



Second Quarter 2017 Earnings Call



Presented by:
Matt Simoncini, President and CEO
Jeff Vanneste, SVP and CFO

July 26, 2017



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, 2016, 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.



- **Second Quarter 2017 Financial Results and 2017 Outlook**
Jeff Vanneste, SVP and CFO
- **Summary Comments**
Matt Simoncini, President and CEO
- **Q and A Session**



**Second Quarter 2017
Financial Results**

Second Quarter 2017 Highlights



- Sales of \$5.1 billion, up 10% excluding the impact of foreign exchange and with lower industry production in our three largest markets
- Core operating earnings of \$439 million and an operating margin of 8.6%, reflecting higher sales and improved margins in both segments
- Earnings per share of \$4.49 and adjusted earnings per share of \$4.39, up 20% from the prior year
- Free cash flow of \$413 million, with a double digit cash flow yield
- Completed acquisition of Grupo Antolin's seating business
- Increased full year 2017 financial outlook for sales, earnings and free cash flow

**Growing Sales Faster Than The Industry, Delivering Record
Financial Results And Increasing Full Year Outlook**

Second Quarter 2017 Global Vehicle Production and Currency



(Units in millions)	Second Quarter 2017	
	Actual	Change From Prior Year
China	5.7	down 1%
Europe and Africa	5.9	down 3%
North America	4.5	down 3%
Japan	2.2	up 11%
India	1.0	up 9%
Brazil	0.6	up 22%
Global	22.6	flat

Key Currencies

Euro	\$ 1.10 / €	down 3%
Chinese RMB	6.87 / \$	down 5%

Second Quarter 2017 Reported Financials



(\$ in millions, except per share amounts)

	<i>Second Quarter</i>		<i>2017 B/(W)</i>
	<i>2017</i>	<i>2016</i>	<i>2016</i>
Net Sales			
North America	\$ 2,022.7	\$ 1,940.8	4 %
Europe and Africa	2,033.6	1,923.1	6 %
Asia	875.9	737.0	19 %
South America	191.0	123.9	54 %
Global	\$ 5,123.2	\$ 4,724.8	8 %
Pretax Income Before Equity Income, Interest and Other (Income) Expense	\$ 409.1	\$ 372.8	10 %
Pretax Income Before Equity Income	\$ 381.9	\$ 376.0	2 %
Net Income Attributable to Lear	\$ 311.9	\$ 282.4	10 %
Diluted Earnings per Share Attributable to Lear	\$ 4.49	\$ 3.82	18 %
SG&A % of Net Sales	3.1%	3.3%	0.2 ppt
Equity Income	\$ (18.4)	\$ (19.5)	\$ (1.1)
Interest Expense	\$ 21.4	\$ 20.3	\$ (1.1)
Other (Income) Expense, Net	\$ 5.8	\$ (23.5)	\$ (29.3)
Depreciation / Amortization	\$ 104.6	\$ 94.5	\$ (10.1)

Second Quarter 2017

Impact of Restructuring and Other Special Items



(\$ in millions, except per share amounts)

	Second Quarter 2017			Adjusted	Memo:
	Reported	Restructuring Costs	Other Special Items		Q2 2016 Adjusted
Pretax Income Before Equity Income, Interest and Other (Income) Expense	\$ 409.1	\$ 23.7*	\$ 6.1*	\$ 438.9	\$ 398.5
Equity Income	(18.4)			(18.4)	(19.5)
Pretax Income Before Interest and Other (Income) Expense	\$ 427.5			\$ 457.3	\$ 418.0
Interest Expense	21.4			21.4	20.3
Other (Income) Expense, Net	5.8	(0.3)	(1.2)	7.3	7.4
Income Before Taxes	\$ 400.3			\$ 428.6	\$ 390.3
Income Taxes	73.3	(6.5)	(28.8)	108.6	108.1
Net Income	\$ 327.0			\$ 320.0	\$ 282.2
Noncontrolling Interests	15.1			15.1	12.1
Net Income Attributable to Lear	\$ 311.9			\$ 304.9	\$ 270.1
Diluted Earnings per Share	\$ 4.49			\$ 4.39	\$ 3.66

* Restructuring costs include \$15.9 million in cost of sales and \$7.8 million in SG&A. Other special items include \$4.6 million in cost of sales and \$1.5 million in SG&A.

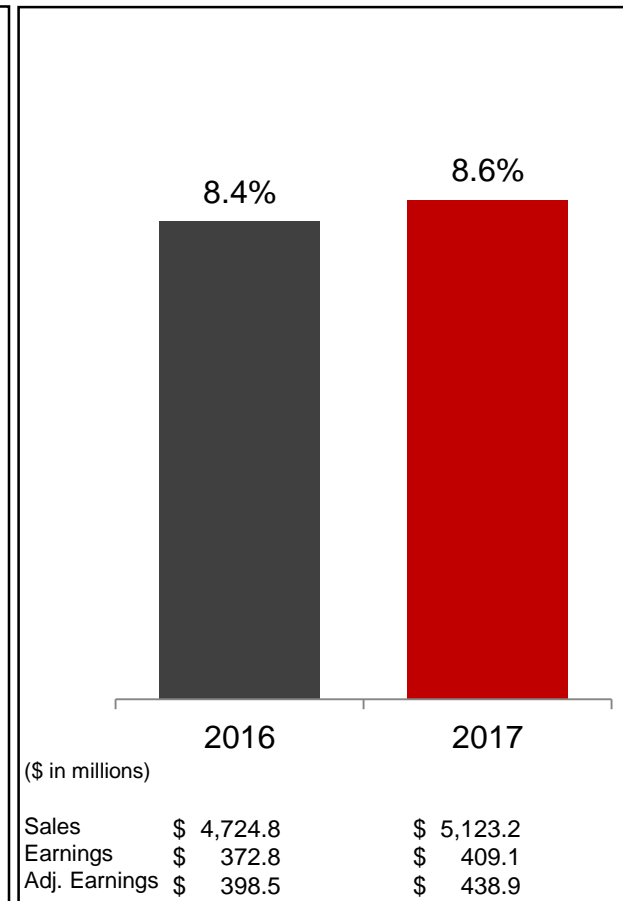
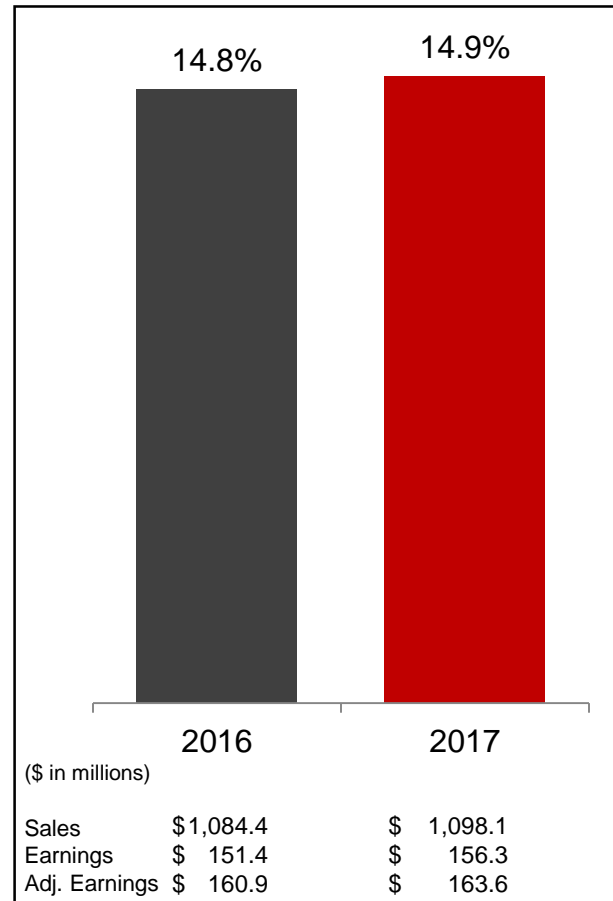
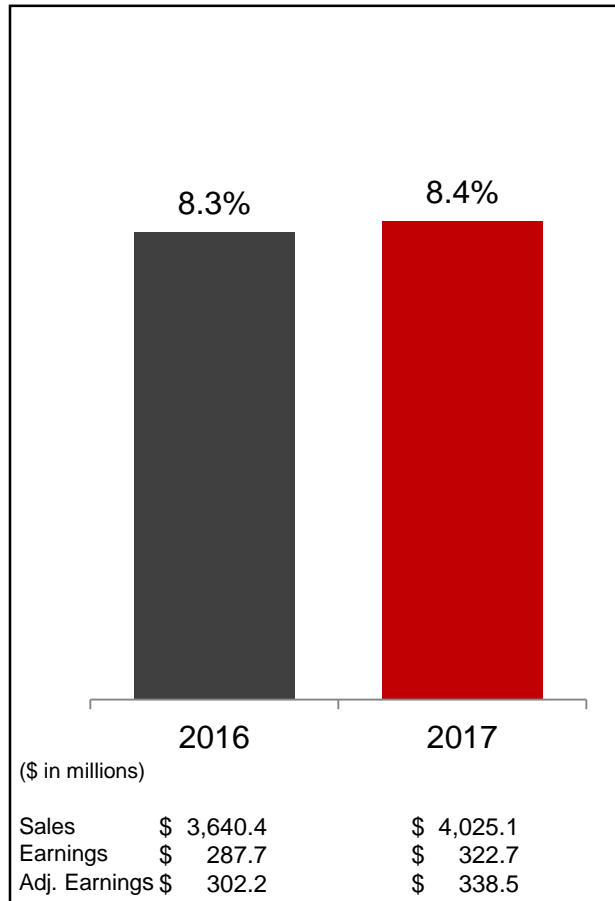
Second Quarter 2017 Adjusted Margins



Seating

E-Systems

Total Company



Increasing Sales And Margins In Both Segments

Second Quarter 2017 Free Cash Flow



(\$ in millions)

	Second Quarter 2017	First Half 2017
Net Income Attributable to Lear	\$ 311.9	\$ 617.7
Depreciation / Amortization	104.6	201.5
Working Capital and Other	<u>149.9</u>	<u>26.1</u>
Net Cash Provided by Operating Activities	\$ 566.4	\$ 845.3
Capital Expenditures	<u>(153.2)</u>	<u>(274.0)</u>
Free Cash Flow	<u><u>\$ 413.2</u></u>	<u><u>\$ 571.3</u></u>

Delivering Strong Free Cash Flow, With A 2017 Yield Of ≈11%

2017 Outlook



2017 Outlook Global Vehicle Production and Currency



(Units in millions)

	<u>2016 Actual</u>	<u>2017 Outlook</u>	<u>YOY Change</u>
China	25.7	26.0	up 1%
Europe and Africa	22.3	22.9	up 3%
North America	17.8	17.4	down 2%
Japan	8.5	9.0	up 5%
India	4.1	4.4	up 6%
Brazil	2.1	2.5	up 19%
Global	91.4	93.1	up 2%

Key Currencies

Euro	\$ 1.11 / €	\$1.10 / €	down 1%
Chinese RMB	6.64 / \$	6.85 / \$	down 3%

Record Global Industry Production Projected In 2017



2017 Financial Outlook*

≈ \$20 billion	Net Sales
≈ \$1.65 billion	Core Operating Earnings
≈ \$2.06 billion	Adjusted EBITDA
≈ \$85 million	Interest Expense
≈ 26%	Effective Tax Rate
≈ \$1.1 billion	Adjusted Net Income
≈ \$65 million	Restructuring Costs
≈ \$560 million	Capital Spending
≈ \$1.1 billion	Free Cash Flow

2017 Outlook Reflects 8th Consecutive Year Of Improving Financial Results



Summary Comments



SEATING

- Leather & fabric
- Industry-leading ability to cut and sew seat covers
- Heating & cooling technology
- Captive expertise in electronics and software
- Craftsmanship initiative and Intelligent Seat

E-SYSTEMS

- Expertise in electrical architecture
- Industry-leading gateway modules
- Highest efficiency battery chargers
- 700 software engineers
- Expertise in cybersecurity
- Industry leader in V2X infrastructure deployments

SEATING + E-SYSTEMS



ADAPTIVE SAFETY

- Vehicle-to-Vehicle and Vehicle-to-Infrastructure Capabilities
- INTU™ Dynamic Safety
- Haptic Seat
- Matrix Beam Lighting
- Virtual Car Key
- Illumitrim

FUEL ECONOMY & EFFICIENCY

- Over-the-Air Software Updates
- Advanced Power Management
- Architecture Optimization

CONNECTIVITY

- Remote Commands
- Vehicle Tracking
- Cybersecurity

COMFORT & CONVENIENCE

- INTU™ Sound Zone
- INTU™ Ride Share
- Tempronics Heating and Cooling

HEALTH & WELLNESS

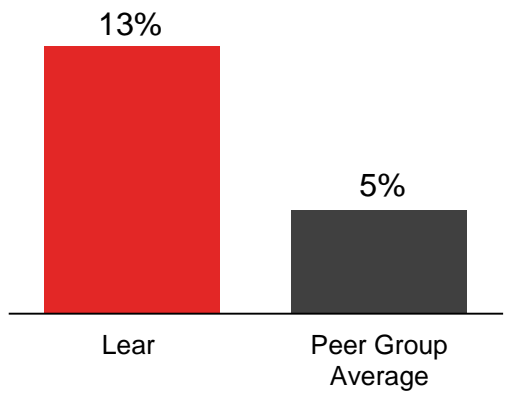
- INTU™ Biobridge
- Connectivity
- Proactive Posture

Perfectly Positioned To Capitalize On Major Industry Trends

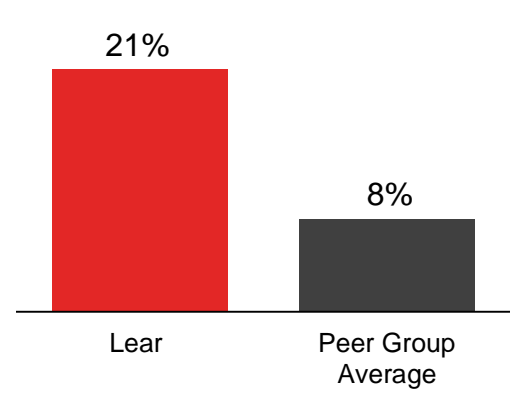


Lear Outperforming Peer Group

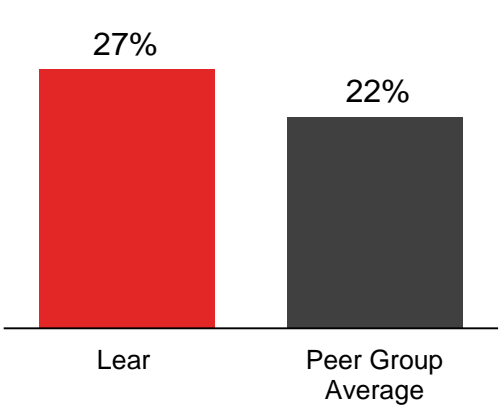
Adjusted EBITDA Growth*
(2011 - 2016 CAGR)



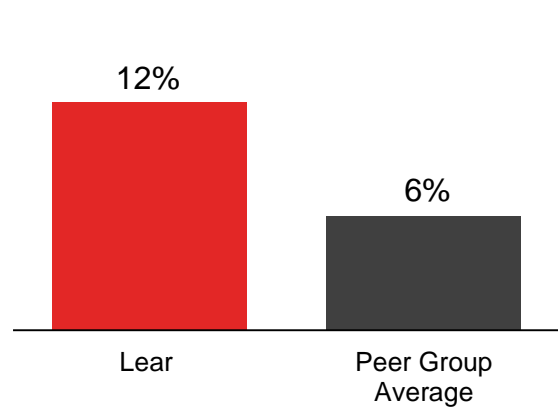
Adjusted EPS Growth*
(2011 - 2016 CAGR)



2016 Adjusted ROIC*



2016 Free Cash Flow Yield*



Consistent Outperformance Of Peers In Key Financial Measures

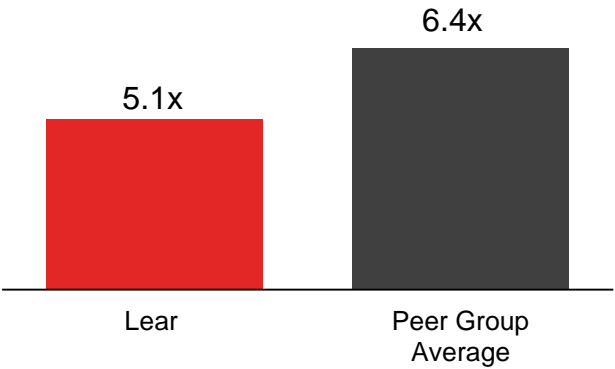


• Source: Bloomberg. EBITDA, EPS and ROIC adjusted to exclude restructuring and other special items. Peer group consists of American Axle, BorgWarner, Dana, Delphi, Gentex, Magna International, Superior Industries, Tenneco and Visteon

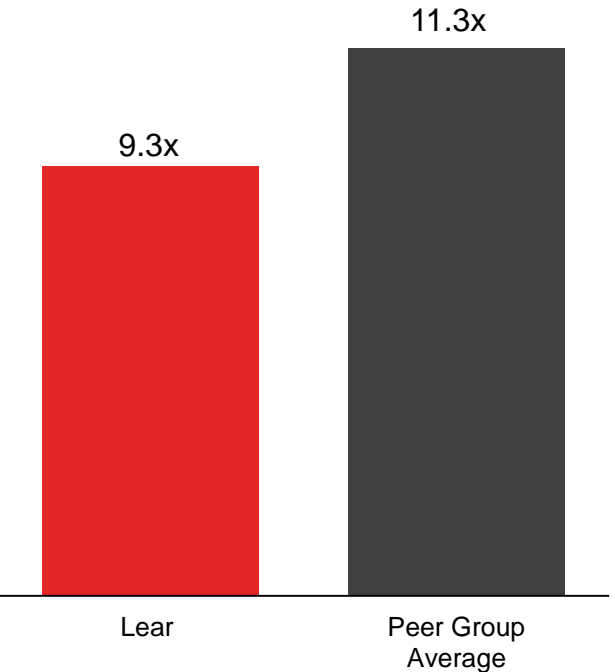
Lear Shares Remain Undervalued



2017 EV / EBITDA



2017 P / E



**Despite Strong Performance
Lear Remains Significantly Undervalued Compared To Peer Group**



• Source: Bloomberg – EBITDA based on 2017 consensus and adjusted to exclude restructuring and other special items. Peer group consists of Adient, American Axle, BorgWarner, Dana, Delphi, Gentex, Magna International, Superior Industries, Tenneco and Visteon



- Industry-leading cost structure and unique product capabilities are driving sales growth and record financial results
- Margins in both segments delivering returns well above cost of capital
- Record free cash flow generation, with a cash flow yield of 11%
- Increasing 2017 full year sales, earnings and free cash flow outlook
- History of returning cash to shareholders and segment-leading total shareholder returns
- Record 3-year backlog will drive future sales and earnings growth

Well Positioned For Profitable Growth In Both Business Segments

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 and other (income) expense,” “pretax income before equity income, interest, other (income) expense, restructuring costs and other special items” (core operating earnings, adjusted 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 diluted net income per share attributable to Lear” (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 (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 and gains and losses on the disposal of fixed assets. Adjusted net income attributable to Lear and adjusted earnings per share represent net income attributable to Lear and diluted net income per share attributable to Lear, respectively, adjusted for 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 pretax income before equity income, interest and other (income) expense, core operating earnings, adjusted EBITDA, adjusted net income attributable to Lear, 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.

Pretax income before equity income, interest and other (income) expense, core operating earnings, adjusted EBITDA, adjusted net income attributable to Lear, 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 attributable to Lear, 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 slide 10 and 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

Pretax income before equity income, interest and other expense / Core operating earnings / Adjusted margins



(\$ in millions)	Second Quarter		Full Year
	2017	2016	2016
Net sales	\$ 5,123.2	\$ 4,724.8	\$ 18,557.6
Net income attributable to Lear	\$ 311.9	\$ 282.4	\$ 975.1
Interest expense	21.4	20.3	82.5
Other (income) expense, net	5.8	(23.5)	6.4
Income taxes	73.3	101.0	370.2
Equity in net income of affiliates	(18.4)	(19.5)	(72.4)
Net income attributable to noncontrolling interests	15.1	12.1	65.4
Pretax income before equity income, interest and other (income) expense	\$ 409.1	\$ 372.8	\$ 1,427.2
Costs related to restructuring actions	23.7	27.9	69.9
Acquisition costs	1.1	-	1.3
Acquisition-related inventory fair value adjustment	2.6	-	-
Pension settlement charge	-	-	34.2
Other	2.4	(2.2)	2.2
Core operating earnings	\$ 438.9	\$ 398.5	\$ 1,534.8
Adjusted margins	8.6%	8.4%	8.3%

Non-GAAP Financial Information

Adjusted Segment Earnings and Margins



(\$ in millions)	Second Quarter 2017		Second Quarter 2016	
	Seating	E-Systems	Seating	E-Systems
Net sales	\$ 4,025.1	\$ 1,098.1	\$ 3,640.4	\$ 1,084.4
Segment earnings	\$ 322.7	\$ 156.3	\$ 287.7	\$ 151.4
Costs related to restructuring actions	13.0	6.1	18.5	8.3
Acquisition costs	0.2	-	-	-
Acquisition-related inventory fair value adjustment	2.6	-	-	-
Other	-	1.2	(4.0)	1.2
Adjusted segment earnings	\$ 338.5	\$ 163.6	\$ 302.2	\$ 160.9
Adjusted margins	8.4%	14.9%	8.3%	14.8%

Non-GAAP Financial Information

Adjusted Net Income and Adjusted EPS



	Second Quarter		Full Year	
	2017	2016	2016	2011
(\$ and shares in millions, except adjusted EPS)				
Net income attributable to Lear	\$ 311.9	\$ 282.4	\$ 975.1	\$ 540.7
Costs related to restructuring actions	23.4	27.9	69.6	70.9
Acquisition costs	1.1	-	1.3	-
Acquisition-related inventory fair value adjustment	2.6	-	-	-
Pension settlement charge	-	-	34.2	-
(Insurance recoveries) losses and incremental costs, net related to the destruction of assets	-	-	-	10.6
Gain related to affiliate	-	(30.3)	(30.3)	(5.8)
Other	1.2	(2.8)	-	22.2
Tax impact of special items and other net tax adjustments ¹	(35.3)	(7.1)	(23.6)	(70.4)
Adjusted net income attributable to Lear	\$ 304.9	\$ 270.1	\$ 1,026.3	\$ 568.2
Weighted average number of diluted shares outstanding	69.4	73.9	73.1	106.3
Adjusted earnings per share	\$ 4.39	\$ 3.66	\$ 14.03	\$ 5.34

¹ Represents 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 EBITDA



(\$ in millions)	Full Year	
	2016	2011
Net income attributable to Lear	\$ 975.1	\$ 540.7
Interest expense	82.5	39.7
Other (income) expense, net	6.4	24.2
Depreciation expense	325.2	218.3
Amortization of intangible assets	53.0	28.0
Income taxes	370.2	68.8
Equity in net income of affiliates	(72.4)	(23.5)
Net income attributable to noncontrolling interests	65.4	29.7
Pretax income before equity income, interest, other (income) expense, depreciation expense and amortization of intangible assets	1,805.4	925.9
Costs related to restructuring actions	69.9	71.5
Acquisition costs	1.3	-
Acquisition-related inventory fair value adjustment	-	-
Pension settlement charge	34.2	-
(Insurance recoveries) losses and incremental costs, net related to the destruction of assets	-	13.3
Other	2.2	22.1
Adjusted EBITDA	\$ 1,913.0	\$ 1,032.8

Non-GAAP Financial Information

Free Cash Flow



(\$ in millions)	<u>2016</u>
Net cash provided by operating activities	\$ 1,619.3
Capital expenditures	<u>(528.3)</u>
Free cash flow	<u><u>\$ 1,091.0</u></u>