# Second Quarter 2019 Financial Results

July 26, 2019

Ray Scott, President and CEO

Jeff Vanneste, Senior Vice President and CFO

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# 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, 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.

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# Agenda

- **Business Update**
  *Ray Scott, President and CEO*
- **Financial Review**
  *Jeff Vanneste, Senior Vice President and CFO*
- **Operational and Organizational Plan**
  *Ray Scott, President and CEO*
- **Concluding Remarks**
  *Ray Scott, President and CEO*

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# Business Update

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Ray Scott, President and CEO

# Second Quarter 2019 Financial Overview

**Sales**

**$5.0B**

**Core Operating Earnings**

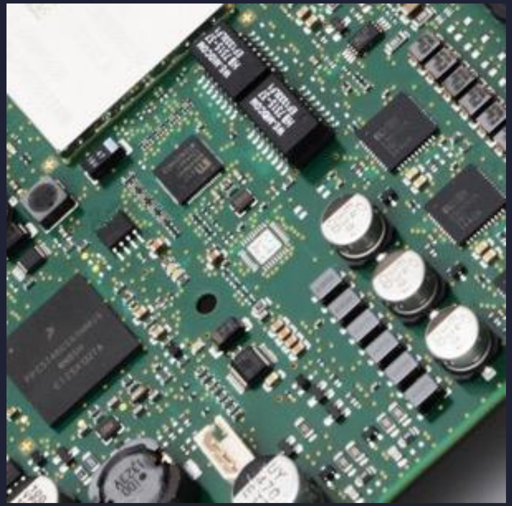
**$352M**

**Adjusted Earnings per Share**

**$3.78**

**Adjusted Operating Margin**

**7.0%**



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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.

# Business Highlights

- Delivered strong Q2 financial results in the Seating segment, despite a challenging industry environment
- Partnered with FCA to launch Uconnect Market, an in-vehicle commerce platform powered by Xevo Market
- Completed $700 million bond financing to fund Xevo acquisition and redeem 2024 senior notes
- Received GM Supplier of the Year and Overdrive Awards
- Signed new development and innovation partners, CARMERA and Plug and Play Silicon Valley

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# Financial Review

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Jeff Vanneste, Senior Vice President and CFO

# Second Quarter 2019
# Global Vehicle Production and Currency

| (Units in millions) | Q2 2018 Actual | Q2 2019 Actual | vs. Prior Year | vs. Prior Outlook |
|---|---|---|---|---|
| China | 6.3 | 5.3 | Down 17% | Down 14% |
| Europe and Africa | 6.2 | 5.8 | Down 7% | Flat |
| North America | 4.4 | 4.3 | Down 2% | Down 1% |
| India | 1.2 | 1.0 | Down 12% | Down 11% |
| Brazil | 0.7 | 0.7 | Up 5% | Down 4% |
| **Global** | **23.7** | **21.9** | **Down 7%** | **Down 4%** |

| **Key Currencies** | | | | |
|---|---|---|---|---|
| Euro | $1.20 / € | $1.12 / € | Down 6% | Down 1% |
| Chinese RMB | 6.37 / $ | 6.80 / $ | Down 6% | Down 1% |

Source: IHS Markit as of July 2019

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# Key Financials

($ in millions, except per share amounts)

| | Second Quarter | | |
|---|---|---|---|
| | 2018 | 2019 | B/(W) |
| Net Sales | $ 5,581 | $ 5,008 | (10)% |
| Core Operating Earnings | $ 471 | $ 352 | (25)% |
| *Operating Margin %* | *8.4%* | *7.0%* | |
| Adjusted Net Income | $ 330 | $ 236 | (29)% |
| Adjusted Earnings per Share | $ 4.95 | $ 3.78 | (24)% |
| Memo: | | | |
| Other Expense, Net* | $ 4 | $ 7 | $ (2) |
| Equity Income | $ (9) | $ (8) | $ (1) |
| Noncontrolling Interest | $ 24 | $ 19 | $ 4 |
| Free Cash Flow | $ 348 | $ 268 | $ (80) |

* 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.

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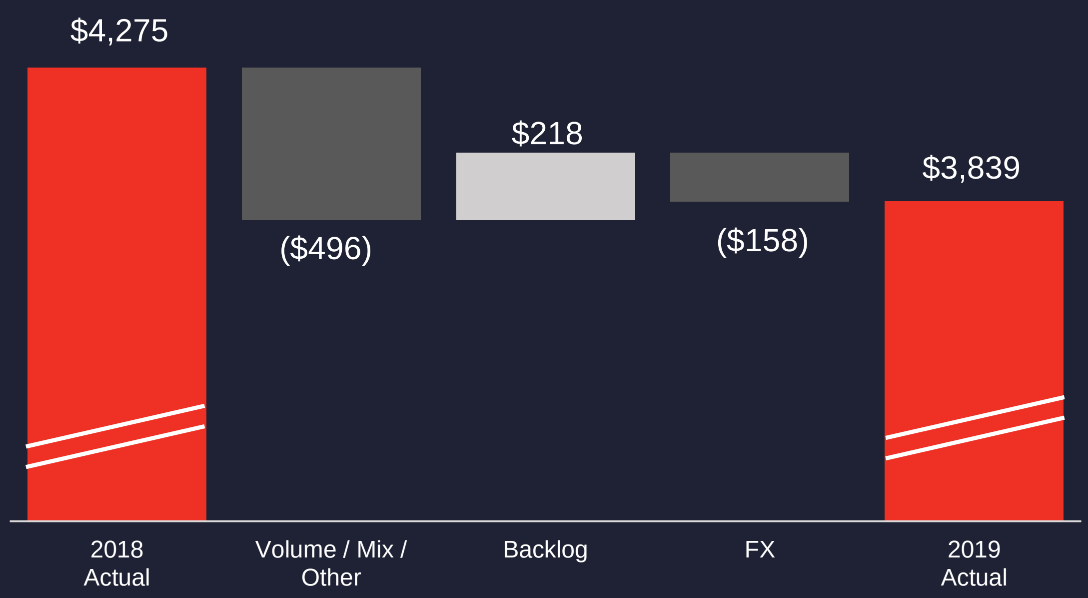
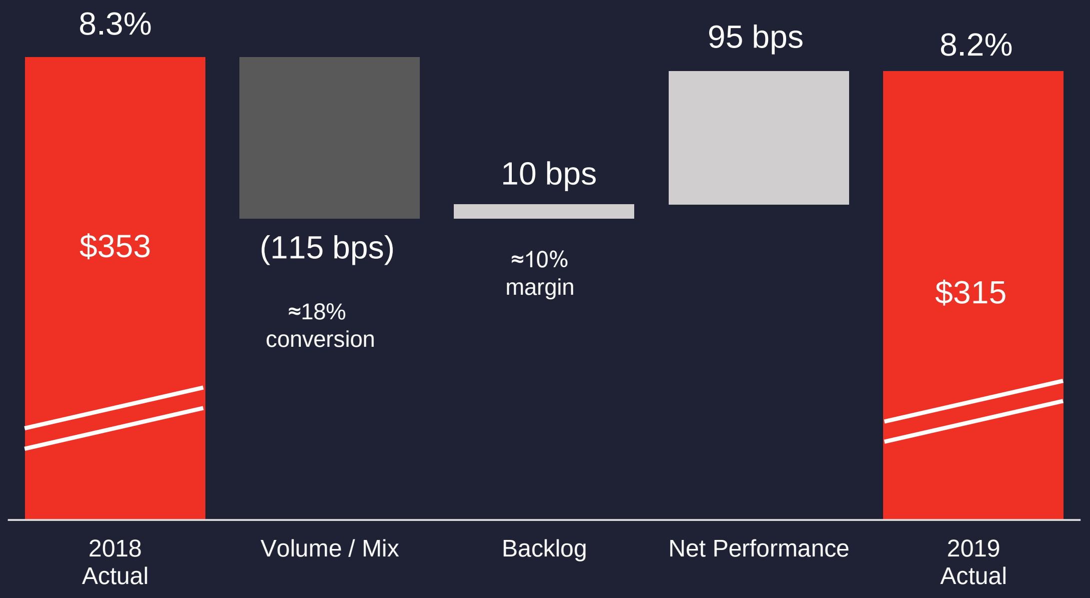
# Seating Second Quarter Sales and Margin Drivers

($ in millions)

## Sales




## Adjusted Earnings and Margin




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.

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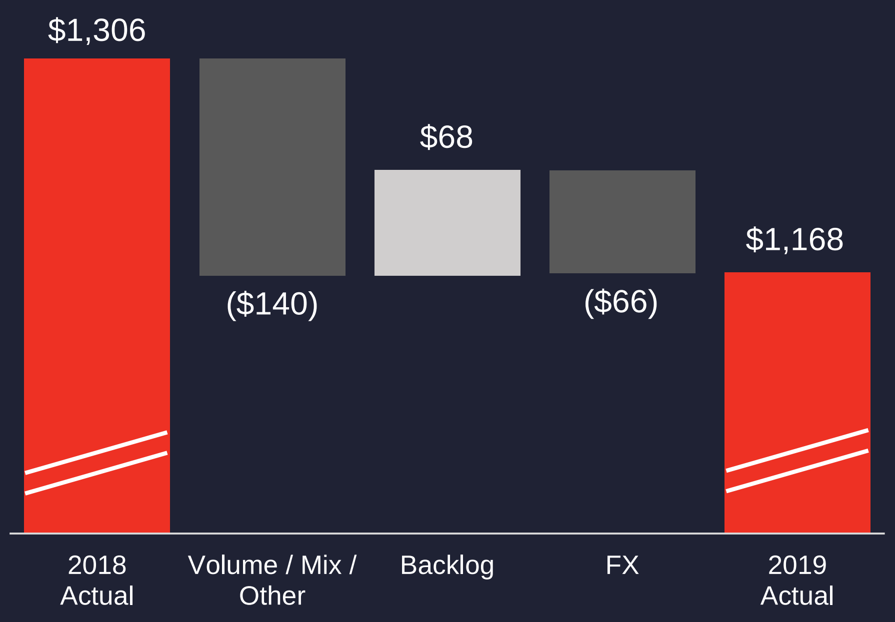
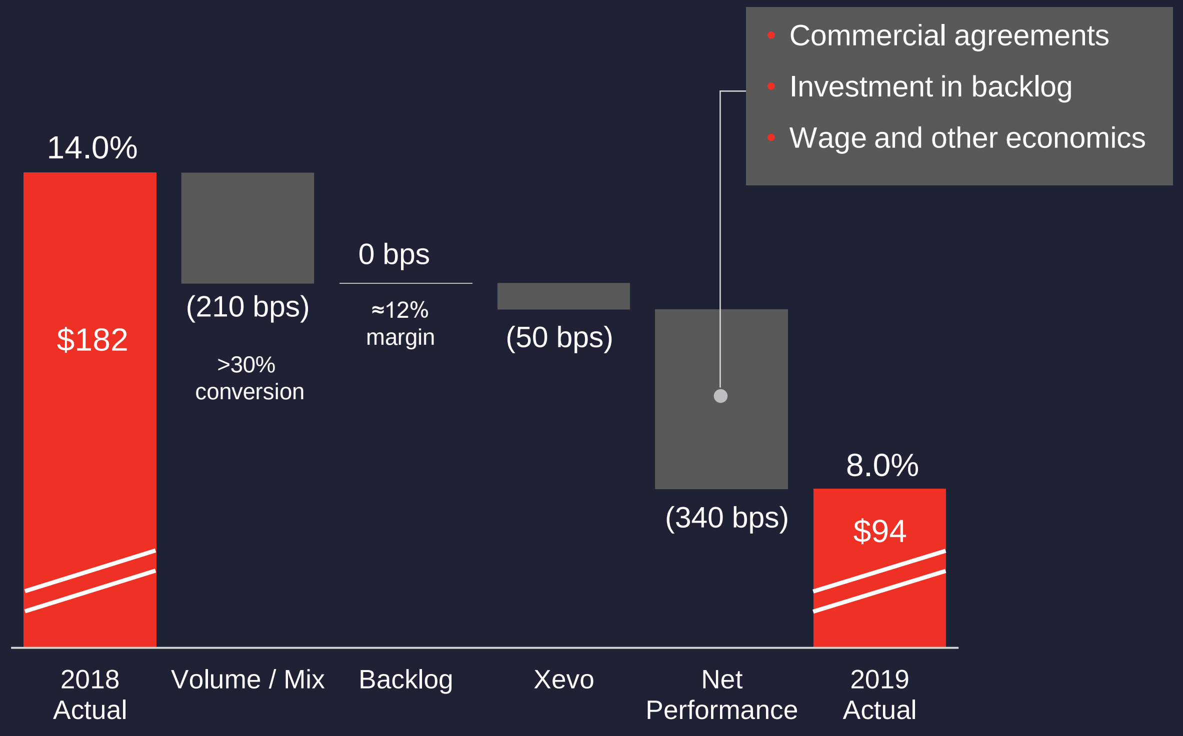
# E-Systems Second Quarter Sales and Margin Drivers

($ in millions)

## Sales




## Adjusted Earnings and Margin

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# 2019 Full Year Outlook
# Global Vehicle Production and Currency

| (Units in millions) | FY 2018 Actual | FY 2019 Outlook | vs. Prior Year | vs. Prior Outlook |
|---|---|---|---|---|
| China | 25.3 | 23.4 | Down 7% | Down 7% |
| Europe and Africa | 22.7 | 22.1 | Down 2% | Flat |
| North America | 17.0 | 16.6 | Down 2% | Flat |
| India | 4.7 | 4.5 | Down 5% | Down 8% |
| Brazil | 2.8 | 2.9 | Up 6% | Down 1% |
| **Global** | **92.5** | **89.0** | **Down 4%** | **Down 3%** |

| **Key Currencies** | Full Year | Full Year | Full Year | Full Year |
|---|---|---|---|---|
| Euro | $1.18 / € | $1.12 / € | Down 5% | Down 1% |
| Chinese RMB | 6.61 / $ | 6.85 / $ | Down 3% | Down 1% |

Source: IHS Markit as of July 2019; Lear estimates

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# 2019 Full Year Outlook

| | | | | | |
|---|---|---|---|---|---|
| **Net Sales** | $19.8 - $20.3 billion | **Interest Expense** | ≈$100 million | **Restructuring Costs** | ≈$200 million |
| **Core Operating Earnings** | $1,350 - $1,450 million | **Effective Tax Rate** | 22% - 23% | **Capital Spending** | ≈$650 million |
| **Adjusted EBITDA** | $1,870 - $1,970 million | **Adjusted Net Income** | $885 - $965 million | **Free Cash Flow** | $675 - $775 million |

Note: 2019 Outlook assumes an average Euro of $1.12 and an average Chinese RMB of 6.85/$

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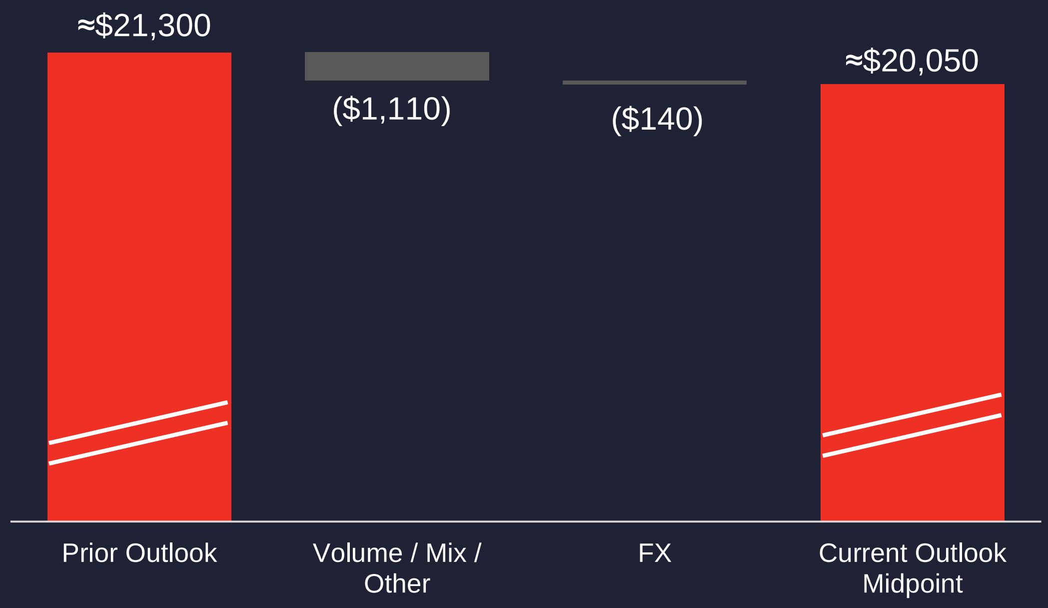
Certain of the forward-looking financial measures are provided on a non-GAAP basis. A reconciliation of forward-looking financial measures to the most directly comparable financial measures calculated and presented in accordance with GAAP is potentially misleading and not practical given the difficulty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

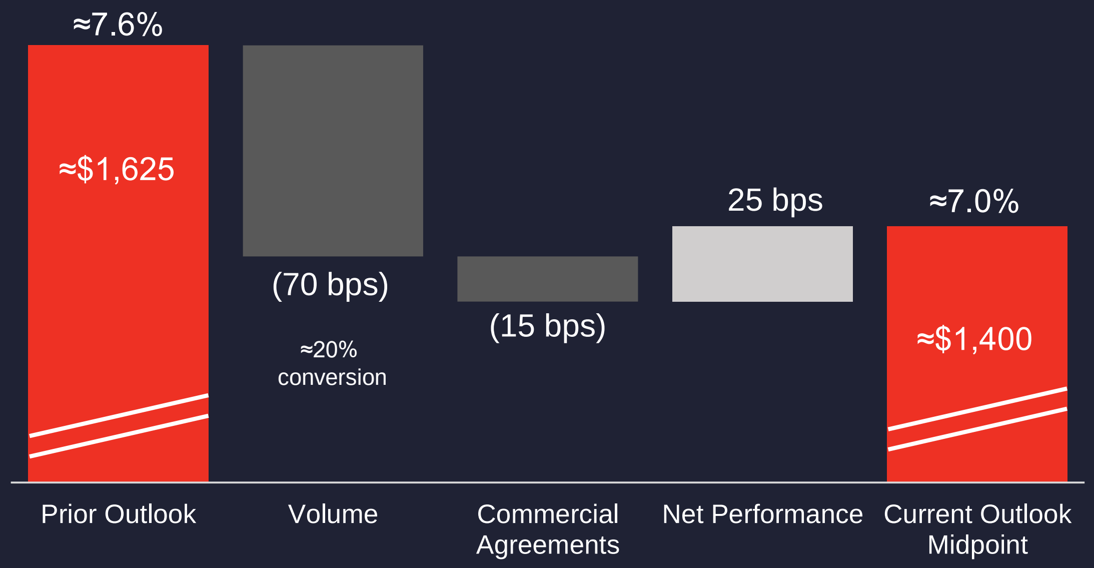
# Changes from Prior 2019 Full Year Outlook

($ in millions)

## Sales




## Adjusted Earnings and Margin

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# Operational and Organizational Plan

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Ray Scott, President and CEO

# Lear Operational and Organizational Plan

## KEY PRINCIPLES

- Commitment to sustainable, profitable growth (ROIC)
- Commitment to product and process innovation
- Commitment to operational excellence
- Focus on creating long-term value for shareholders

## KEY ACTIONS

- Comprehensive internal organizational and operational evaluation
  - Formed dedicated team, led by Lear's Chief Administrative Officer, to evaluate administrative functions and processes
  - Review competitiveness and profitability across regions, customers, and products
  - Restructure manufacturing operations and refine operating and business models to reflect current industry environment and position business for growth
  - Accelerate efforts to organize business operations to leverage common core capabilities in Seating and E-Systems
  - Continue to acquire and align talent with growth objectives
  - Maximize synergies from recent acquisitions
  - Exit low-return / non-core product lines or customers

# E-Systems Operational and Organizational Plan

## AREAS OF FOCUS

- Further strengthening of E-Systems' senior management team
- Comprehensive assessment of current product portfolio and path to product mix shift
  - Increased vertical integration on wire harness programs
  - Higher growth in electronics with software
- Program profitability review
- Customer and regional diversification
- Response to evolving customer sourcing strategies
- Further strengthening of margin enhancing activities
- Identification and implementation of SG&A efficiencies

## KEY OUTCOMES

- Acquisition of talent and capabilities required to support key growth areas (electrification, connectivity, software)
- Focused investment in product areas that are aligned with Lear capabilities and technology and offer highest financial return potential
- Long-term growth rate increase
- Higher ROIC
- Reduction of costs to offset impact of lower volumes
  - Consolidation of operations to improve capacity utilization
  - Reduction of labor costs by moving facilities to lower cost locations
  - Re-allocation of resources to highest growth areas

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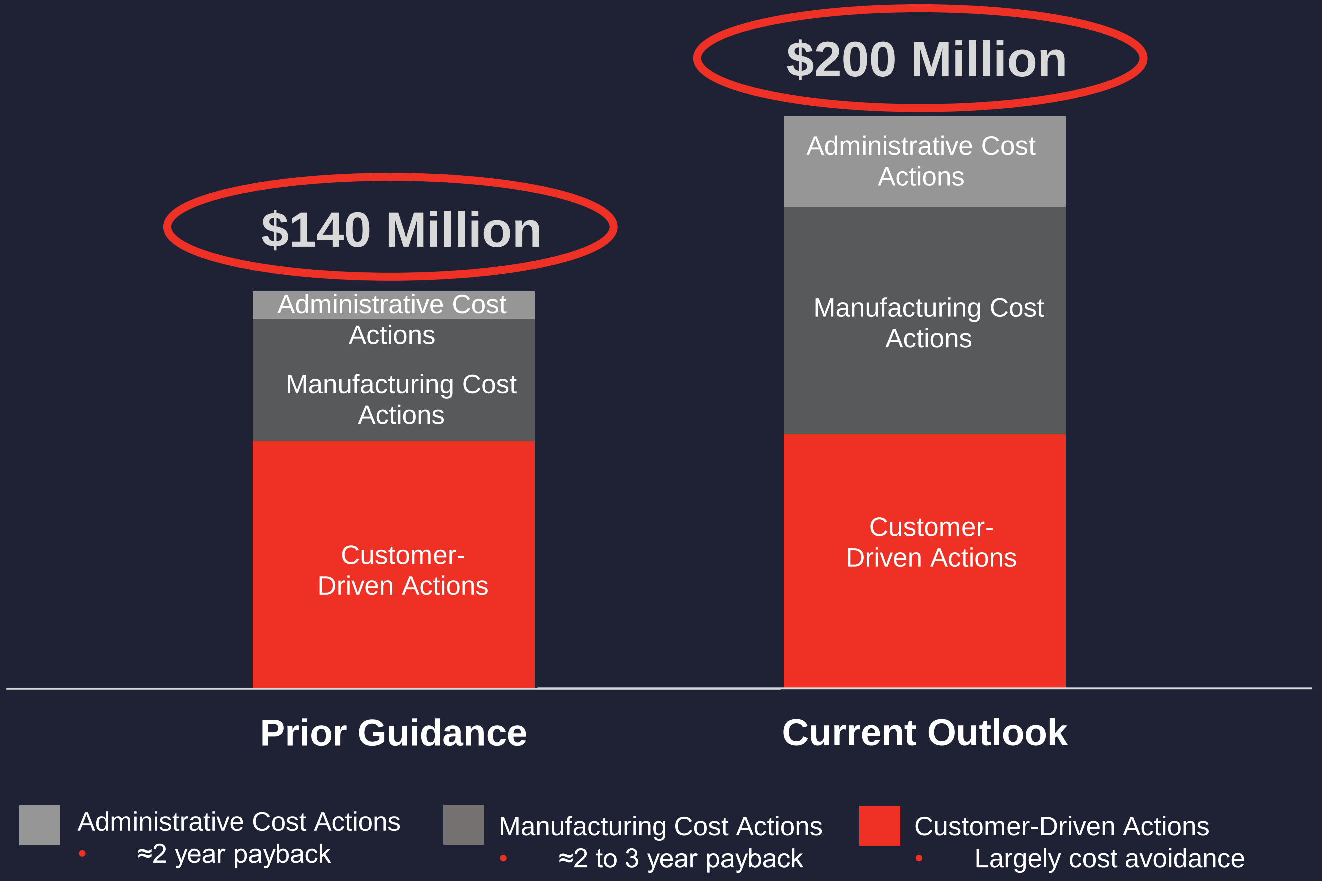
# 2019 Restructuring Costs Outlook




| ($ in millions) | Restructuring Costs | Anticipated Savings* |
|---|---|---|
| Seating | $ 150 | $ 45 |
| E-Systems | $ 45 | $ 25 |
| Headquarters | $ 5 | $ 5 |
| **Total** | **$200** | **$75** |

* Savings associated with the overall restructuring plan

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# Concluding Remarks

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# Concluding Remarks

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

Industry-leading talent, 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

***The Lear Investment Thesis***

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# 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 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 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.

# 2019 Full Year Financial Outlook

| | *Current Outlook* | *Prior Outlook* |
|---|---|---|
| Net Sales | \$19.8 - \$20.3 billion | \$20.9 - \$21.7 billion |
| Core Operating Earnings | \$1,350 - \$1,450 million | \$1,600 - \$1,700 million |
| Adjusted EBITDA | \$1,870 - \$1,970 million | \$2,120 - \$2,220 million |
| Interest Expense | ≈\$100 million | ≈\$100 million |
| Other Expense | ≈\$30 million | ≈\$30 million |
| Equity Earnings | ≈\$20 million | ≈\$30 million |
| Effective Tax Rate | 22% - 23% | 22% - 23% |
| Non-Controlling Interest | ≈\$75 million | ≈\$85 million |
| Adjusted Net Income | \$885 - \$965 million | \$1,080 - \$1,170 million |
| Restructuring Costs | ≈\$200 million | ≈\$140 million |
| Capital Spending | ≈\$650 million | ≈\$700 million |
| Free Cash Flow | \$675 - \$775 million | \$850 - \$950 million |

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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) | Second Quarter 2019 | | | | Memo: |
|---|---|---|---|---|---|
| | Reported | Restructuring Costs | Other Special Items | Adjusted | Q2 2018 Adjusted |
| Pretax Income Before Equity Income, Interest and Other Expense | $ 305.2 | $ 38.3 | $ 8.1 | $ 351.6 | $ 470.5 |
| Equity Income | (8.4) | | | (8.4) | (9.1) |
| Pretax Income Before Interest and Other Expense | $ 313.6 | | | $ 360.0 | $ 479.6 |
| Interest Expense | 24.5 | | 0.1 | 24.4 | 21.0 |
| Other Expense, Net | 13.8 | | 7.0 | 6.8 | 4.4 |
| Income Before Taxes | $ 275.3 | | | $ 328.8 | $ 454.2 |
| Income Taxes | 73.3 | (7.5) | 7.0 | 73.8 | 100.4 |
| Net Income | $ 202.0 | | | $ 255.0 | $ 353.8 |
| Noncontrolling Interests | 19.2 | | | 19.2 | 23.6 |
| Net Income Attributable to Lear | $ 182.8 | | | $ 235.8 | $ 330.2 |
| Diluted Earnings per Share | $ 2.92 | | | $ 3.78 | $ 4.95 |

* Restructuring costs include $36.2 million in cost of sales and $2.1 million in SG&A.  Other special items include $2.2 million in cost of sales and $5.9 million in SG&A.

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# Non-GAAP Financial Information

| **Core Operating Earnings and Adjusted Margins** | **Second Quarter** | |
|---|---|---|
| ($ in millions) | **2018** | **2019** |
| **Net sales** | **$ 5,580.8** | **$ 5,007.6** |
| **Net income attributable to Lear** | **$ 331.4** | **$ 182.8** |
| Interest expense | 20.9 | 24.5 |
| Other expense, net | 3.7 | 13.8 |
| Income taxes | 97.7 | 73.3 |
| Equity in net income of affiliates | (9.1) | (8.4) |
| Net income attributable to noncontrolling interests | 23.6 | 19.2 |
| Restructuring costs and other special items - | | |
| Costs related to restructuring actions | 13.4 | 38.3 |
| Acquisition costs | - | 0.5 |
| Litigation | (16.8) | 1.1 |
| Tax ruling in a foreign jurisdiction | - | 0.5 |
| Other | 5.7 | 6.0 |
| **Core operating earnings** | **$ 470.5** | **$ 351.6** |
| **Adjusted margins** | **8.4%** | **7.0%** |

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# Non-GAAP Financial Information

| **Adjusted Earnings Per Share** (In millions, except per share amounts) | **Second Quarter 2018** | **Second Quarter 2019** |
|---|---|---|
| **Net income available to Lear common stockholders** | **$ 322.2** | **$ 181.9** |
| Redeemable noncontrolling interest | 9.2 | 0.9 |
| **Net income attributable to Lear** | **331.4** | **182.8** |
| Costs related to restructuring actions | 13.4 | 38.3 |
| Acquisition costs | - | 0.5 |
| Litigation | (17.4) | 1.1 |
| Loss on extinguishment of debt | - | 10.6 |
| Gain related to affiliate | - | (1.6) |
| Tax ruling in a foreign jurisdiction | - | 0.6 |
| Other | 5.5 | 4.0 |
| Tax impact of special items and other net tax adjustements [1] | (2.7) | (0.5) |
| **Adjusted net income attributable to Lear** | **$ 330.2** | **$ 235.8** |
| Weighted average number of diluted shares outstanding | 66.7 | 62.4 |
| **Diluted net income per share available to Lear common stockholders** | **$ 4.83** | **$ 2.92** |
| **Adjusted earnings per share** | **$ 4.95** | **$ 3.78** |

[1] 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.

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# Non-GAAP Financial Information

| Adjusted Segment Earnings and Margins | Second Quarter 2018 | | Second Quarter 2019 | |
|---|---|---|---|---|
| ($ in millions) | Seating | E-Systems | Seating | E-Systems |
| **Net sales** | **$ 4,274.7** | **$ 1,306.1** | **$ 3,839.4** | **$ 1,168.2** |
| **Segment earnings** | **$ 348.3** | **$ 175.1** | **$ 283.2** | **$ 84.7** |
| Restructuring costs and other special items - | | | | |
| Costs related to restructuring actions | 8.4 | 4.5 | 29.5 | 8.7 |
| Litigation | (3.6) | - | 1.1 | - |
| Tax ruling in a foreign jurisdiction | - | (1.1) | 0.4 | 0.1 |
| Other | 0.1 | 3.9 | 0.3 | 0.4 |
| **Core operating earnings** | **$ 353.2** | **$ 182.4** | **$ 314.5** | **$ 93.9** |
| **Adjusted margins** | **8.3%** | **14.0%** | **8.2%** | **8.0%** |

# Non-GAAP Financial Information

| **Free Cash Flow**<br>($ in millions) | **Second Quarter** | |
|---|---|---|
| | **2018** | **2019** |
| **Net cash provided by operating activities** | **$ 516.9** | **$ 404.3** |
| Capital expenditures | (169.4) | (136.5) |
| **Free cash flow** | **$ 347.5** | **$ 267.8** |

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# Non-GAAP Financial Information

| ($ in millions) | Second Quarter 2018 | Second Quarter 2019 |
|---|---|---|
| **Other expense, net** | **$ 3.7** | **$ 13.8** |
| Loss on extinguishment of debt | - | (10.6) |
| Gain related to affiliate | - | 1.6 |
| Other | 0.7 | 2.0 |
| **Adjusted other expense, net** | **$ 4.4** | **$ 6.8** |