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# Lear to Acquire Eagle Ottawa

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## Eagle Ottawa at a Glance

- World's largest supplier of leather to the automotive industry
- Leading company with a rich 150-year history and stable private ownership for nearly fifty years
- Renowned for superior quality, product innovation and craftsmanship
- Revenue of approximately \$1 billion

## Transaction Summary

- Purchase 100% of the stock of Eagle Ottawa in an all cash deal valued at \$850 million on a cash free/debt free basis
- Expected to close in the first quarter of 2015, subject to regulatory requirements
- Estimated to be accretive to EPS by approximately 5%



Mercedes-Benz E-Class

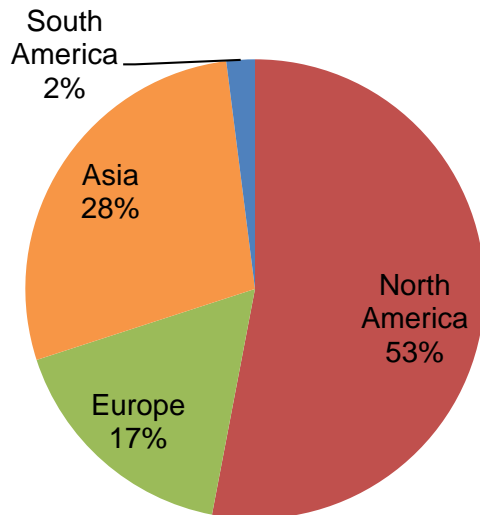


Land Rover Range Rover

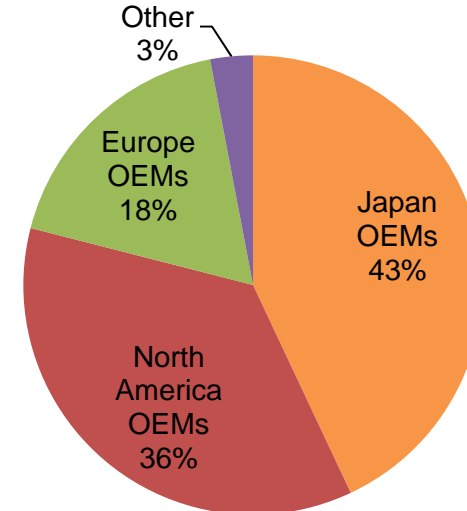
# Eagle Ottawa's Business Profile

- Eagle Ottawa is the leading leather supplier in North America and Asia and a top supplier in Europe, with annual sales of \$1 billion and 6,500 employees
- The company has 10 manufacturing facilities strategically located in 5 low-cost countries, including: 4 in Mexico, 3 in China, 1 in Brazil, 1 in Hungary and 1 in Thailand
- Eagle Ottawa's revenue is well diversified by region and by customer

Revenue by Region



Revenue by Customer



No Single Customer Represents  
More Than 20% of Sales

# Strategic Rationale

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## Attractive Industry Characteristics

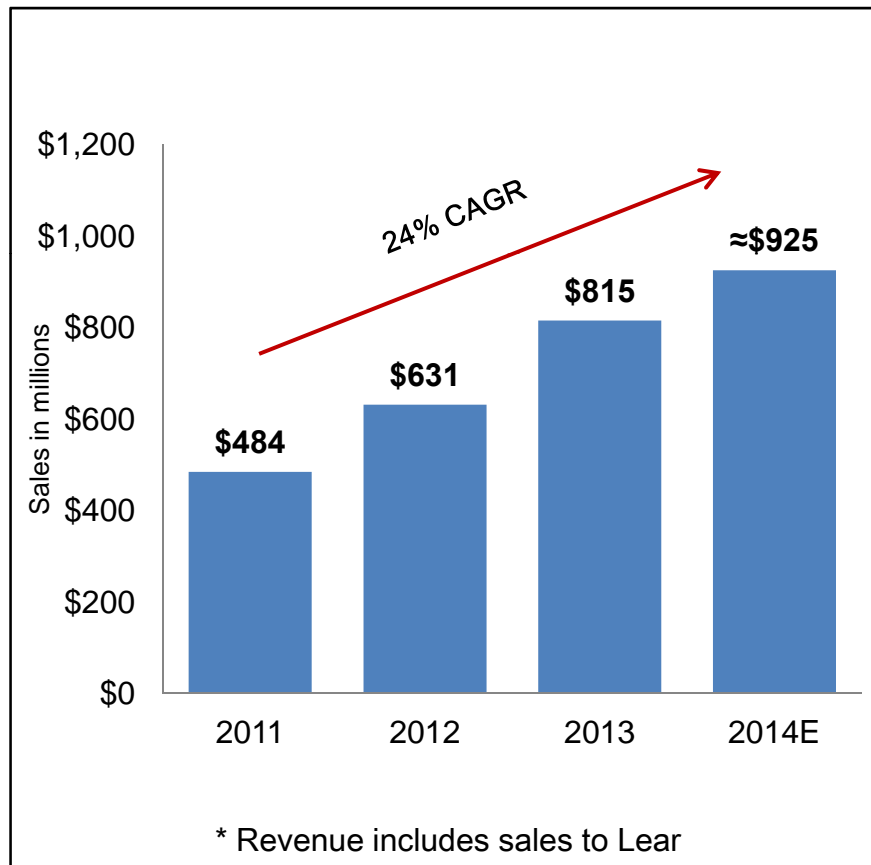
- Interior comfort and craftsmanship increasingly cited as leading factors in a consumer's vehicle selection process
- Consumers willing to pay for high quality, value-added products
- Shift to global sourcing benefitting Eagle Ottawa; expect to enhance these customer relationships under Lear ownership

## Highly Complementary and Synergistic

- Further strengthens Lear's position as the industry leader in luxury and performance seating
- Complements Lear's fabric and cut-and-sew capabilities by providing unique styling options while reducing cost and improving quality and craftsmanship
- Provides incremental sales growth opportunities
- Further diversifies Lear's customer mix

# Eagle Ottawa's Revenue Outgrowing Industry

Eagle Ottawa Revenue\*



- Eagle Ottawa's revenue has been increasing 24% annually compared with growth in industry production of 5%
- According to J.D. Power, leather content in vehicles is projected to grow faster than industry production
- Leather is a preferred trim element on premium vehicles and is utilized as a premium upgrade on all vehicles
- Leather is typically sourced directly by automakers because of its importance in differentiating their products and brands

# Eagle Ottawa is a Recognized Industry Expert

## Industry Expert:

- Eagle Ottawa is an industry expert, with the ability to differentiate their products for the end consumer

## Trusted Partner:

- Eagle Ottawa has strong partnerships with automakers, and is able to develop proprietary designs and co-branded leather

## Reputation for Innovation:

- Leather processing and design capabilities, such as embossing, custom stitching, perforation, etching and lamination as well as advanced color, grain, texture and other surface effects
- First to market with new technologies:
  - Ansole™ finishing prevents soiling
  - Natalie™ recycled composition leather
  - Low volatile emission leather developed to meet requirements in China

## Top 10 Reasons Why Car Buyers Choose a Specific Vehicle Model:

1. **Reliability / Durability**
2. **Interior Comfort**
3. Exterior Styling
4. Gas Mileage
5. **Quality of Workmanship**
6. Dealer was Convenient / Liked Dealer in the Area
7. Performance
8. Advanced Technology
9. **Like the Image Vehicle Portrays**
10. Safety

Source: J.D. Power & Associates

**Green is applicable to leather**

# Key Financial Highlights

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## Valuation

- \$850 million all-cash transaction
- Excluding synergies — 2015E EV/EBITDA  $\approx$  6X

## Financial Impact

- Estimated to be accretive by approximately 5% to EPS, excluding synergies
- $\approx$ \$20 million of annual operating synergies within 24 months of closing excluding incremental sales opportunities

## Consistent with Lear's Strategy and Financial Metrics

- Strengthens Lear's overall Seating business, with sales growing faster than industry production and returns in excess of Lear's cost of capital
- Consistent with Lear's stated gross leverage target of 1.5x EBITDA
- Consistent with stated capital allocation plan, allowing Lear to continue to return cash to shareholders

# Investor Information

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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 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; 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; the impact of new regulations related to conflict minerals; 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; and other risks described in the Company’s Annual Report on Form 10-K for the year ended December 31, 2013, 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.

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