



# Third Quarter 2021 Financial Results

November 2, 2021

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Ray Scott, President and CEO  
Jason Cardew, Senior Vice President and CFO

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Making every drive better™

# 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, 2020, its Quarterly Report on Form 10 Q for the quarter ended April 3, 2021, and its other Securities and Exchange Commission filings. Future operating results will be based on various factors, including the impact of the ongoing COVID-19 pandemic on the Company’s business and the global economy, supply chain disruptions, 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



## **BUSINESS UPDATE**

Ray Scott, President and CEO

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## **FINANCIAL REVIEW**

Jason Cardew, Senior Vice President and CFO

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## **CONCLUDING REMARKS**

Ray Scott, President and CEO





# Business Update

Ray Scott, President and CEO

# Financial Overview

Third Quarter 2021

**\$4.3B**

SALES

Q3 2020 \$4.9B

**\$98M**

CORE OPERATING  
EARNINGS

Q3 2020 \$327M

**\$0.53**

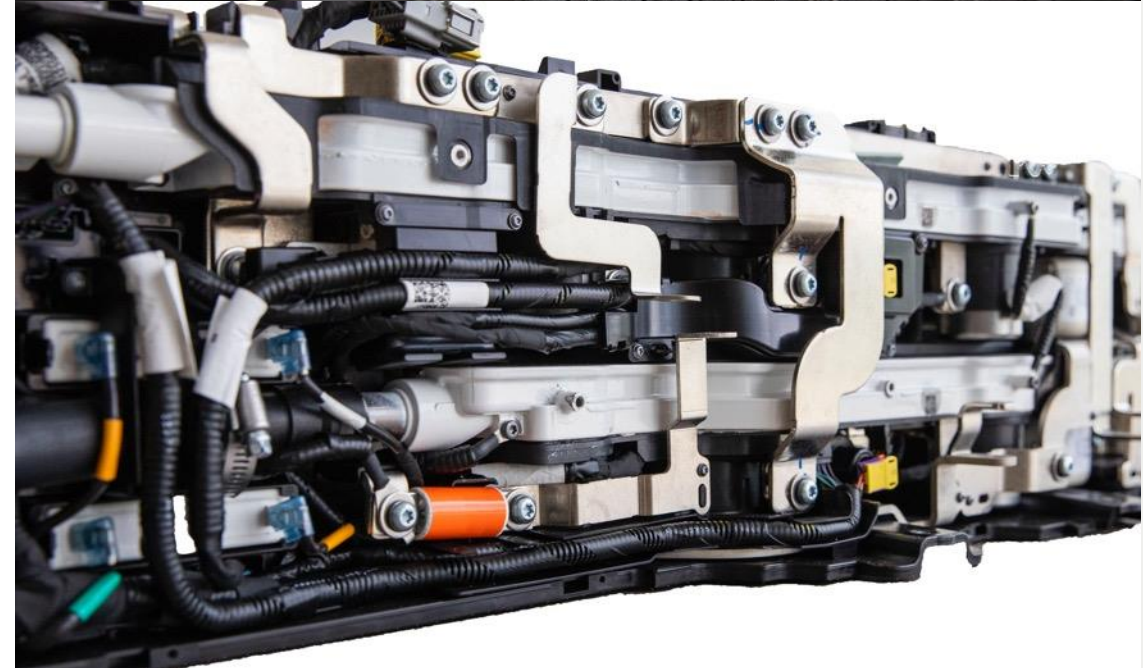
ADJUSTED EARNINGS  
PER SHARE

Q3 2020 \$3.73

**2.3%**

ADJUSTED OPERATING  
MARGIN

Q3 2020 6.7%



# Third Quarter Business Highlights



Above market sales growth in both business segments in all regions



Signed agreement to acquire substantially all of Kongsberg Automotive's Interior Comfort Division, a leader in massage and lumbar for automotive seating applications



Signed agreement to establish joint venture with Hu Lane Associate Inc., a manufacturer of world-class automotive connector products



Signed agreement to establish joint venture with Shinry Technologies Co. Ltd. to expand capabilities in on-board chargers for electric vehicles



Won third consecutive Automotive News PACE Award and two PACEpilot Awards



Awarded more than twice as many J.D. Power 2021 U.S. Seat Quality and Satisfaction Study<sup>SM</sup> awards as any other seat supplier with two best in segment and seven total awards



Returned ≈\$100 million to shareholders through share repurchases and dividends



Increased revolving credit facility to \$2.0 billion and extended maturity by two years to 2026



# Seating Update

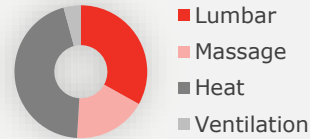
- Grew sales eight percentage points faster than the market
- Awarded key programs with General Motors, BMW, Stellantis, Nio and Great Wall in third quarter; pursuing additional opportunities in the fourth quarter
- Received additional development award for ConfigurE+ program launching in 2026
- Executing key launches – GM full-size pickup truck (Oshawa), Ford Maverick, Land Rover Range Rover and Renault Megane E-Tech
- Broke ground on new energy efficient JIT facility in Detroit to support GM Battery Electric Truck (BET) programs at Factory Zero
- Leadership in innovation recognized by the Automotive News with a PACEpilot award for INTU™ Thermal Comfort with Gentherm's ClimateSense™
- Most honored supplier in J.D. Power U.S. Seat Quality and Satisfaction Study<sup>SM</sup>
- Kongsberg acquisition will expand Lear's capabilities in thermal comfort systems



# Kongsberg Automotive Interior Comfort Division Overview

≈\$300m

2021E Revenue<sup>(1)</sup>



Revenue by product



Revenue by region



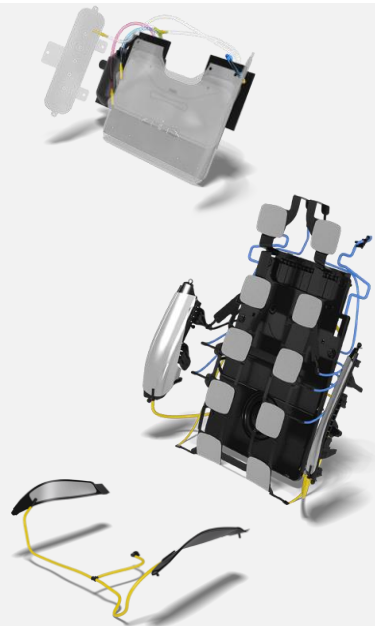
4 plants &  
5 technical centers



≈3,800 employees

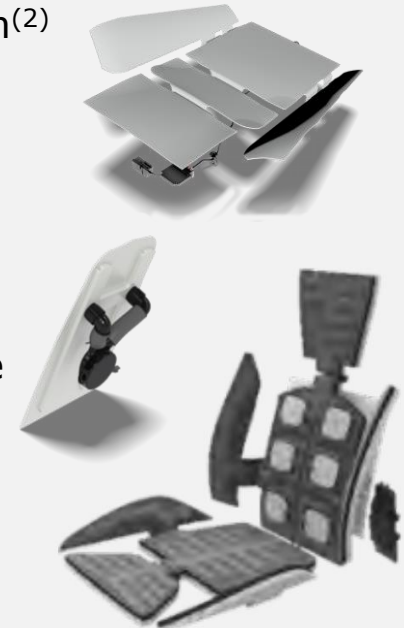
## LUMBAR & MASSAGE PRODUCTS

- Market leadership position<sup>(2)</sup>
  - #1 in Massage
  - #3 in Lumbar
- Scalable pneumatic comfort systems (2-way entry level lumbar to luxury massage)
- Patented shape memory alloy (SMA) technology enables superior performance, weight reduction and packaging flexibility



## HEAT & VENTILATION PRODUCTS

- Market leadership position<sup>(2)</sup>
  - #2 in Heat Mats
  - #4 in Vent Systems
- ≈50 years experience in seat heating products
- Aerodynamic vent system design provides best-in-class performance



<sup>(1)</sup> 2021E Revenue assumes an average Euro of \$1.19 <sup>(2)</sup> Market share estimates based on 2021 July IHS Markit volume forecast





# Kongsberg Acquisition Enhances Competitive Advantage in Seating

## STRATEGIC BENEFITS

- Will strengthen Lear's leadership position in seating components and technology
- Consistent with Lear's vertical integration strategy, which has provided a strong foundation of capabilities, competitiveness and financial performance
- Adding lumbar, massage and thermal luxury comfort products will enhance Lear's seating component and subsystem capabilities
- Complementary to Lear's suite of intuitive, intelligent seating system technologies providing personalized comfort and wellness features
- Provides opportunity to improve system performance and generate incremental priceable content
- Builds on Lear's position as the leader in luxury seating

## MARKET OPPORTUNITY

- Rising consumer expectations for personalized and intelligent luxury comfort are driving market growth
- 2021 Total Addressable Market (TAM) of ≈\$2.5 to \$3.0 billion

**TAM Expected To Grow Approximately Two Percentage Points  
Faster Than Industry Production Over The Next Five Years**

Note: Total Addressable Market based on July IHS Markit



# Lear is the Leader in Seat Quality



**Luxury Car**  
**Porsche 718**

**Mass Market Midsize/  
Large SUV**  
**Chevrolet Blazer**



Awarded more than twice as many J.D. Power U.S. Seat Quality and Satisfaction Study<sup>SM</sup> awards as any other seat supplier



Mass Market Midsize /  
Large SUV  
Hyundai Palisade

Mass Market Midsize /  
Large Car  
Dodge Charger



Mass Market  
Compact Car  
Volkswagen Golf

Mass Market  
Truck / Van  
GMC Sierra

Luxury  
SUV  
BMW X4



# E-Systems Update

- Grew sales nine percentage points faster than the market
- Over \$1B of business awards year-to-date; >80% new programs to Lear
- Strong pipeline of quoting opportunities in wiring, connection systems and electronics
- Launching award-winning Battery Disconnect Unit on GMC Hummer EV and the first-to-market 5G Telematics Control Unit (TCU) on Audi vehicles
- Executing key launches – Mercedes SL Class, Volvo C40/XC40 and XC60, and Jaguar I-PACE
- Connection systems business on track to grow to ≈\$600 million next year
  - Hu Lane joint venture - strengthens Lear's connection systems capabilities
  - IMS partnership - co-developing higher speed ethernet connections which will be used for ADAS, autonomous driving and 4K camera systems and displays
  - M&N Plastics acquisition - integration ahead of plan and providing additional insourcing opportunities
- Shinry joint venture expands capabilities in on-board chargers for EVs



# E-Systems Awarded for Innovation



## Battery Disconnect Unit



Leading advanced design solutions



## 5G V2X Telematics Control Unit (TCU)



The future of 5G connected mobility... today





# Financial Review

Jason Cardew, Senior Vice President and CFO

# Third Quarter 2021

## Global Vehicle Production and Currency

### INDUSTRY PRODUCTION

(units in millions)

GLOBAL		NORTH AMERICA		EUROPE AND AFRICA		CHINA	
Q3 2020	<b>20.1</b>	Q3 2020	<b>4.0</b>	Q3 2020	<b>4.4</b>	Q3 2020	<b>6.0</b>
Q3 2021	<b>16.2</b>	Q3 2021	<b>3.0</b>	Q3 2021	<b>3.2</b>	Q3 2021	<b>5.0</b>
DOWN 19% YOY		DOWN 25% YOY		DOWN 28% YOY		DOWN 16% YOY	

### KEY CURRENCIES

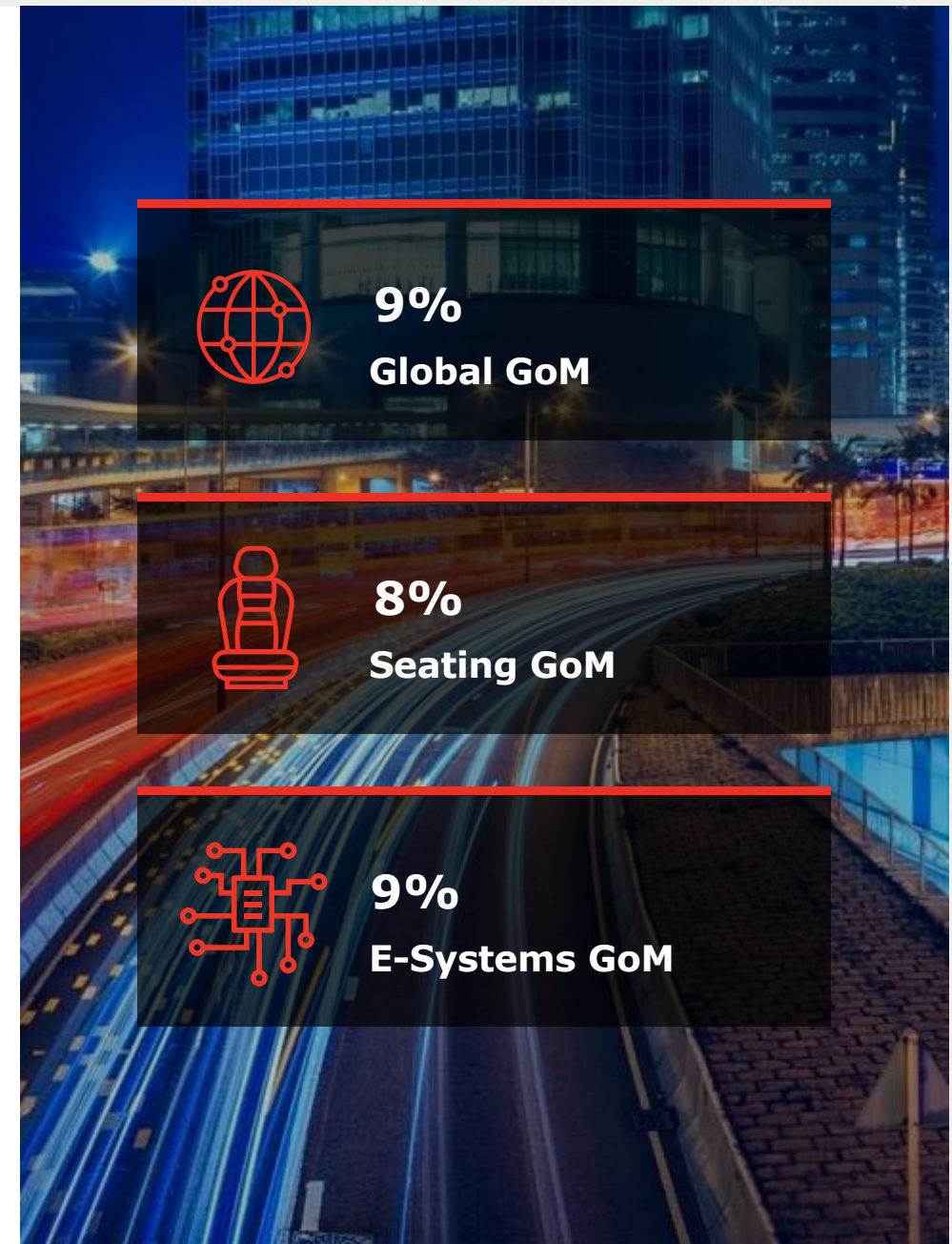
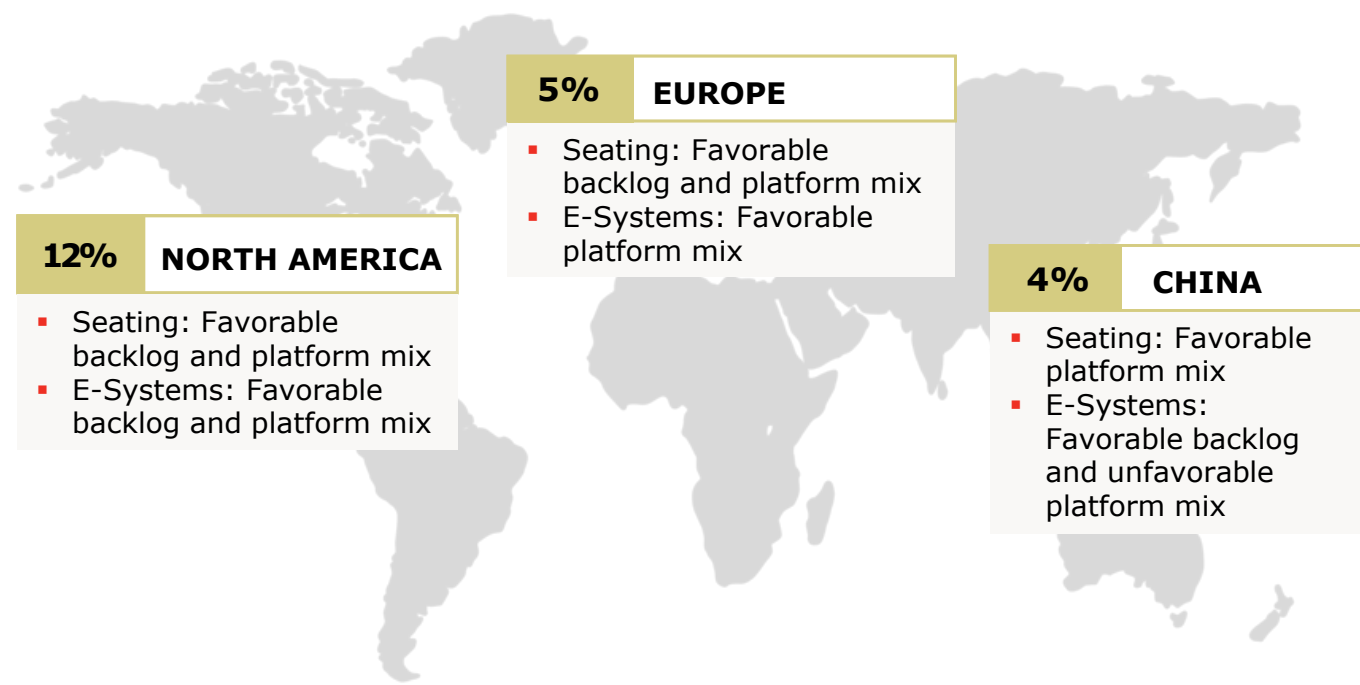
	2020	2021	
<b>Euro</b>	\$1.17 / €	\$1.18 / €	Up 1%
<b>Chinese RMB</b>	6.92 / \$	6.47 / \$	Up 7%



Source: IHS Markit as of October 15, 2021

# Growth Over Market

Third Quarter 2021



Year-over-year sales growth over market (GoM) excludes the impact of FX, commodities and acquisitions. The year-over-year change in production on a Lear sales-weighted basis is calculated using Lear's prior year regional sales mix. IHS Markit production has been adjusted to match Lear's fiscal calendar.

# Key Financials

Third Quarter

(\$ in millions, except per share amounts)

	2020	2021	YEAR-OVER-YEAR DRIVERS
<b>Net Sales</b>	\$4,900	\$4,268	Lower volume, partially offset by backlog, commodity passthrough and foreign exchange
<b>Core Operating Earnings</b> Operating Margin %	\$327 6.7%	\$98 2.3%	Lower volume and higher commodity costs, partially offset by operating performance, and backlog
<b>Adjusted Earnings Per Share</b>	\$3.73	\$0.53	Lower core earnings
<b>Free Cash Flow</b>	\$474	\$(157)	Increased working capital, lower earnings, and increased capital expenditures



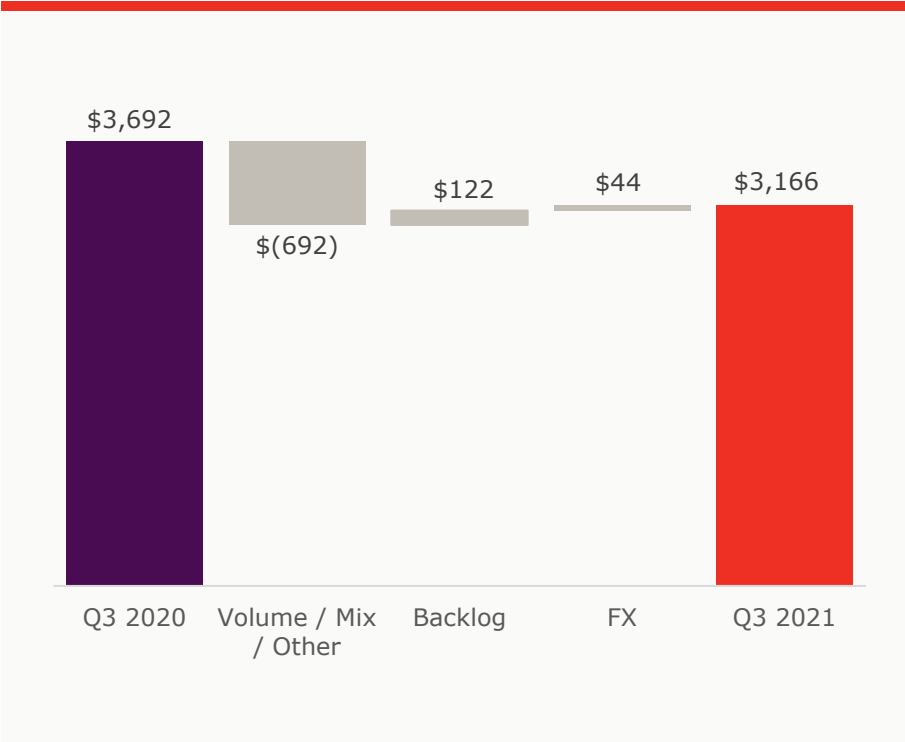


# Seating Sales and Margin Drivers

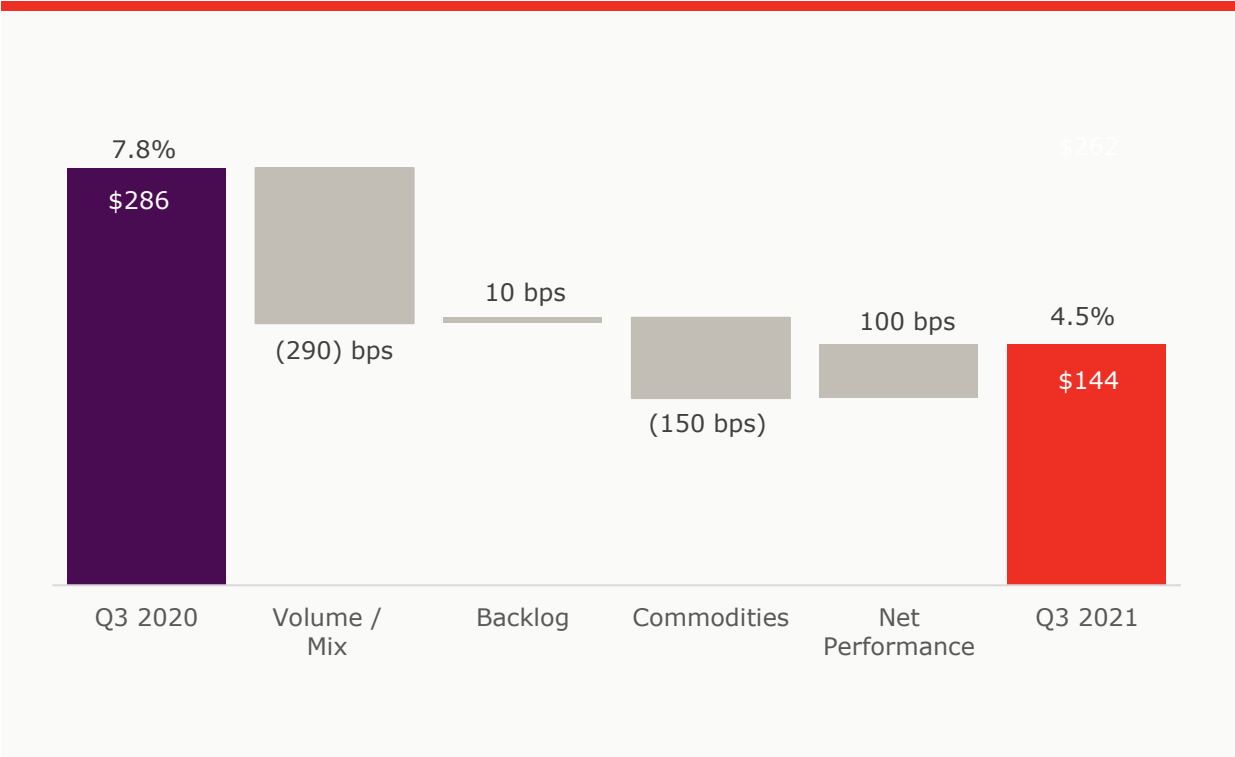
Third Quarter

(\$ in millions)

## SALES



## ADJUSTED EARNINGS AND MARGIN



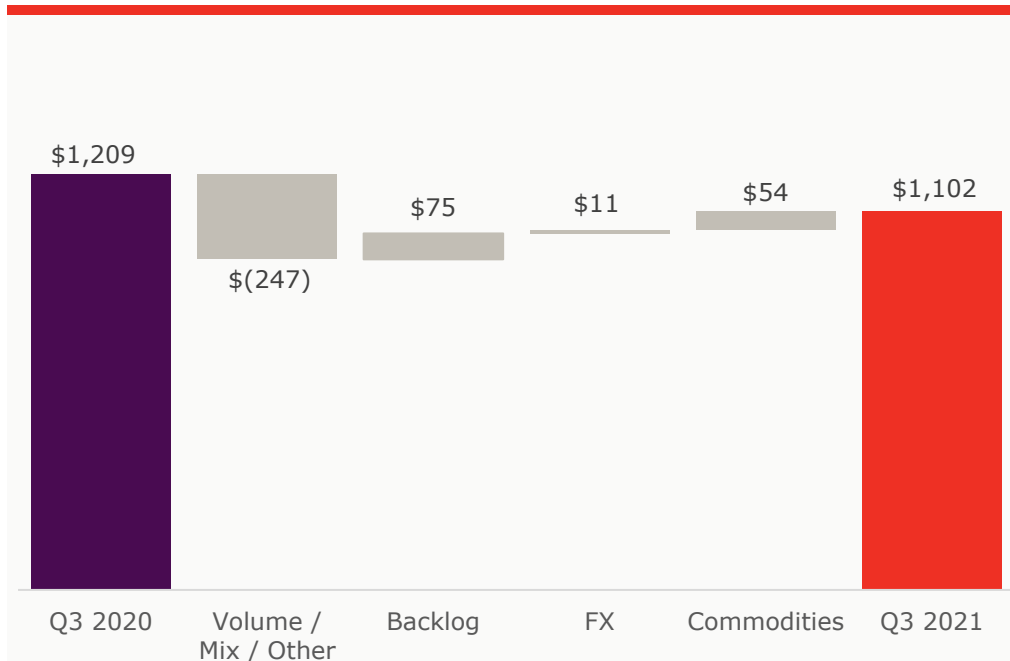
Please see appendix for discussion of non-GAAP financial measures, as well as reconciliations of non-GAAP financial measures to the most directly comparable financial measures calculated and presented in accordance with GAAP

# E-Systems Sales and Margin Drivers

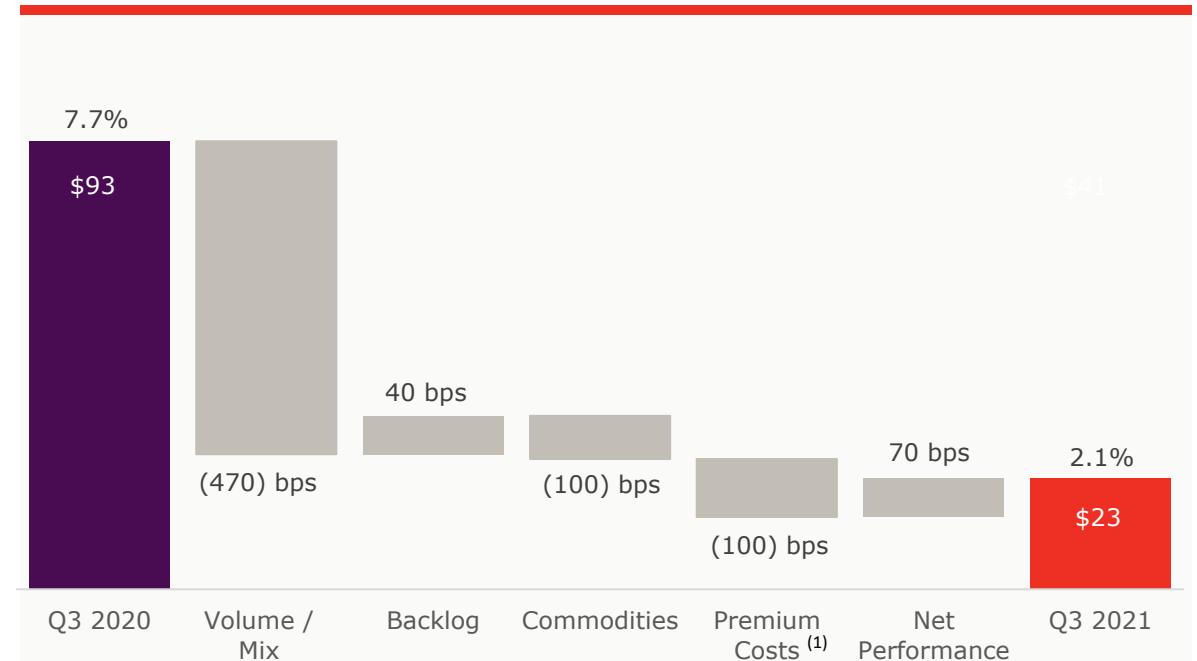
Third Quarter

(\$ in millions)

## SALES



## ADJUSTED EARNINGS AND MARGIN



(1) Premium Costs include semiconductor and COVID-19 impacts

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



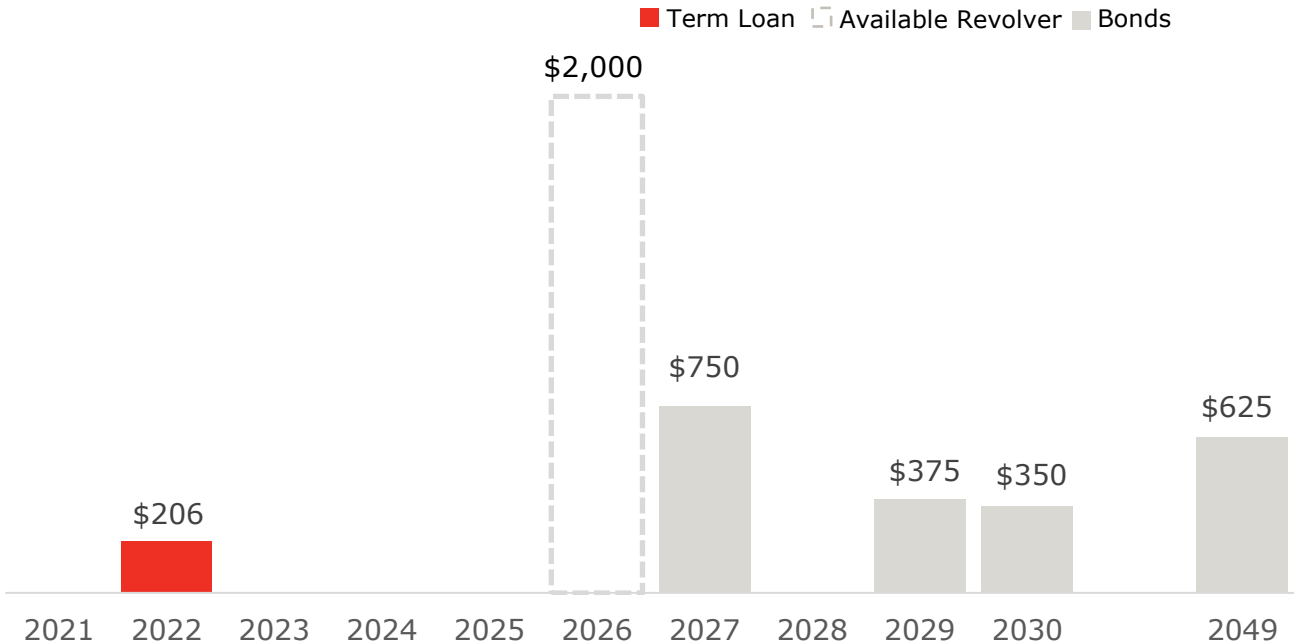
# Strong Balance Sheet and Ample Liquidity to Invest for Growth

## LIQUIDITY AND CAPITAL ALLOCATION

- Increased revolving credit facility to \$2.0 billion and extended maturity by two years to 2026
- \$3.1 billion in total liquidity, including \$2.0 billion of availability under revolving credit facility
- Long history of positive free cash flow generation
  - Primary focus is investing in organic and inorganic profitable growth
  - Actively targeting niche acquisitions to increase vertical integration capabilities in both businesses
  - Returning excess cash to shareholders
- Returned ~\$100 million to shareholders in the third quarter through share repurchases and dividends

## DEBT MATURITIES

(\$ in millions)



Total liquidity reflects cash balance as of quarter end and revolving credit facility availability of \$2 billion as of October 28, 2021

As of October 28, 2021

# 2021 Outlook – Global Vehicle Production and Currency

## INDUSTRY PRODUCTION

(units in millions)

GLOBAL		NORTH AMERICA		EUROPE AND AFRICA		CHINA	
FY 2020	<b>72.8</b>	FY 2020	<b>13.0</b>	FY 2020	<b>16.9</b>	FY 2020	<b>21.9</b>
FY 2021	<b>73.1</b>	FY 2021	<b>13.0</b>	FY 2021	<b>16.5</b>	FY 2021	<b>21.8</b>
vs Prior Year <b>FLAT</b>		vs Prior Year <b>FLAT</b>		vs Prior Year <b>DOWN 2%</b>		vs Prior Year <b>DOWN 1%</b>	
<i>August Outlook Up 6%</i>		<i>August Outlook Up 8%</i>		<i>August Outlook Up 6%</i>		<i>August Outlook Up 3%</i>	

## KEY CURRENCIES

	2020	2021	
<b>Euro</b>	\$1.14 / €	\$1.19 / €	Up 4%
<b>Chinese RMB</b>	6.90 / \$	6.46 / \$	Up 6%

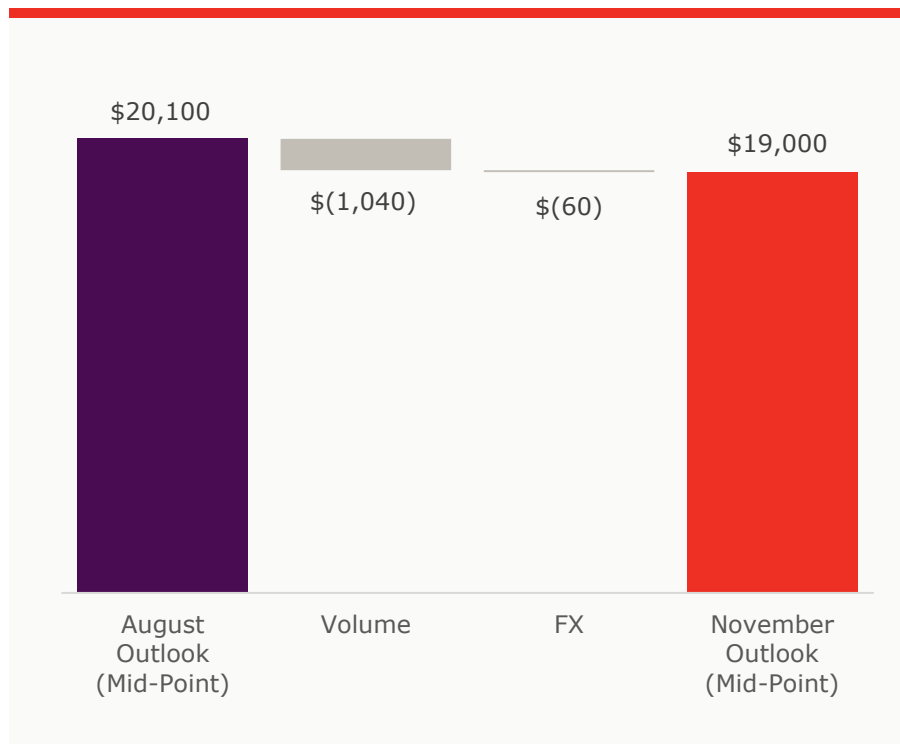
Source: IHS Markit as of October 15, 2021, and company estimates for outlook



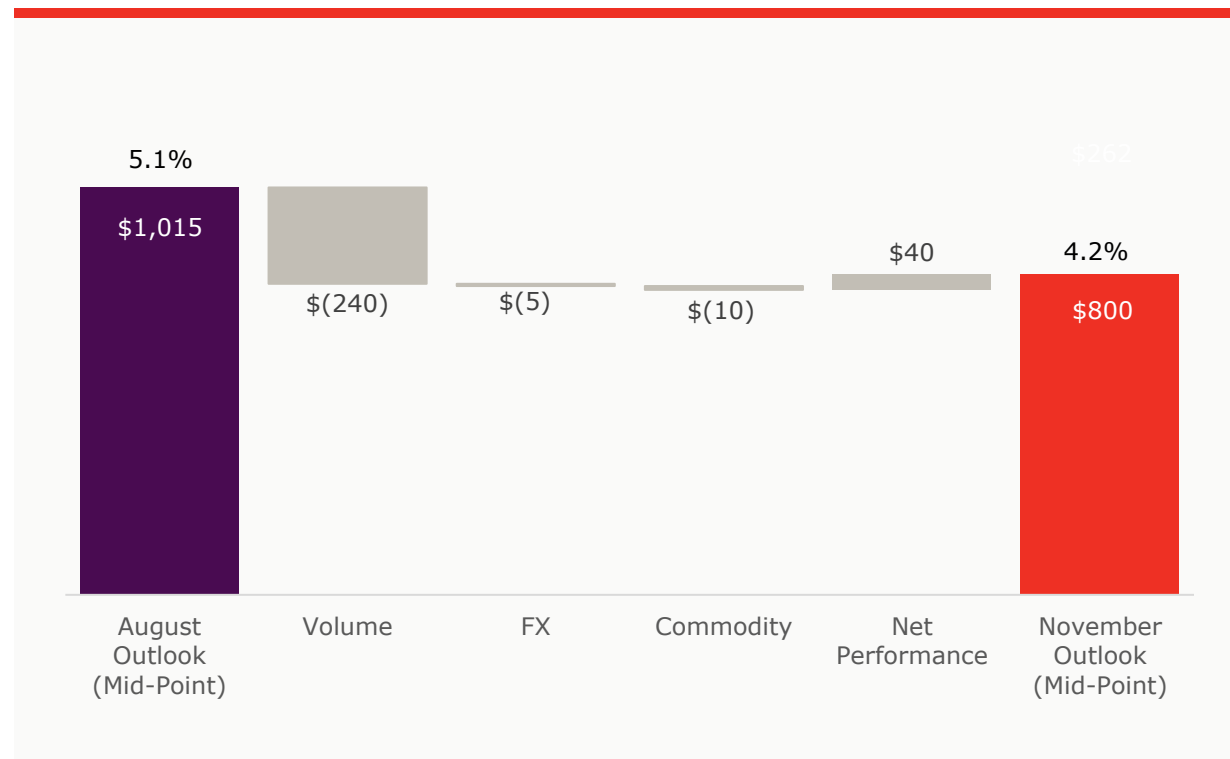
# August Outlook to November Outlook – at Mid-Point

(\$ in millions)

## SALES



## ADJUSTED EARNINGS AND MARGIN



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.

# 2021 Full Year Outlook

## Net Sales

\$18,800 - \$19,200 million

*August Outlook \$19,700 - \$20,500 million*

## Core Operating Earnings

\$750 - \$850 million

*August Outlook \$920 - \$1,110 million*

## Adjusted EBITDA

\$1,310 - \$1,410 million

*August Outlook \$1,480 - \$1,670 million*

## Interest Expense

≈\$90 million

## Effective Tax Rate

≈21%

## Adjusted Net Income

\$420 - \$500 million

*August Outlook \$565 - \$715 million*

## Restructuring Costs

≈\$100 million

## Capital Spending

≈\$600 million

*August Outlook ≈\$625 million*

## Free Cash Flow

≈\$175 million

*August Outlook \$350 - \$500 million*

Note: 2021 Outlook assumes an average Euro of \$1.19 and an average Chinese RMB of 6.46/\$



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

Ray Scott, President and CEO

# 2022 Operating Environment

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## POSITIVES

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- Strong consumer demand
- Low dealer inventory
- Strong backlog
- Net performance
- Electrification acceleration
- Financial flexibility
- Innovative products

## MONITORING

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- Elevated working capital
- China energy policy
- Global tax environment
- COVID-19
- Electrification incentives

## CHALLENGES

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- Limited visibility on production schedules
- Commodity & labor inflation
- Supply chain disruptions







# Appendix

# 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) loss, interest, other expense, restructuring costs and other special items" (core operating earnings or adjusted segment earnings), "pretax income before equity (income) loss, 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, gains and losses on the consolidation and deconsolidation of affiliates and the non-service cost components of net periodic benefit cost. Adjusted net income and adjusted earnings per share represent net income (loss) attributable to Lear and diluted net income (loss) per share available to Lear common stockholders, respectively, adjusted for 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, 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 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 (loss) attributable to Lear, diluted net income (loss) 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

## Core Operating Earnings and Adjusted Margins

(\$ in millions)

	Third Quarter	
	2020	2021
<b>Net sales</b>	<b><u>\$ 4,900.1</u></b>	<b><u>\$ 4,268.2</u></b>
<b>Net income (loss) attributable to Lear</b>	<b>\$ 174.4</b>	<b>\$ (26.5)</b>
Interest expense	26.5	22.6
Other (Income) expense, net	17.1	11.1
Income taxes	44.6	20.9
Equity in net (income) loss of affiliates	(6.5)	1.7
Net income attributable to noncontrolling interests	22.7	17.8
Restructuring costs and other special items -		
Costs related to restructuring actions	40.1	48.5
Intangible asset impairment	-	-
Other	8.3	2.1
<b>Core operating earnings</b>	<b><u>\$ 327.2</u></b>	<b><u>\$ 98.2</u></b>
<b>Adjusted margins</b>	<b><u>6.7%</u></b>	<b><u>2.3%</u></b>



# Non-GAAP Financial Information

	Third Quarter	
	2020	2021
<b>Adjusted Earnings Per Share</b> (In millions, except per share amounts)		
<b>Net income (loss) attributable to Lear</b>	<b>174.4</b>	<b>(26.5)</b>
Costs related to restructuring actions	50.3	48.5
Favorable indirect tax ruling in a foreign jurisdiction	-	1.0
Other	5.1	2.6
Tax impact of special items and other net tax adjustments <sup>1</sup>	(4.6)	6.4
<b>Adjusted net income attributable to Lear</b>	<b>\$ 225.2</b>	<b>\$ 32.0</b>
Weighted average number of diluted shares outstanding	60.3	59.9
<b>Diluted net income (loss) per share available to Lear common stockholders</b>	<b>\$ 2.89</b>	<b>\$ (0.44)</b>
Weighted average number of diluted shares outstanding	60.3	60.2
<b>Adjusted earnings per share</b>	<b>\$ 3.73</b>	<b>\$ 0.53</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

## Adjusted Segment Earnings and Margins

(\$ in millions)

**Net sales**

**Segment earnings**

Restructuring costs and other special items -

Costs related to restructuring actions

Other

**Adjusted segment earnings**

**Adjusted margins**

	Third Quarter			
	Seating		E-Systems	
	2020	2021	2020	2021
<b>Net sales</b>	<b>\$ 3,691.6</b>	<b>\$ 3,166.2</b>	<b>\$ 1,208.5</b>	<b>\$ 1,102.0</b>
<b>Segment earnings</b>	<b>\$ 250.7</b>	<b>\$ 126.7</b>	<b>\$ 86.0</b>	<b>\$ (7.5)</b>
Costs related to restructuring actions	34.9	17.1	4.9	30.1
Other	0.7	0.2	2.2	0.4
<b>Adjusted segment earnings</b>	<b>\$ 286.3</b>	<b>\$ 144.0</b>	<b>\$ 93.1</b>	<b>\$ 23.0</b>
<b>Adjusted margins</b>	<b>7.8%</b>	<b>4.5%</b>	<b>7.7%</b>	<b>2.1%</b>



# Non-GAAP Financial Information

## Free Cash Flow

(\$ in millions)

**Net cash provided by (used in) operating activities**

Capital expenditures

**Free cash flow**

	<b>Third Quarter</b>	
	<b>2020</b>	<b>2021</b>
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 564.5</b>	<b>\$ (4.4)</b>
Capital expenditures	(90.1)	(152.6)
<b>Free cash flow</b>	<b><u><u>\$ 474.4</u></u></b>	<b><u><u>\$ (157.0)</u></u></b>



# Non-GAAP Financial Information

(in millions, except per share amounts)

	Third Quarter 2021			<u>Adjusted</u>
	<u>Reported</u>	<u>Restructuring Costs</u>	<u>Other Special Items</u>	
<b>Pretax Income Before Equity Loss, Interest and Other Expense</b>	\$ 47.6	\$ 48.5*	\$ 2.1*	\$ 98.2
<b>Equity Loss</b>	<u>1.7</u>			<u>1.7</u>
<b>Pretax Income Before Interest and Other Expense</b>	\$ 45.9			\$ 96.5
<b>Interest Expense</b>	22.6			22.6
<b>Other Expense, Net</b>	<u>11.1</u>		1.5	<u>9.6</u>
<b>Income Before Taxes</b>	\$ 12.2			\$ 64.3
<b>Income Taxes</b>	<u>20.9</u>	(11.1)	17.5	<u>14.5</u>
<b>Net Income (Loss)</b>	\$ (8.7)			\$ 49.8
<b>Noncontrolling Interests</b>	<u>17.8</u>			<u>17.8</u>
<b>Net Income (Loss) Attributable to Lear</b>	<u>\$ (26.5)</u>			<u>\$ 32.0</u>
<b>Diluted Earnings (Loss) per Share</b>	<u>\$ (0.44)</u>			<u>\$ 0.53</u>

\* Restructuring costs include \$27.4 million in cost of sales and \$21.1 million in SG&A. Other special items include \$0.4 million in cost of sales and \$1.7 million in SG&A.

