

# Third Quarter 2018 Earnings Call

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October 25, 2018



# Safe Harbor Statement

## 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, 2017, 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.

# Agenda

- **Business Update**  
*Ray Scott, President and CEO*
- **Third Quarter Financial Results and 2018 Outlook**  
*Jeff Vanneste, SVP and CFO*
- **Concluding Remarks**  
*Ray Scott, President and CEO*
- **Q&A**

A blurred, high-speed photograph of a multi-lane highway with cars, viewed from a low angle looking down the road. A bright sunburst effect emanates from the horizon at the top center, creating a sense of motion and direction.

# Business Update



Ray Scott, President and CEO

# Third Quarter 2018 Overview

Sales

**\$4.9B**

Core Operating Earnings

**\$399M**

Adjusted Earnings per Share

**\$4.09**

Adjusted Operating Margins

 **LEAR 8.2%**

 **SEATING 8.6%**

 **E-SYSTEMS 12.1%**



# Industry and Macro Trends



Trade / Tariff Concerns

***Uncertainty surrounding trade and tariffs weighs on the automotive sector and global economic outlook***



U.S. Economy / Auto Cycle

***Rising interest rates, but leading economic indicators positive in U.S.***



Foreign Exchange

***Weaker global currencies (Euro, Chinese RMB, Brazilian Real, Argentine Peso) versus the U.S. Dollar affecting the sector***



Global Industry Production

***Industry experiencing record global volumes in 2018, but production growth in key markets flat***

# Key Seating Launches



**GMC Sierra / Chevy Silverado**  
JIT, Trim, Leather, Fabric,  
Foam, Structures  
Fort Wayne, IN  
July 2018



**Volvo S60**  
JIT  
North America  
September 2018



**Mercedes GLE**  
JIT, Trim  
North America  
November 2018



**Chevy Blazer**  
JIT, Trim, Foam  
North America  
December 2018



**Mercedes GLS**  
JIT, Trim  
North America  
March 2019



**Ford Explorer / Lincoln Aviator**  
JIT, Trim, Structures  
North America  
April 2019



**Porsche Mission E**  
JIT, Trim  
Europe  
June 2019

Q3 2018

Q4 2018

Q1 2019

Q2 2019

Q3 2019



**Jaguar I-PACE**  
JIT  
Europe  
July 2018



**BMW X3**  
JIT, Trim, Foam, Structures  
Asia  
July 2018



**Ford Ranger**  
JIT, Trim, Foam, Structures  
North America  
November 2018



**GMC Sierra / Chevy Silverado**  
JIT, Trim, Leather, Fabric,  
Foam, Structures  
Silao, MX  
January 2019



**GMC Sierra / Chevy Silverado**  
JIT, Trim, Leather, Fabric,  
Foam, Structures  
Flint, MI  
June 2019



**Land Rover Defender**  
JIT, Trim, Foam  
Europe  
June 2019



**Chevy Corvette**  
JIT, Trim, Leather  
North America  
September 2019

# Key E-Systems Launches



**FCA Ram / Wrangler**  
HV Wire Harness  
North America  
July 2018



**Ford Focus**  
Wire Harness, Power  
Distribution, T&C  
Europe, Asia  
July 2018



**Daimler Sprinter**  
Wire Harness  
North America, South America,  
Europe  
August 2018



**Renault Clio / Nissan Captur**  
Wire Harness  
Europe  
January 2019



**Ford Escape**  
Wire Harness, Electronics  
North America, Europe  
June 2019



**Chevy Corvette**  
Wire Harness, Electronics  
North America, Asia  
September 2019

Q3 2018

Q4 2018

Q1 2019

Q2 2019

Q3 2019



**Audi (Various Models)**  
Gateway / Connectivity Box  
Europe  
July 2018



**Jaguar I-PACE**  
OBC, HV Wire Harness,  
Electronics  
Europe  
July 2018



**Land Rover Range Rover / Sport**  
OBC, Wire Harness  
Europe  
July 2018



**Nissan DAYZ / ROOX**  
Wire Harness  
Asia  
January 2019



**Land Rover Defender**  
Wire Harness, Electronics, T&C  
Europe, Asia  
June 2019



**Ford F250/350/450 Super Duty**  
Wire Harness  
North America  
August 2019



# Third Quarter Financial Results and 2018 Outlook



Jeff Vanneste, SVP and CFO

# Key Financials

(\$ in millions, except per share amounts)

	Third Quarter		B/(W)
	2017	2018	
Net Sales	\$ 4,982	\$ 4,892	(2)%
Core Operating Earnings	\$ 408	\$ 399	(2)%
<i>Operating Margin %</i>	8.2%	8.2%	<i>Flat</i>
Adjusted Net Income	\$ 272	\$ 269	(1)%
Adjusted Earnings per Share	\$ 3.96	\$ 4.09	3 %
<hr/>			
Memo:			
Other Expense, Net*	\$ 14	\$ 11	\$ 3
Equity Income*	\$ (12)	\$ (3)	\$ (8)
Noncontrolling Interest	\$ 20	\$ 22	\$ (2)
Free Cash Flow	\$ 183	\$ 107	\$ (76)
Share Repurchases	\$ 78	\$ 195	



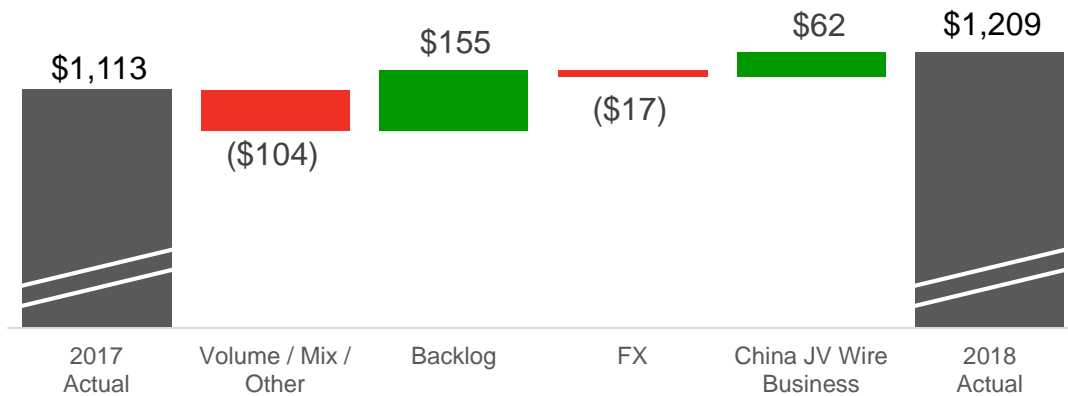
\* Excludes impact of restructuring and other special items

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.

# E-Systems Third Quarter Sales and Margin Drivers

(\$ in millions)

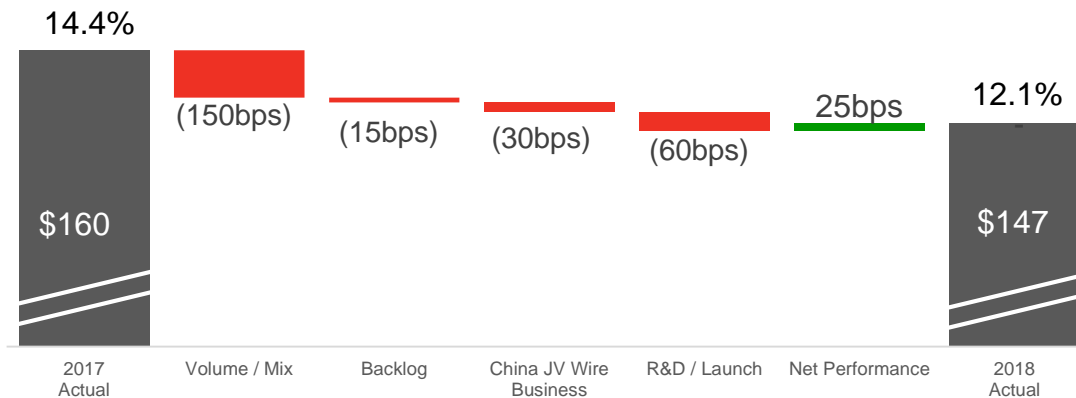
## Sales



## Sales Drivers

- Sales growth of 9% compared to 2017
- Lower production on key Lear platforms
- Strong backlog, primarily in China
- Operational control of wire harness business in China joint ventures

## Adjusted Earnings and Margin



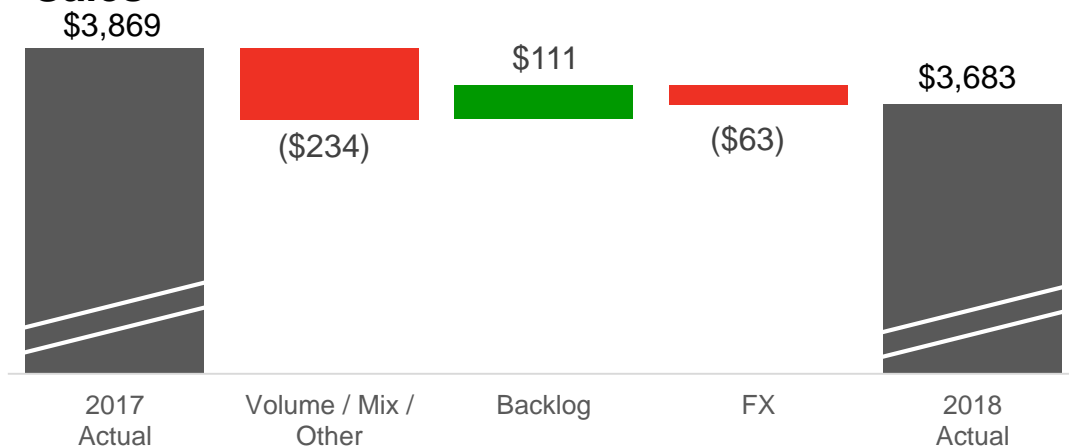
## Margin Drivers

- Volume reductions on key, mature Lear platforms
- Strong, profitable backlog
- Incremental China wire harness business
- Increased investment to support backlog and further growth

# Seating Third Quarter Sales and Margin Drivers

(\$ in millions)

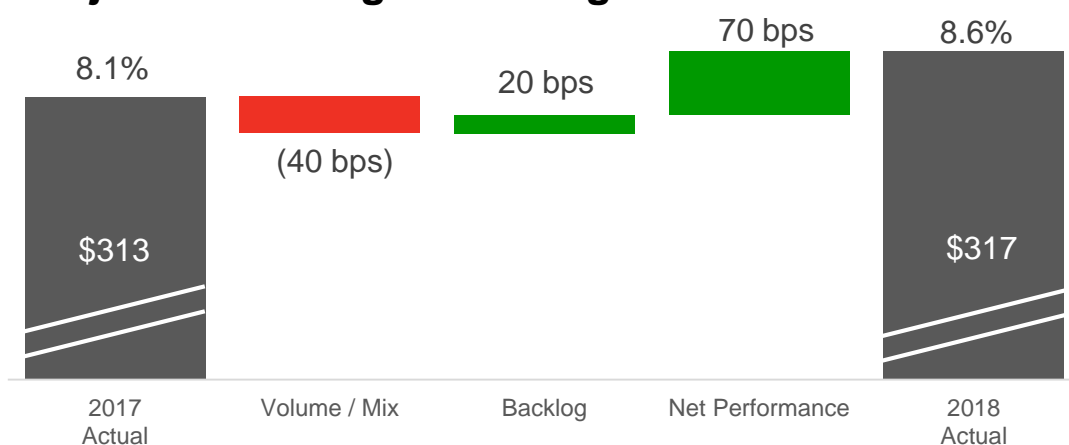
## Sales



## Sales Drivers

- Sales decline of 5% compared to 2017
- Lower production on key Lear platforms, primarily in China and Europe
- Strong backlog mitigated by roll off of BMW X5 and Ford Focus in North America
- Weaker global currencies vs. U.S. dollar

## Adjusted Earnings and Margin

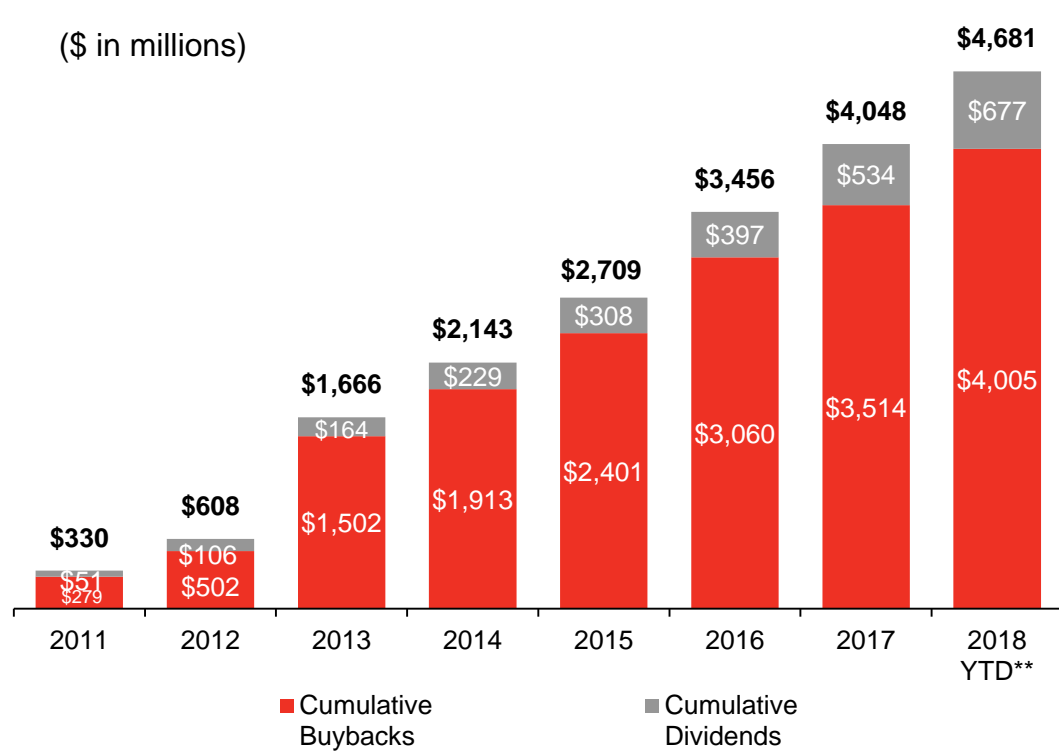


## Margin Drivers

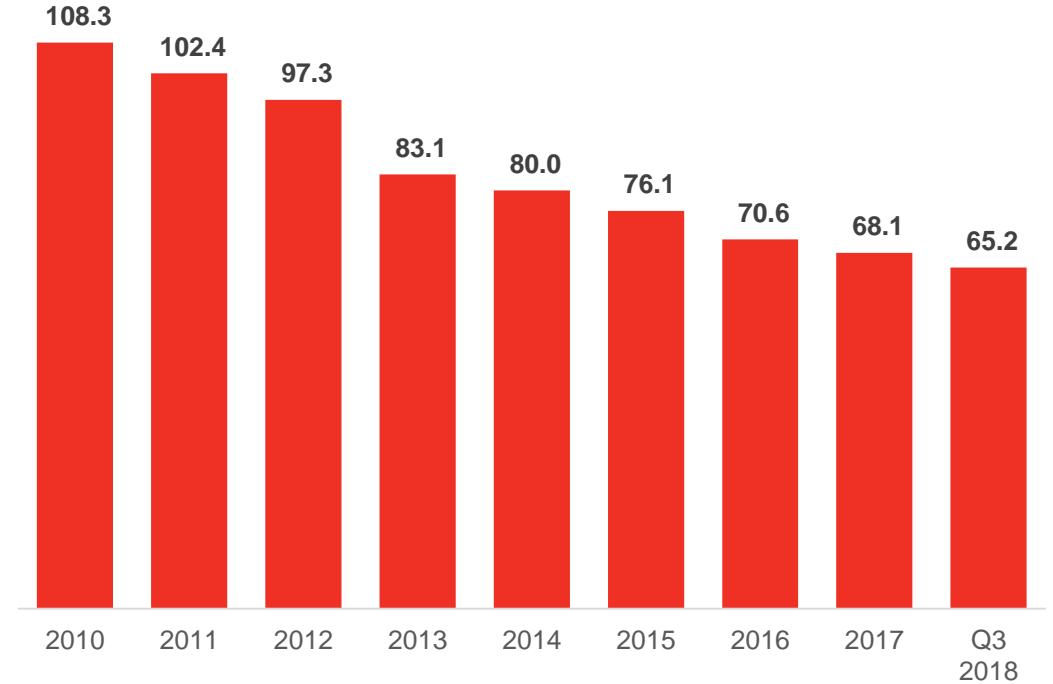
- Impact of volume declines partially offset by stronger volume on key programs in North America
- Launch of profitable backlog programs and benefit of the roll off of lower margin programs in North America
- Strong operational performance

# Consistent Record of Share Repurchases and Dividend Increases

## Cash Returned to Shareholders Since 2011\*



## Diluted Share Count at End of Period



**Since 2011, Lear Has Returned \$4.7 Billion to Its Shareholders**

# 2018 Outlook – Global Vehicle Production and Currency

(Units in millions)

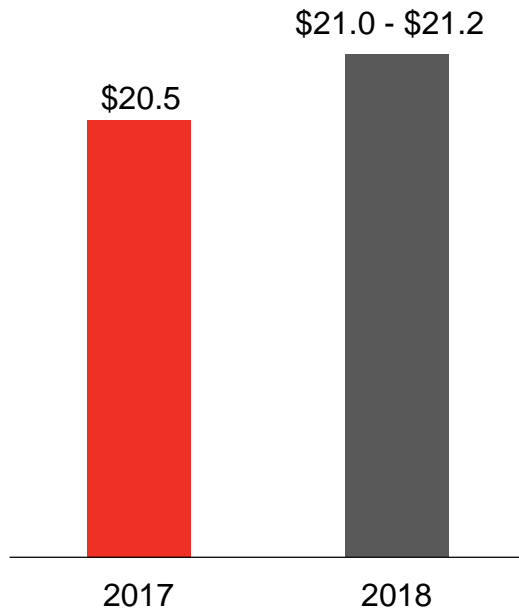
	2017 Actual	2018 Outlook		vs. Prior Year	vs. July Outlook
China	26.4	26.3		Flat	Down 2%
Europe and Africa	23.0	22.9		Flat	Down 2%
North America	17.1	17.0		Flat	Down 1%
India	4.4	4.8		Up 8%	Flat
Brazil	2.6	2.9		Up 9%	Down 1%
<b>Global</b>	<b>93.4</b>	<b>94.1</b>		<b>Up 1%</b>	<b>Down 1%</b>
<b>Key Currencies</b>	<u>Full Year</u>	<u>Full Year</u>	<u>Implied Q4</u>	<u>Full Year</u>	<u>Full Year</u>
Euro	\$1.13 / €	\$1.18 / €	\$1.15 / €	Up 5%	Down 1%
Chinese RMB	6.76 / \$	6.60 / \$	6.87 / \$	Up 2%	Down 2%
Brazilian Real	3.19 / \$	3.65 / \$	3.87 / \$	Down 13%	Flat
Argentine Peso	16.55 / \$	27.50 / \$	37.20 / \$	Down 40%	Down 11%

# 2018 Full Year Outlook – Selected Financial Metrics

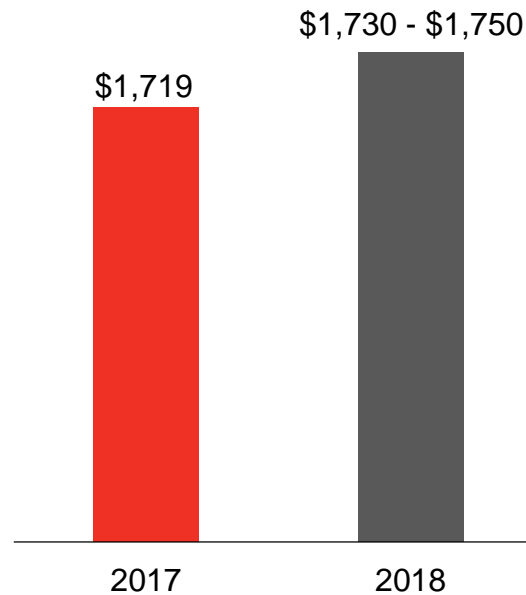
	Current Outlook	Change from Prior Outlook (at midpoint)	Change from Prior Year (at midpoint)
Net Sales	\$21.0 - \$21.2 billion	↓ \$800 million	↑ \$633 million
Core Operating Earnings	\$1,730 - \$1,750 million	↓ \$60 million	↑ \$21 million
Adjusted EBITDA	\$2,230 - \$2,250 million	↓ \$60 million	↑ \$93 million
Adjusted Net Income	\$1,190 - \$1,210 million	↓ \$60 million	↑ \$22 million
Restructuring Costs	≈\$100 million	↑ \$30 million	↑ \$25 million
Free Cash Flow	≈\$1,000 million	↓ \$200 million	↓ \$189 million

# 2018 Full Year Financial Outlook – Highlights

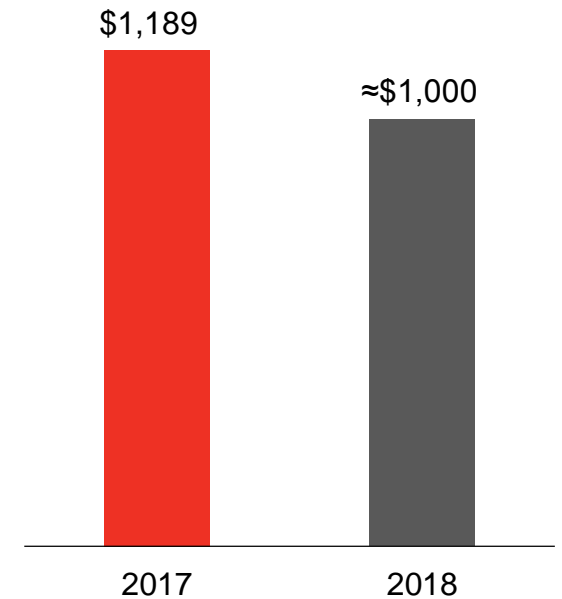
**Sales**  
(\$ in billions)



**Core Operating Earnings**  
(\$ in millions)



**Free Cash Flow**  
(\$ in millions)



**Lear Continues to Deliver Profitable Growth and Significant Free Cash Flow**



A blurred, high-speed photograph of a multi-lane highway with cars, viewed from a low angle looking down the road. A bright sunburst effect emanates from the top center of the frame, creating a sense of motion and direction.

# Concluding Remarks



Ray Scott, President and CEO

# Lear: Formula for Success

- Industry leading talent and a track record of operational excellence
- Resilient business model and strong balance sheet
- Powerful growth drivers
- Strategically positioned in electrification, connectivity and shared mobility
- Accelerating innovation, including in software and data
- Capital allocation strategy engineered to maximize long-term shareholder value

A blurred, high-speed photograph of a multi-lane highway with cars, viewed from an elevated perspective. The image is heavily motion-blurred, creating a sense of rapid movement. A bright sunburst effect emanates from the top center, casting rays of light across the scene. The overall color palette is dark, dominated by blues and greys, with the bright light source providing a focal point.

**Q&A**





# | Appendix



# Third Quarter 2018

## Global Vehicle Production and Currency

(Units in millions)

	Q3 2017 Actual	Q3 2018 Actual	YOY Change
China	6.2	5.9	Down 4%
Europe and Africa	5.1	4.9	Down 5%
North America	3.9	4.0	Up 2%
India	1.1	1.2	Up 7%
Brazil	0.7	0.7	Up 3%
<b>Global</b>	<b>22.1</b>	<b>21.7</b>	<b>Down 2%</b>
<b>Key Currencies</b>			
Euro	\$1.17 / €	\$1.16 / €	Down 1%
Chinese RMB	6.69 / \$	6.79 / \$	Down 2%

# 2018 Full Year Financial Outlook

	<i>Current Outlook</i>	<i>Prior Outlook</i>
Net Sales	\$21.0 - \$21.2 billion	\$21.8 - \$22.0 billion
Core Operating Earnings	\$1,730 - \$1,750 million	\$1,790 - \$1,810 million
Adjusted EBITDA	\$2,230 - \$2,250 million	\$2,290 - \$2,310 million
Interest Expense	≈\$85 million	≈\$80 million
Other Expense	≈\$25 million	≈\$40 million
Equity Earnings	≈\$25 million	≈\$40 million
Effective Tax Rate	≈22%	≈22%
Non-Controlling Interest	\$90 million	\$85 million
Adjusted Net Income	\$1,190 - \$1,210 million	\$1,250 - \$1,270 million
Restructuring Costs	≈\$100 million	≈\$70 million
Capital Spending	≈\$670 million	≈\$660 million
Free Cash Flow	≈\$1,000 million	\$1,200+ million

# Non-GAAP 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 (income) expense, restructuring costs and other special items” (core operating earnings or adjusted segment earnings), “pretax income before equity income, interest, other (income) 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), “other (income) expense, net before restructuring costs and other special items” (adjusted other expense, net), “equity income before restructuring costs and other special items” (adjusted equity income), “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, losses on the extinguishment of debt, gains and losses on the disposal of fixed assets 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 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, adjusted other expense, net, adjusted equity income 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, adjusted other expense, net, adjusted equity income, 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.

# Non-GAAP Financial Information

## Impact of Restructuring and Special Items

(in millions, except per share amounts)

	Third Quarter 2018			Adjusted	Memo:
	Reported	Restructuring Costs	Other Special Items		Q3 2017 Adjusted
<b>Pretax Income Before Equity Income, Interest and Other Expense</b>	\$ 363.3	\$ 22.3	\$ 13.6	\$ 399.2	\$ 407.5
<b>Equity Income</b>	(3.4)			(3.4)	(11.7)
<b>Pretax Income Before Interest and Other Expense</b>	\$ 366.7			\$ 402.6	\$ 419.2
<b>Interest Expense</b>	21.2			21.2	21.7
<b>Other Expense, Net</b>	13.2		2.6	10.6	13.5
<b>Income Before Taxes</b>	\$ 332.3			\$ 370.8	\$ 384.0
<b>Income Taxes</b>	57.6	(5.4)	(16.2)	79.2	91.8
<b>Net Income</b>	\$ 274.7			\$ 291.6	\$ 292.2
<b>Noncontrolling Interests</b>	22.2			22.2	19.8
<b>Net Income Attributable to Lear</b>	\$ 252.5			\$ 269.4	\$ 272.4
<b>Diluted Earnings per Share</b>	\$ 3.80			\$ 4.09	\$ 3.96



# Non-GAAP Information

Core Operating Earnings and Adjusted Margins (\$ in millions)	Third Quarter		Full Year
	2017	2018	2017
<b>Net sales</b>	<b>\$ 4,981.5</b>	<b>\$ 4,891.6</b>	<b>\$ 20,467.0</b>
<b>Net income attributable to Lear</b>	<b>\$ 295.2</b>	<b>\$ 252.5</b>	<b>\$ 1,313.4</b>
Interest expense	21.7	21.2	85.7
Other (income) expense, net	(21.8)	13.2	(4.1)
Income taxes	77.8	57.6	197.5
Equity in net income of affiliates	(7.5)	(3.4)	(51.7)
Net income attributable to noncontrolling interests	19.8	22.2	67.5
Restructuring costs and other special items -			
Costs related to restructuring actions	18.1	22.3	75.4
Acquisition costs	0.8	-	3.8
Acquisition-related inventory fair value adjustment	0.7	-	5.0
Litigation	-	-	13.9
Loss related to affiliate	-	1.2	-
Other	2.7	12.4	12.6
<b>Core operating earnings</b>	<b>\$ 407.5</b>	<b>\$ 399.2</b>	<b>\$ 1,719.0</b>
<b>Adjusted margins</b>	<b>8.2%</b>	<b>8.2%</b>	<b>8.4%</b>

# Non-GAAP Information

## Adjusted Net Income and Adjusted Earnings Per Share

(In millions, except per share amounts)

	Third Quarter	
	2017	2018
<b>Net income available to Lear common stockholders</b>	<b>\$ 272.5</b>	<b>\$ 250.2</b>
Redeemable noncontrolling interest	22.7	2.3
<b>Net income attributable to Lear</b>	<b>295.2</b>	<b>252.5</b>
Costs related to restructuring actions	17.3	22.3
Acquisition costs	0.8	-
Acquisition-related inventory fair value adjustments	0.7	-
Loss on extinguishment of debt	21.2	-
(Gain) loss related to affiliate	(54.2)	2.9
Other	5.4	13.3
Tax impact of special items and other net tax adjustments <sup>1</sup>	(14.0)	(21.6)
<b>Adjusted net income attributable to Lear</b>	<b>\$ 272.4</b>	<b>\$ 269.4</b>
Weighted average number of diluted shares outstanding	68.8	65.9
<b>Diluted net income per share available to Lear common stockholders</b>	<b>\$ 3.96</b>	<b>\$ 3.80</b>
<b>Adjusted earnings per share</b>	<b>\$ 3.96</b>	<b>\$ 4.09</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 Information

## Adjusted Segment Earnings and Margins

(\$ in millions)

	Third Quarter			
	E-Systems		Seating	
	2017	2018	2017	2018
<b>Net sales</b>	<b>\$ 1,112.6</b>	<b>\$ 1,208.6</b>	<b>\$ 3,868.9</b>	<b>\$ 3,683.0</b>
Segment earnings	\$ 155.5	\$ 138.4	\$ 298.8	\$ 294.0
Costs related to restructuring actions	3.0	3.4	14.1	18.8
Acquisition costs	-	-	0.1	-
Acquisition-related inventory fair value adjustment	0.7	-	-	-
Loss related to affiliate	-	1.2	-	-
Other	1.2	3.6	-	4.4
<b>Adjusted segment earnings</b>	<b>\$ 160.4</b>	<b>\$ 146.6</b>	<b>\$ 313.0</b>	<b>\$ 317.2</b>
<b>Adjusted segment margins</b>	<b>14.4%</b>	<b>12.1%</b>	<b>8.1%</b>	<b>8.6%</b>

# Non-GAAP Information

## Free Cash Flow

(\$ in millions)

**Net cash provided by operating activities**

Capital expenditures

**Free cash flow**

	Third Quarter		Full Year
	2017	2018	2017
<b>Net cash provided by operating activities</b>	<b>\$ 339.0</b>	<b>\$ 267.9</b>	<b>\$ 1,783.1</b>
Capital expenditures	(156.2)	(160.5)	(594.5)
<b>Free cash flow</b>	<b>\$ 182.8</b>	<b>\$ 107.4</b>	<b>\$ 1,188.6</b>

# Non-GAAP Information

Adjusted Other Expense, Net (\$ in millions)	Third Quarter	
	2017	2018
Other (income) expense, net	\$ (21.8)	\$ 13.2
Costs related to restructuring actions	0.8	-
Loss on extinguishment of debt	(21.2)	-
Gain (loss) related to affiliate	54.2	(1.7)
Other	1.5	(0.9)
<b>Adjusted other expense, net</b>	<b>\$ 13.5</b>	<b>\$ 10.6</b>

Adjusted Equity Income (\$ in millions)	Third Quarter	
	2017	2018
Equity income	\$ (7.5)	\$ (3.4)
Other	(4.2)	-
<b>Adjusted equity income</b>	<b>\$ (11.7)</b>	<b>\$ (3.4)</b>