

# Third Quarter 2020 Financial Results

October 30, 2020

Ray Scott, President and CEO

Jason Cardew, Senior Vice President and CFO



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# 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, 2019, Quarterly Reports on Form 10-Q for the quarters ended April 4, 2020 and July 4, 2020, and its other Securities and Exchange Commission filings. Future operating results will be based on various factors, including the impact of COVID-19 on our business and the global economy, actual industry production volumes, commodity prices, the impact of restructuring actions 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**  
*Jason Cardew, Senior Vice President and CFO*
- **Concluding Remarks**  
*Ray Scott, President and CEO*

# Business Update

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# Business Highlights

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**Delivered strong financial results, with both business segments reporting margins in the high-7% range**

**Continued to grow sales faster than the market in both segments; E-Systems growth over market of 12%**

**Restarted and sustained ramped-up levels of production with robust safety protocols**

**Generated strong cash flow; repaid all amounts outstanding on revolver**

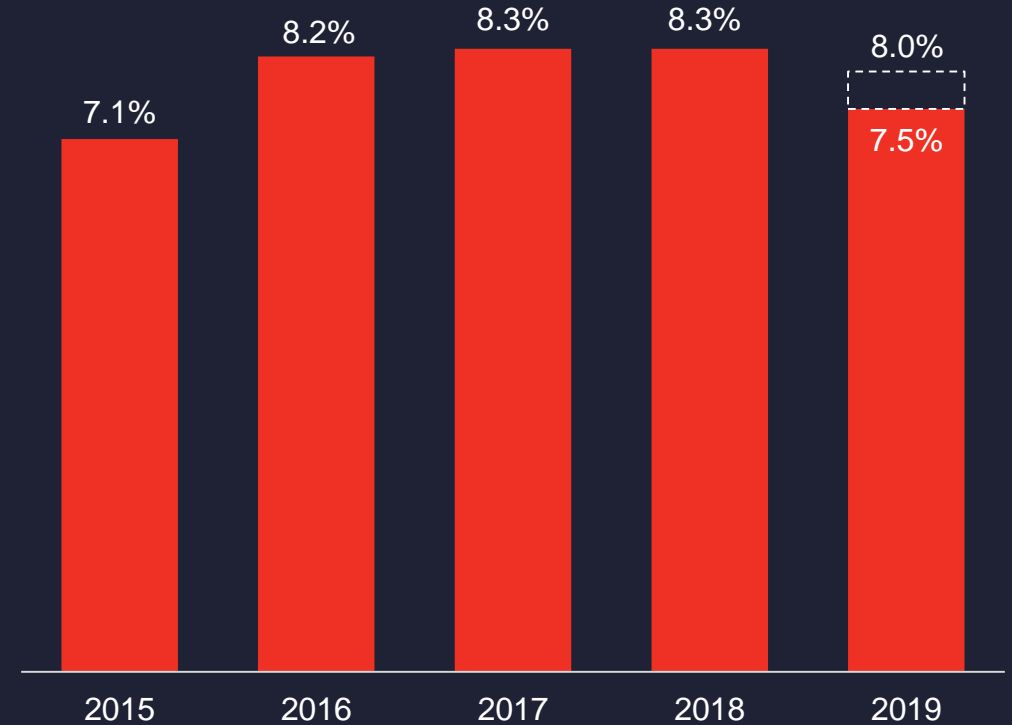
**Received two J.D. Power 2020 U.S. Seat Quality and Satisfaction Study<sup>SM</sup> awards; recognized for more top three rankings than any other seat supplier**

**Announced new environmental goals related to reduced carbon emissions and renewable energy usage**

# Seating Business Profile

- Demonstrated record of strong and consistent financial results
  - Industry-leading margins
  - Significant free cash flow
- Well positioned to benefit from secular trends
  - Market leader in luxury seats with over 45% global market share
  - Strong position in EV market in Europe with over 30% market share
- Most complete capabilities of any seat supplier with highly competitive global manufacturing and engineering footprint
- Long history of operational excellence
- Extending leading market position through superior engineering and innovative products aligned with industry megatrends
  - INTU™ products support health/wellness, safety, comfort and sound
  - ConfigurE+ is an ideal solution for shared mobility applications

## Historical Seating Adjusted Margins



Excluding the impact of the GM Strike

# E-Systems Portfolio



## Electrical Distribution and Connection Systems

- Low Voltage Wire Harness
- Low Voltage Connection Systems
- High Voltage Wire Harness
- High Voltage Connection Systems



## Electronic Systems

- Junction Boxes
- Body Control Modules
- On-Board Battery Chargers (OBC)
- DC/DC Converters
- Battery Management Systems (BMS)
- Battery Disconnect Units (BDU)
- Gateway Modules
- Communication Modules



## Software and Connected Services

- Embedded Software
- Xevo Connected Services
- Exo Navigation Services

## Product Offerings

## Key 2020 / 2021 Launches

**Jaguar I-Pace OBC, DC/DC Converter**  
*Electrification*

**Mazda MX-30 OBC**  
*Electrification*

**Polestar 2 OBC, BMS, BDU**  
*Electrification  
Gateway Modules*

**GMC Hummer EV BDU**  
*Electrification*

**Ford Mustang Mach-E**  
*Wiring, Electronics,  
Connection Systems*

**Audi 5G Communication Module**  
*Connectivity*

**Ford Bronco Sport**  
*Wiring, Electronics,  
Connection Systems*

**Land Rover Defender**  
*Wiring, Electronics,  
Connection Systems*

# E-Systems – High Voltage Electrical Architecture

In Lear's Portfolio

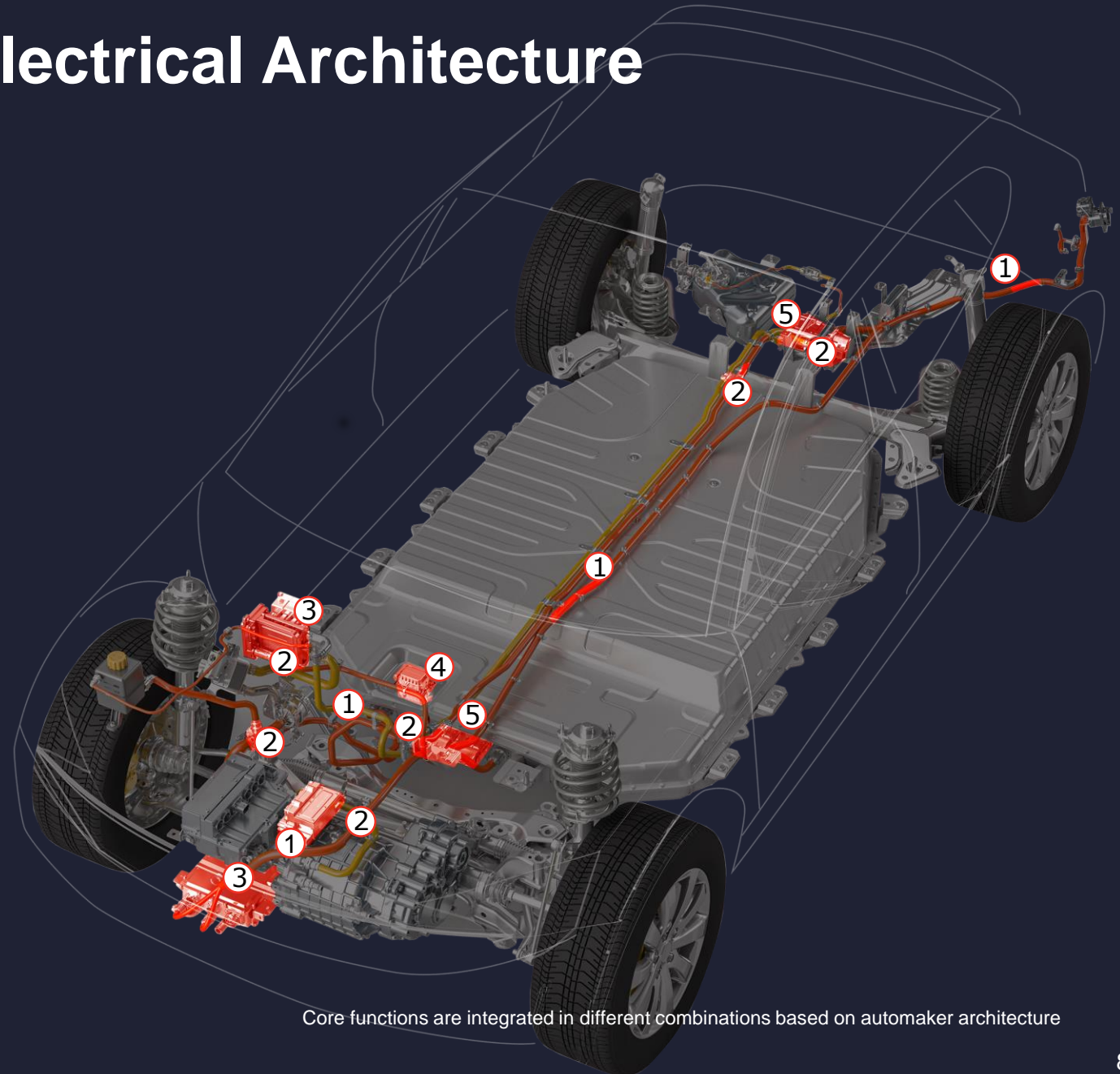
- 1. HV Wire Harness
- 2. HV Connection Systems
- 3. Integrated Power Modules: On-Board Chargers & DC/DC Converters
- 4. Battery Management Systems
- 5. HV Power Distribution Box / Battery Disconnect Unit

Deemphasizing

- Off-Board Charging Equipment
- Traction Inverter

Outside Lear's Portfolio

- Electric Motor
- Electric Gear Box
- Electric Air Conditioner
- PTC Heater
- Power Battery
- Battery Pack Environmental Control
- Other High Voltage Components

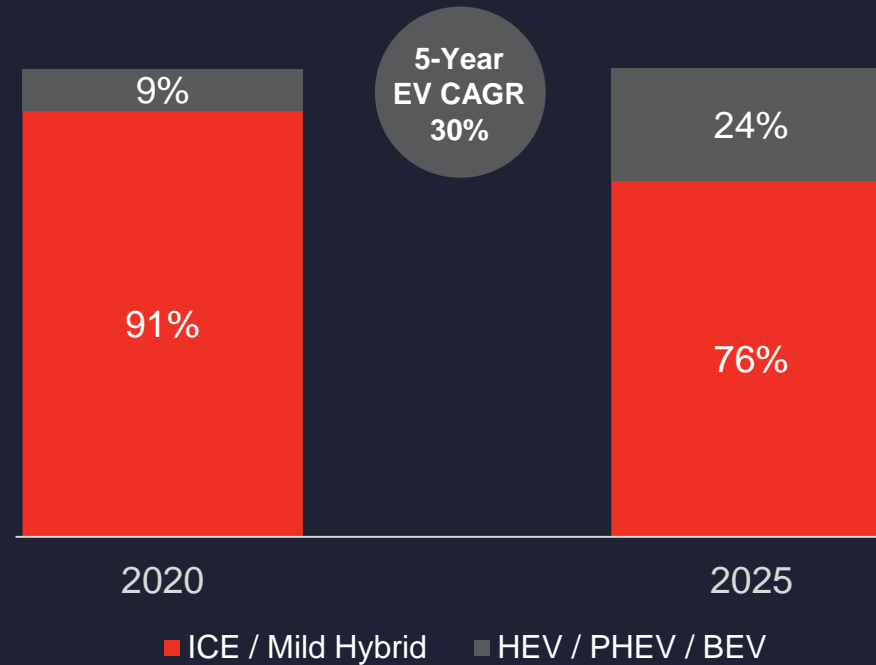


Core functions are integrated in different combinations based on automaker architecture



# E-Systems – Electrification Opportunity

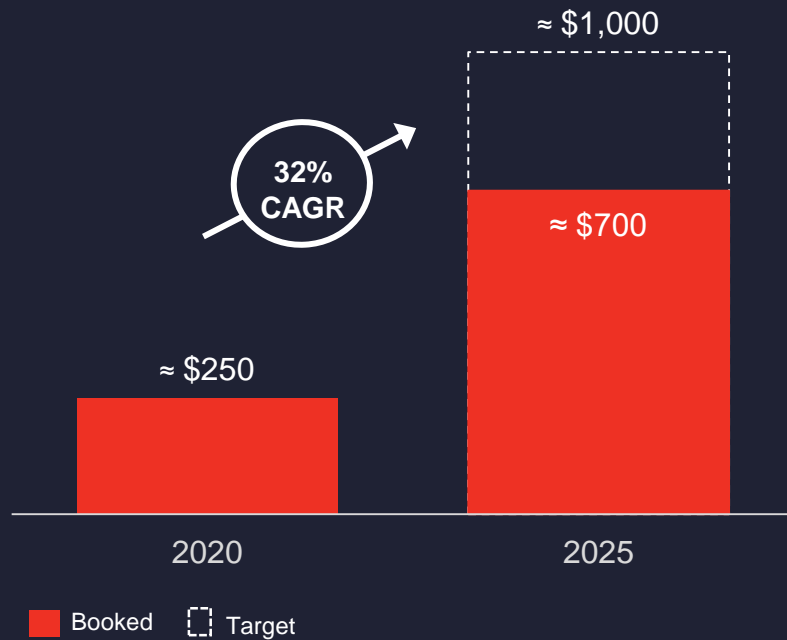
## IHS Volume Forecast by Propulsion Type



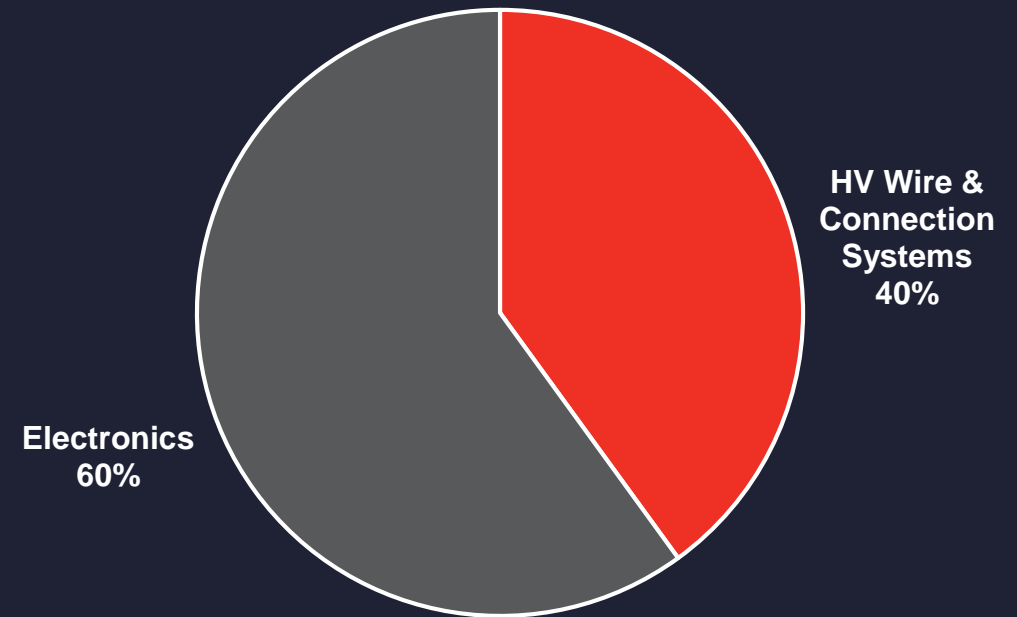
# E-Systems – Electrification Sales Outlook

## Electrification Sales Outlook

(\$ in millions)



## 2025 Sales Mix by Product Type



Source: Lear estimates

# Financial Review

## Third Quarter 2020 Results

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Jason Cardew, Senior Vice President and CFO

# Third Quarter 2020 Global Vehicle Production and Currency

## Industry Production

(units in millions)

Global	North America	Europe and Africa	China
Q3 2019	Q3 2019	Q3 2019	Q3 2019
20.7	4.0	4.8	5.5
Q3 2020	Q3 2020	Q3 2020	Q3 2020
19.8	4.0	4.4	5.9
vs Prior Year Down 4%	vs Prior Year Up 1%	vs Prior Year Down 8%	vs Prior Year Up 9%

Source: IHS Markit as of October 16, 2020

## Key Currencies

	2019	2020	
Euro	\$1.11 / €	\$1.17 / €	Up 5%
Chinese RMB	6.99 / \$	6.92 / \$	Up 1%

# Key Financials

(\$ in millions, except per share amounts)

	Third Quarter		<u>Comments</u>
	2019	2020	
Net Sales	\$ 4,825	\$ 4,900	• Reflects new business backlog of \$293 million, partially offset by decline in global vehicle production
Core Operating Earnings <i>Operating Margin %</i>	\$ 338 7.0%	\$ 327 6.7%	• Unfavorable impact of lower industry production, partially offset by margin accretive backlog and performance
Adjusted Earnings per Share	\$ 3.54	\$ 3.73	• Primarily reflects lower effective tax rate
Free Cash Flow	\$ 193	\$ 474	• Reflects favorable working capital

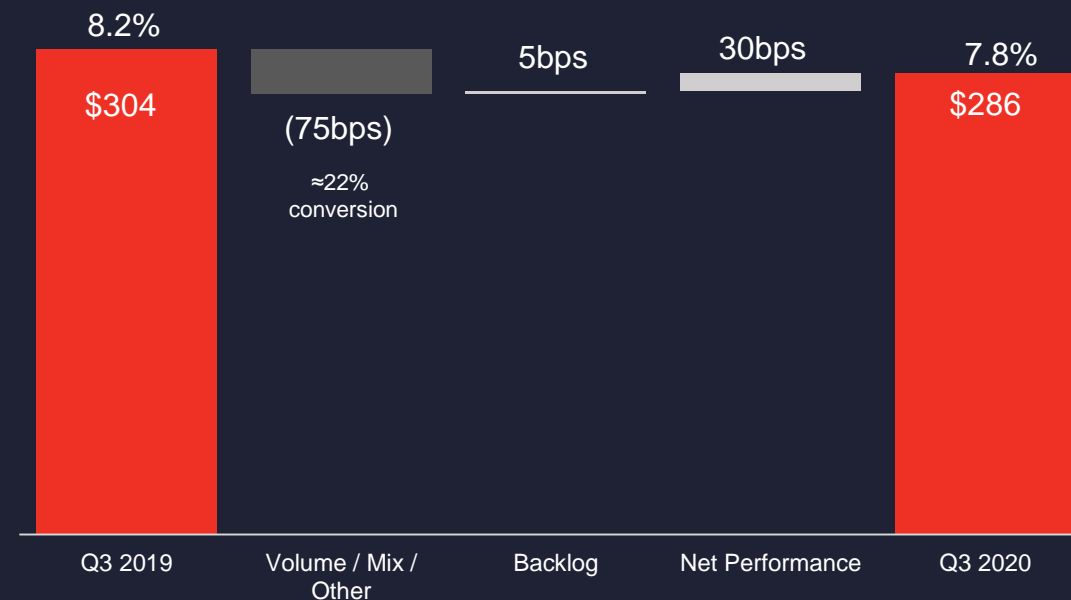
# Seating Sales and Margin Drivers Third Quarter

(\$ in millions)

## Sales



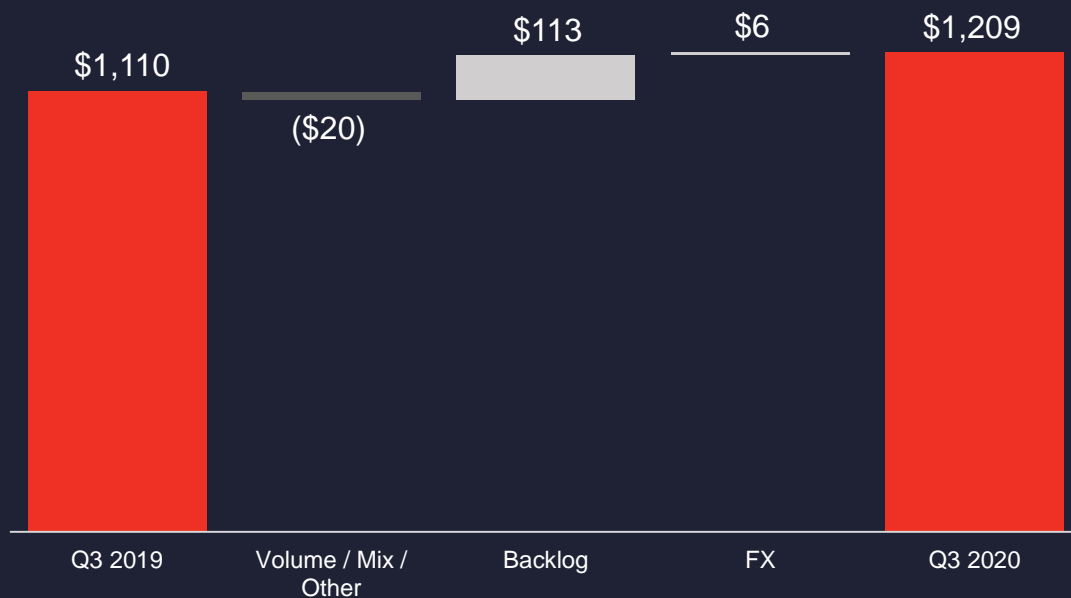
## Adjusted Earnings and Margin



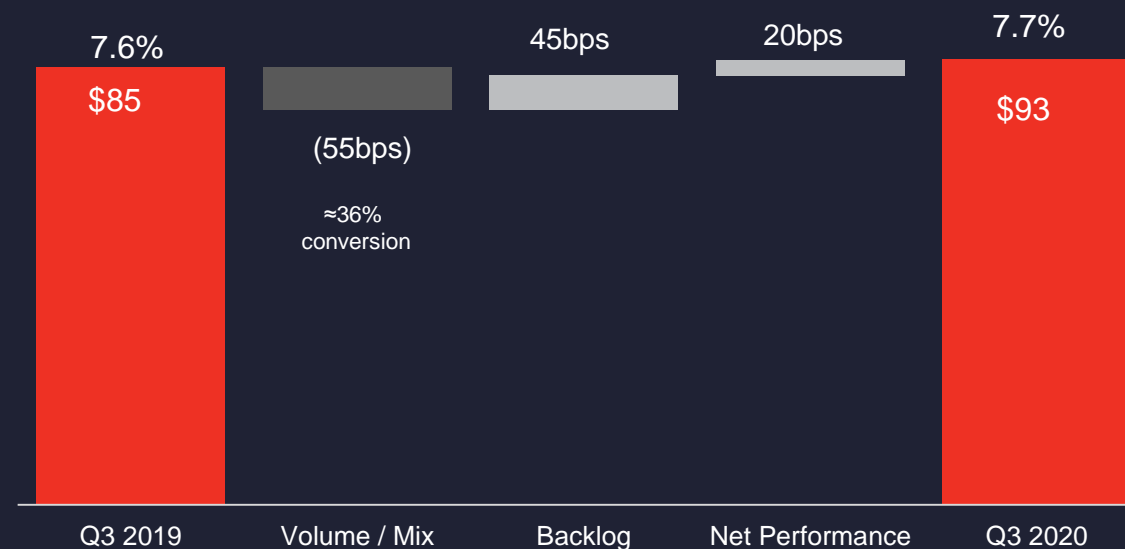
# E-Systems Sales and Margin Drivers Third Quarter

(\$ in millions)

## Sales



## Adjusted Earnings and Margin



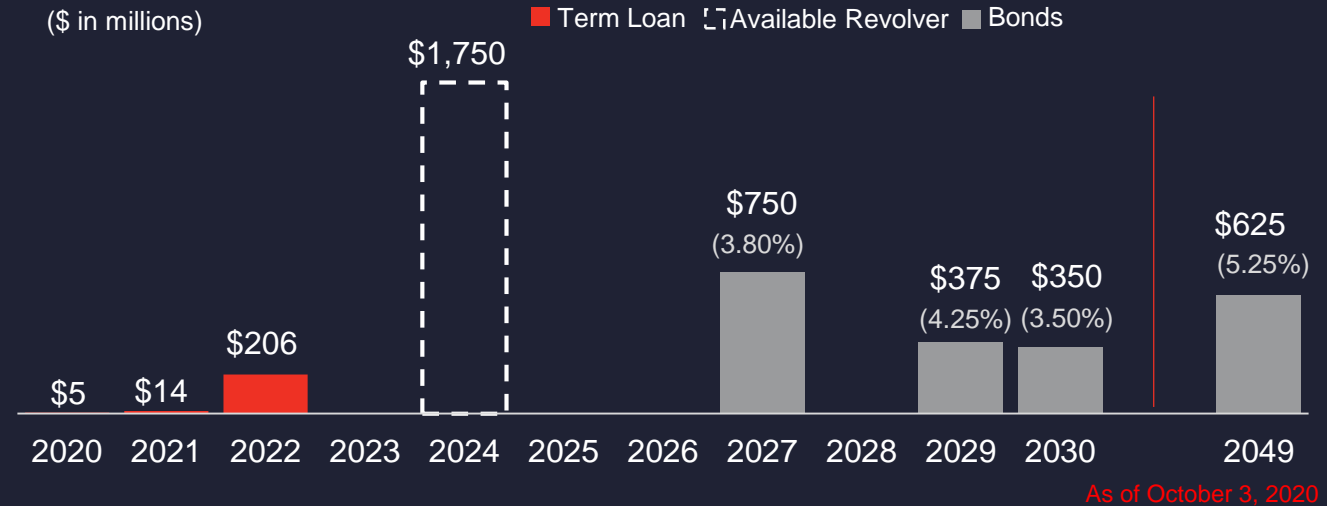
# Strong Balance Sheet and Ample Liquidity

## Liquidity

- Fully repaid \$1.0 billion draw on revolver
- \$3.0 billion in total liquidity, including \$1.75 billion available under revolver
- No significant near-term debt maturities
- Flexible debt structure

## Debt Maturities

(\$ in millions)



## Free Cash Flow



## Capital Allocation

- Our priorities remain unchanged
  - Invest in core business through capital expenditures and bolt-on acquisitions
  - Maintain an investment grade balance sheet
  - Return excess cash to shareholders as business conditions warrant



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







# 2020 Full Year Outlook

## Global Vehicle Production and Currency

### Industry Production

(units in millions)

	Global 	North America 	Europe and Africa 	China 				
Actual	FY 2019	87.2	FY 2019	16.3	FY 2019	21.7	FY 2019	23.1
Outlook	FY 2020	70.0	FY 2020	12.9	FY 2020	16.3	FY 2020	20.8
	vs Prior Year Down 20%		vs Prior Year Down 21%		vs Prior Year Down 25%		vs Prior Year Down 10%	

Source: IHS Markit as of October 16, 2020 and company estimates for outlook

### Key Currencies

	2019	2020	
Euro	\$1.12 / €	\$1.13 / €	Up 1%
Chinese RMB	6.90 / \$	7.00 / \$	Down 1%

# 2020 Full Year Outlook



<b>Net Sales</b>	<b>\$16.35 - \$16.65 billion</b>
<b>Core Operating Earnings</b>	<b>\$520 - \$580 million</b>
<b>Free Cash Flow</b>	<b>\$125 - \$175 million</b>

Note: 2020 Outlook assumes an average Euro of \$1.13 and an average Chinese RMB of 7.00/\$

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.

# Concluding Remarks

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# Concluding Remarks

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Strong balance sheet  
and liquidity



Experienced, industry-leading  
management team



Long history of  
operational excellence



Strong strategic position



Trusted relationships with  
key stakeholders

# Appendix

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# Non-GAAP Financial Information

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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), adjusted diluted net income per share available to Lear common stockholders (adjusted earnings per share) 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 (used in) 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 and adjusted earnings per share 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 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 earnings per share 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 (used in) 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 2020			Adjusted	Memo:
	Reported	Restructuring Costs	Other Special Items		Q3 2019 Adjusted
Pretax Income Before Equity Income, Interest and Other Expense <sup>1</sup>	\$ 278.8	\$ 40.1	\$ 8.3	\$ 327.2	\$ 338.2
Equity Income	(6.5)			(6.5)	(5.1)
Pretax Income Before Interest and Other Expense	\$ 285.3			\$ 333.7	\$ 343.3
Interest Expense	26.5			26.5	24.2
Other Expense, Net	17.1	10.2	(3.2)	10.1	8.0
Income Before Taxes	\$ 241.7			\$ 297.1	\$ 311.1
Income Taxes	44.6	(0.7)	(3.9)	49.2	71.2
Net Income	\$ 197.1			\$ 247.9	\$ 239.9
Noncontrolling Interests	22.7			22.7	22.7
Net Income Attributable to Lear	\$ 174.4			\$ 225.2	\$ 217.2
Diluted Earnings per Share	\$ 2.89			\$ 3.73	\$ 3.54

<sup>1</sup> Restructuring costs include \$34.7 million in cost of sales and \$5.4 million in SG&A. Other special items include \$3.5 million in cost of sales and \$4.8 million in SG&A.

# Non-GAAP Financial Information

Core Operating Earnings and Adjusted Margins (\$ in millions)	Third Quarter	
	2019	2020
<b>Net sales</b>	<b>\$ 4,825.0</b>	<b>\$ 4,900.1</b>
<b>Net income attributable to Lear</b>	<b>\$ 215.9</b>	<b>\$ 174.4</b>
Interest expense	24.0	26.5
Other expense, net	9.7	17.1
Income taxes	33.5	44.6
Equity in net income of affiliates	(5.1)	(6.5)
Net income attributable to noncontrolling interests	22.7	22.7
Restructuring costs and other special items -		
Costs related to restructuring actions	29.4	40.1
Acquisition costs	0.1	-
Other	8.0	8.3
<b>Core operating earnings</b>	<b>\$ 338.2</b>	<b>\$ 327.2</b>
<b>Adjusted margins</b>	<b>7.0%</b>	<b>6.7%</b>



# Non-GAAP Financial Information

## Adjusted Segment Earnings and Margins

(\$ in millions)	Third Quarter				Seating				
	2019		2020		2015	2016	2017	2018	2019
	Seating	E-Systems	Seating	E-Systems					
<b>Net sales</b>	<u>\$ 3,715.0</u>	<u>\$ 1,110.0</u>	<u>\$ 3,691.6</u>	<u>\$ 1,208.5</u>	<u>\$ 14,098.5</u>	<u>\$ 14,356.7</u>	<u>\$ 15,873.0</u>	<u>\$ 16,021.9</u>	<u>\$ 15,097.2</u>
GM strike									295.4
<b>Net sales excluding GM strike</b>									<u>\$ 15,392.6</u>
<b>Segment earnings</b>	<u>\$ 281.5</u>	<u>\$ 74.3</u>	<u>\$ 250.7</u>	<u>\$ 86.0</u>	<u>\$ 907.0</u>	<u>\$ 1,136.0</u>	<u>\$ 1,250.8</u>	<u>\$ 1,263.6</u>	<u>\$ 961.2</u>
Restructuring costs and other special items -									
Costs related to restructuring actions	18.9	9.8	34.9	4.9	69.0	43.9	46.2	73.2	153.6
Acquisition and other related costs	-	-	-	-	2.3	-	0.3	-	-
Acquisition-related inventory fair value adjustment	-	-	-	-	15.8	-	4.3	-	-
Litigation	-	-	-	-	-	-	10.6	(3.5)	1.1
Favorable tax ruling in a foreign jurisdiction	-	-	-	-	-	-	-	(11.5)	(1.1)
Other	3.1	0.6	0.7	2.2	0.1	(4.7)	1.9	6.2	13.2
<b>Adjusted segment earnings</b>	<u>\$ 303.5</u>	<u>\$ 84.7</u>	<u>\$ 286.3</u>	<u>\$ 93.1</u>	<u>\$ 994.2</u>	<u>\$ 1,175.2</u>	<u>\$ 1,314.1</u>	<u>\$ 1,328.0</u>	<u>\$ 1,128.0</u>
<b>Adjusted margins</b>	<u>8.2%</u>	<u>7.6%</u>	<u>7.8%</u>	<u>7.7%</u>	<u>7.1%</u>	<u>8.2%</u>	<u>8.3%</u>	<u>8.3%</u>	<u>7.5%</u>
GM strike									102.7
<b>Adjusted segment earnings excluding GM strike</b>									<u>\$ 1,230.7</u>
<b>Adjusted margins excluding GM strike</b>									<u>8.0%</u>

# Non-GAAP Financial Information

	Third Quarter	
	2019	2020
<b>Adjusted Net Income and Earnings Per Share</b> (In millions, except per share amounts)		
<b>Net income available to Lear common stockholders</b>	<b>\$ 219.5</b>	<b>\$ 174.4</b>
Redeemable noncontrolling interest	(3.6)	-
<b>Net income attributable to Lear</b>	<b>215.9</b>	<b>174.4</b>
Costs related to restructuring actions	33.4	50.3
Acquisition costs	0.1	-
Favorable tax ruling in a foreign jurisdiction	(0.2)	-
Gain related to affiliate	(4.0)	-
Other	9.7	5.1
Tax impact of special items and other net tax adjustments <sup>1</sup>	(37.7)	(4.6)
<b>Adjusted net income attributable to Lear</b>	<b>\$ 217.2</b>	<b>\$ 225.2</b>
Weighted average number of diluted shares outstanding	61.3	60.3
<b>Diluted net income per share available to Lear common stockholders</b>	<b>\$ 3.58</b>	<b>\$ 2.89</b>
<b>Adjusted earnings per share</b>	<b>\$ 3.54</b>	<b>\$ 3.73</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

Free Cash Flow (\$ in millions)	2019	2020			
	Q3	Q1	Q2	Q3	Q3 YTD
Net cash provided by (used in) operating activities	\$343.4	\$222.3	(\$524.5)	\$564.5	\$262.3
Capital expenditures	(150.8)	(109.1)	(86.1)	(90.1)	(285.3)
Free cash flow	<u>\$192.6</u>	<u>\$113.2</u>	<u>(\$610.6)</u>	<u>\$474.4</u>	<u>(\$23.0)</u>