E-Systems	Seating	E-Systems
<b>Net sales</b>	<b>\$ 3,683.0</b>	<b>\$ 1,208.6</b>	<b>\$ 3,715.0</b>	<b>\$ 1,110.0</b>
<b>Segment earnings</b>	<b>\$ 294.0</b>	<b>\$ 138.4</b>	<b>\$ 281.5</b>	<b>\$ 74.3</b>
Restructuring costs and other special items -				
Costs related to restructuring actions	18.8	3.4	18.9	9.8
Loss related to affiliate	-	1.2	-	-
Other	4.4	3.6	3.1	0.6
<b>Core operating earnings</b>	<b>\$ 317.2</b>	<b>\$ 146.6</b>	<b>\$ 303.5</b>	<b>\$ 84.7</b>
<b>Adjusted margins</b>	<b>8.6%</b>	<b>12.1%</b>	<b>8.2%</b>	<b>7.6%</b>



# Non-GAAP Financial Information

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Free Cash Flow (\$ in millions)	Third Quarter	
	2018	2019
Net cash provided by operating activities	\$ 267.9	\$ 343.4
Capital expenditures	(160.5)	(150.8)
<b>Free cash flow</b>	<b>\$ 107.4</b>	<b>\$ 192.6</b>

# Non-GAAP Financial Information

(\$ in millions)	Third Quarter	
	2018	2019
<b>Other expense, net</b>	<b>\$ 13.2</b>	<b>\$ 9.7</b>
Costs related to restructuring actions	-	(4.0)
Gain (loss) related to affiliate	(1.7)	4.0
Other	(0.9)	(1.7)
<b>Adjusted other expense, net</b>	<b>\$ 10.6</b>	<b>\$ 8.0</b>