

# Lear Corp

**S&P Capital IQ Recommendation**



**S&P Capital IQ Equity Analyst Efraim Levy**

**Price**  
\$91.31 (as of Jun 06, 2014 4:00 PM ET)

**12-Mo. Target Price**  
\$94.00

**Report Currency**  
USD

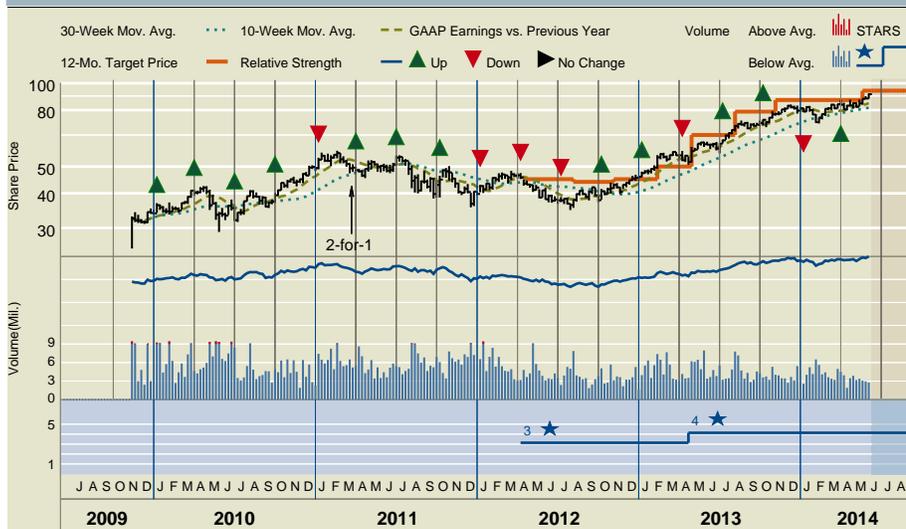
**GICS Sector** Consumer Discretionary  
**Sub-Industry** Auto Parts & Equipment

**Summary** This company is a leading supplier of automotive seating and electric power management systems for global vehicle manufacturers.

**Key Stock Statistics** (Source S&P Capital IQ, Vickers, company reports)

52-Wk Range	<b>\$91.87–55.81</b>	S&P Oper. EPS 2014E	<b>7.68</b>	Market Capitalization(B)	<b>\$7.159</b>	Beta	<b>1.23</b>
Trailing 12-Month EPS	<b>\$5.35</b>	S&P Oper. EPS 2015E	<b>9.01</b>	Yield (%)	<b>0.91</b>	S&P 3-Yr. Proj. EPS CAGR(%)	<b>20</b>
Trailing 12-Month P/E	<b>16.5</b>	P/E on S&P Oper. EPS 2014E	<b>11.9</b>	Dividend Rate/Share	<b>\$0.80</b>	S&P Quality Ranking	<b>NR</b>
\$10K Invested 5 Yrs Ago	<b>NA</b>	Common Shares Outstg. (M)	<b>81.3</b>	Institutional Ownership (%)	<b>99</b>		

**Price Performance**



Past performance is not an indication of future performance and should not be relied upon as such.

Analysis prepared by Equity Analyst **Efraim Levy** on May 16, 2014 11:12 AM, when the stock traded at **\$84.05**.

**Highlights**

- Global automotive sales should improve in 2014, by our analysis, led by expansion in the U.S. and China. We expect flat to higher demand in the important European market, but project contraction in parts of South America. We estimate U.S. industry light vehicle sales will rise about 3% in 2014. We look for LEA revenues to advance 7.7% in 2014 and 5.8% in 2015.
- Seating segment margins were penalized during 2013 by new and important product changeovers and launches, which typically start with lower margins until volume and manufacturing efficiencies are realized. Also, customer price concessions hurt margins. Margins should improve in the second half of 2014. Electronic power management systems should see wider margins through 2014, as the segment benefits from restructuring actions and enhanced focus. We expect greater profit contributions from joint ventures.
- We are modeling an effective tax rate of about 30% in 2014. Cash taxes, however, should be closer to 20%. Our forecasts assume the euro stays at recent levels. We estimate EPS of \$7.68 in 2014, supported by executed and expected stock repurchases, rising to \$9.01 in 2015.

**Investment Rationale/Risk**

- Lear is using its cash on hand to focus on material share repurchase transactions, as well as modest, strategic, non-transformational acquisitions to enhance its growth. The company's bankruptcy reorganization left it in an improved financial position, in our view. We expect continued return of capital to shareholders including a dividend increase. We see Lear benefiting from global automotive demand growth, especially some improvement in Europe.
- Risks to our recommendation and target price include lower-than-expected demand for vehicles and Lear parts due to cyclical economic fluctuations and economic challenges in Europe. Unfavorable exchange rate fluctuations could also hurt sales and profits. A decline in the discount rate could cause pension expense to be higher than we project.
- We apply a multiple of 11.8X to our forward four-quarter EPS estimate of \$7.96, based on peer and historical P/E multiples, resulting in our 12-month target price of \$94. Our target multiple is in the upper portion of the recent historical range, but a discount to the peer average. The recently increased \$0.80 annual cash dividend adds to total return potential.

**Analyst's Risk Assessment**

<b>LOW</b>	<b>MEDIUM</b>	<b>HIGH</b>
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Our risk assessment for LEA reflects the highly cyclical nature of its markets, partly offset by our view of increasing demand in emerging markets.

**Revenue/Earnings Data**

**Revenue (Million \$)**

	1Q	2Q	3Q	4Q	Year
2014	4,360	--	--	--	--
2013	3,947	4,113	3,918	4,256	16,234
2012	3,644	3,665	3,539	3,719	14,567
2011	3,512	3,676	3,460	3,509	14,157
2010	2,939	3,039	2,820	3,157	11,955
2009	2,168	2,281	2,548	2,742	9,740

**Earnings Per Share (\$)**

	1Q	2Q	3Q	4Q	Year
2014	1.47	E1.94	E1.87	E2.03	E7.68
2013	1.13	1.60	1.38	0.88	4.99
2012	1.32	1.45	1.23	0.90	12.85
2011	1.44	1.65	0.95	1.03	5.08
2010	0.61	1.48	0.88	1.08	4.05
2009	-1.71	-1.12	0.16	12.49	5.79

Fiscal year ended Dec. 31. Next earnings report expected: NA. EPS Estimates based on S&P Capital IQ Operating Earnings; historical GAAP earnings are as reported in Company reports.

**Dividend Data**

Amount (\$)	Date Decl.	Ex-Div. Date	Stk. of Record	Payment Date
0.170	Aug 15	Sep 4	Sep 6	Sep 25 '13
0.170	Nov 14	Dec 4	Dec 6	Dec 26 '13
0.200	Feb 7	Feb 26	Feb 28	Mar 20 '14
0.200	May 15	Jun 4	Jun 6	Jun 25 '14

Dividends have been paid since 2011. Source: Company reports.

Past performance is not an indication of future performance and should not be relied upon as such.

**Please read the Required Disclosures and Analyst Certification on the last page of this report.**

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# Lear Corp

## Business Summary May 16, 2014

**CORPORATE OVERVIEW.** Lear Corp. is among the world's largest suppliers of automotive and components to global vehicle manufacturers. The company is primarily a Tier-1 supplier.

The company has two operating segments: seating and electrical power management systems (EPMS). The seating segment includes seat system and related components, such as seat frames, recline mechanisms, seat tracks, seat trim covers, headrests and seat foam. The EPMS segment includes electrical distribution systems for traditional powertrain vehicles, as well as for hybrid and electric vehicles.

Lear's three largest customers, General Motors, Ford and BMW, accounted for 54% of 2013 revenues.

Sales in North America accounted for 38% of 2013 revenues, with Europe and Africa providing 38%, Asia 18%, and South America 6%.

**CORPORATE STRATEGY.** Lear has acted to position its business to deliver superior-long-term shareholder value while maintaining a strong and flexible balance sheet. It is focused on expanding and enhancing the competitiveness of its two core businesses: seating and EPMS. As a result, it divested its automotive interiors business and exited certain non-core product lines in its EPMS segment. The company is focusing on its core capabilities, leveraging its global presence for scale and low-cost capabilities, and diversifying its customer base.

**IMPACT OF MAJOR DEVELOPMENTS.** On May 31, 2012, Lear acquired Guilford Mills, a privately held portfolio company of Cerberus Capital Management, L.P. that manufactures fabrics for the automotive and specialty markets. Guilford, headquartered in Wilmington, NC, has annual sales of about \$400 million, and was acquired for about \$246 million net of cash.

In 2009, Lear emerged from bankruptcy protection. The reorganization allowed the company to improve its financial position and work toward its strategic goals.

**MARKET PROFILE.** Our fundamental outlook for the auto parts and equipment sub-industry is positive, reflecting our expectations for rising demand in the U.S. and abroad, partly offset by slowing economic growth, increased raw material and oil and gasoline prices, and other operational challenges. We believe profits in 2014 should benefit from higher U.S. and international vehicle production.

We estimate a 3% increase to 16.1 million units in U.S. light vehicle sales for 2014, as well as gains in most other regions. Rising prosperity in emerging markets, led by China, should drive global demand growth. European demand should stabilize. We think higher volume in the U.S. and abroad versus 2013 will help corporate profits and cash flows. Positive factors we see in the U.S. include pent-up consumer and business demand and improved access to credit for consumers. The average vehicle age is now about 11 years, an industry record. Cost cutting should also help margins, although historically high gasoline prices are a risk. Also, any easing of high raw material costs would benefit profit margins.

We forecast higher global vehicle production in 2014, with production trends varying by country. U.S. new light vehicle production should increase. European production should stabilize. We project higher production in Asia and expect improved U.S. automotive replacement parts market demand.

Many auto parts suppliers, including Lear, are increasing their revenues generated outside the U.S. Emerging markets are becoming more attractive to parts manufacturers due to lower labor costs for manufacturing and engineering and/or due to growing demand in local and regional markets. Over time, we expect domestic parts suppliers to increase penetration of import brands, which are shifting more of their production to the U.S.

**FINANCIAL TRENDS.** In April, Lear updated its outlook for 2014. The company expects revenue of between \$17.2 billion to \$17.7 billion up from January's guidance (\$16.9 billion to \$17.4 billion). It expects core operating earnings of between \$935 million to \$985 million (\$910 million to \$960 million). Its guidance for pretax income before restructuring costs and other special items is between \$870 million to \$920 million (\$845 million to \$895 million). It projects adjusted net income of \$580 million to \$615 million (\$560 million to \$595 million).

## Corporate Information

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### Officers

**Chrmn**  
H.D. Wallace

**CEO & Pres**  
M.J. Simoncini

**SVP & CFO**  
J.H. Vanneste

**Chief Acctg Officer & Cntrl**  
W.L. Foss

**Treas**  
S.L. Burgess

### Board Members

R. H. Bott  
J. F. Foster  
C. L. Mallett, Jr.  
M. J. Simoncini  
H. D. Wallace

T. P. Capo  
K. A. Ligocki  
D. L. Runkle  
G. C. Smith

**Domicile**  
Delaware

**Founded**  
1987

**Employees**  
122,300

**Stockholders**  
187

# Lear Corp

## Quantitative Evaluations

<b>S&amp;P Capital IQ Fair Value Rank</b>	5+	1	2	3	4	5
		LOWEST				HIGHEST
		Based on S&P Capital IQ's proprietary quantitative model, stocks are ranked from most overvalued (1) to most undervalued (5).				

<b>Fair Value Calculation</b>	<b>\$155.30</b>	Analysis of the stock's current worth, based on S&P Capital IQ's proprietary quantitative model suggests that LEA is Undervalued by \$63.99 or 70.1%.
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<b>Investability Quotient Percentile</b>	<b>89</b>
	LOWEST = 1 HIGHEST = 100
	LEA scored higher than 89% of all companies for which an S&P Capital IQ Report is available.

<b>Volatility</b>	<b>LOW</b>	AVERAGE	HIGH
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<b>Technical Evaluation</b>	<b>BULLISH</b>	Since April, 2014, the technical indicators for LEA have been BULLISH.
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<b>Insider Activity</b>	<b>NA</b>	UNFAVORABLE	NEUTRAL	FAVORABLE
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## Expanded Ratio Analysis

	2013	2012	2011	2010
Price/Sales	0.43	0.32	0.30	0.45
Price/EBITDA	6.35	4.91	4.54	6.92
Price/Pretax Income	10.79	6.88	6.62	10.98
P/E Ratio	16.22	3.65	7.42	12.18
Avg. Diluted Shares Outstg (M)	86.4	99.8	106.3	108.1

Figures based on calendar year-end price

## Key Growth Rates and Averages

Past Growth Rate (%)	1 Year	3 Years	5 Years	9 Years
Sales	11.44	9.93	6.71	-2.32
Net Income	-66.37	7.93	NM	NM

## Ratio Analysis (Annual Avg.)

	2013	2012	2011	2010
Net Margin (%)	2.66	5.16	5.50	1.32
% LT Debt to Capitalization	25.13	20.42	22.46	45.35
Return on Equity (%)	13.21	26.41	33.66	NM

For further clarification on the terms used in this report, please visit [www.standardandpoors.com/stockreportguide](http://www.standardandpoors.com/stockreportguide)

## Company Financials Fiscal Year Ended Dec. 31

Per Share Data (\$)	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Tangible Book Value	28.34	28.57	17.95	17.55	14.34	NM	NA	NA	NA	NA
Cash Flow	8.30	15.25	7.68	6.45	7.66	-2.53	3.44	-2.32	-7.36	5.20
Earnings	4.99	12.85	5.08	4.05	5.79	-4.47	1.55	-5.18	-10.29	2.89
S&P Capital IQ Core Earnings	4.97	12.55	4.80	4.05	1.09	-2.49	1.65	-1.85	-2.26	2.87
Dividends	0.68	0.56	0.50	Nil	Nil	Nil	NA	NA	NA	NA
Payout Ratio	14%	4%	10%	Nil	Nil	Nil	NA	NA	NA	NA
Prices:High	83.72	48.25	57.03	50.51	35.25	NA	NA	NA	NA	NA
Prices:Low	46.65	34.81	35.60	29.00	25.25	NA	NA	NA	NA	NA
P/E Ratio:High	17	4	11	13	6	NM	NA	NA	NA	NA
P/E Ratio:Low	9	3	7	7	4	NM	NA	NA	NA	NA

## Income Statement Analysis (Million \$)

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenue	16,234	14,567	14,157	11,955	9,740	13,571	15,995	17,839	17,089	16,960
Operating Income	1,102	951	932	771	331	718	1,088	788	726	1,131
Depreciation	286	240	246	236	264	299	297	392	393	355
Interest Expense	68.4	49.9	39.7	55.4	163	190	199	210	183	166
Pretax Income	648	679	639	486	832	-579	357	-637	-1,180	567
Effective Tax Rate	29.7%	NM	10.8%	5.50%	0.60%	NM	25.2%	NM	NM	22.6%
Net Income	431	1,283	570	438	814	-690	242	-710	-1,382	422
S&P Capital IQ Core Earnings	429	1,253	512	407	74.6	-386	258	-253	-303	419

## Balance Sheet & Other Financial Data (Million \$)

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Cash	1,138	1,402	1,754	1,654	1,554	1,592	601	503	208	585
Current Assets	4,923	4,874	4,762	4,386	3,787	3,674	3,718	3,890	3,846	4,372
Total Assets	8,331	8,194	7,011	6,621	6,073	6,873	7,800	7,851	8,288	9,944
Current Liabilities	3,579	3,217	3,064	2,819	2,401	4,610	3,604	3,887	4,107	4,648
Long Term Debt	1,057	626	695	695	927	1,303	2,345	2,435	2,243	1,867
Common Equity	3,046	3,487	2,561	2,569	2,182	199	1,091	602	1,111	2,730
Total Capital	4,207	4,239	3,257	3,264	3,117	1,555	3,558	3,062	3,364	5,230
Capital Expenditures	461	458	330	193	119	168	202	348	568	429
Cash Flow	717	1,522	817	697	1,078	-391	538	-318	-988	777
Current Ratio	1.4	1.5	1.6	1.6	1.6	0.8	1.0	1.0	0.9	0.9
% Long Term Debt of Capitalization	25.1	14.8	21.4	21.3	29.7	83.8	65.9	79.5	66.7	35.7
% Net Income of Revenue	2.7	8.8	4.0	3.7	8.4	NM	1.5	NM	NM	2.5
% Return on Assets	5.2	16.9	8.4	6.9	12.6	NM	3.1	NM	NM	4.6
% Return on Equity	13.2	43.3	22.7	20.6	68.4	NM	28.5	NM	NM	16.9

Data as originally reported in Company reports.; bef. results of disc opers/spec. items. Per share data adj. for stk. divs.; EPS diluted. E-Estimated. NA-Not Available. NM-Not Meaningful. NR-Not Ranked. UR-Under Review.

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# Lear Corp



## Sub-Industry Outlook

Our fundamental outlook for the auto parts and equipment sub-industry for the next 12 months is positive, reflecting our expectations for rising demand in the U.S. and abroad, including China. We think the worst has passed for Europe, but it will likely remain relatively weak during 2014. We believe profits should benefit from higher U.S. and international vehicle production.

We see U.S. new light vehicle sales rising 3% to 16.1 million units in 2014. In addition, we expect sales growth in most regions. Rising prosperity in emerging markets, led by China, should drive global demand growth, despite slowed regional economic growth, and still depressed but slightly rising European demand in 2014. South America should see challenges in 2014 too. We think rising volume in the U.S. and abroad versus 2013 will help corporate profits and cash flows. Positive factors we see in the U.S. for 2014 include pent-up consumer and business demand and improved access to credit for consumers. The average vehicle age is now about above 11 years, an industry record. Cost cutting should also help margins, but a return to higher gasoline prices is a risk. Also, easing of high raw material costs would benefit profit margins, while an increase would hurt.

We forecast higher global vehicle production in 2014, with production trends varying by country. U.S. new light vehicle production should increase, as should Europe's. We project higher production in Asia, despite a likely decline in Japan, and we expect improved U.S. automotive replacement parts market demand. We expect global volume to rise in 2014.

Many auto parts suppliers are increasing their revenues generated outside the U.S. Emerging markets are becoming more attractive to parts

manufacturers due to lower labor costs for manufacturing and engineering and/or due to growing demand in local and regional markets. Over time, we expect some domestic parts suppliers to increase penetration of import brands, which are shifting more of their production to the U.S.

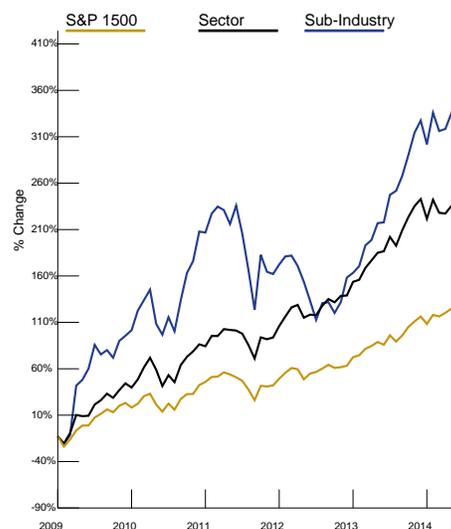
Year to date through May 2, the S&P Auto Parts & Equipment Index fell 1.8%, vs. a 1.6% rise for the S&P 1500 Index. In 2013, the S&P Auto Parts & Equipment Index surged 62.4%, versus a 30.1% increase for the S&P 1500.

--Efraim Levy, CFA

## Industry Performance

**GICS Sector: Consumer Discretionary**  
**Sub-Industry: Auto Parts & Equipment**

Based on S&P 1500 Indexes  
Five-Year market price performance through Jun 7, 2014



**NOTE:** All Sector & Sub-Industry information is based on the Global Industry Classification Standard (GICS)

Past performance is not an indication of future performance and should not be relied upon as such.

## Sub-Industry : Auto Parts & Equipment Peer Group\*: Based on market capitalizations within GICS Sub-Industry

Peer Group	Stock Symbol	Stk.Mkt. Cap. (Mil. \$)	Recent Stock Price(\$)	52 Week High/Low(\$)	Beta	Yield (%)	P/E Ratio	Fair Value Calc.(\$)	Quality Ranking	S&P IQ %ile	Return on Revenue (%)	LTD to Cap (%)
<b>Lear Corp</b>	<b>LEA</b>	<b>7,159</b>	<b>91.31</b>	<b>91.87/55.81</b>	<b>1.23</b>	<b>0.9</b>	<b>17</b>	<b>155.30</b>	<b>NR</b>	<b>89</b>	<b>2.7</b>	<b>25.1</b>
China Automotive Sys	CAAS	249	8.58	10.05/4.90	2.41	Nil	9	NA	B+	17	6.5	NA
China XD Plastics	CXDC	708	12.20	12.48/3.99	-1.74	Nil	6	NA	NR	87	12.7	NA
Cooper-Standard Hldgs	CPS	1,085	64.68	71.11/46.00	0.67	Nil	26	NA	NR	18	1.6	50.3
Dana Holdings	DAN	3,471	22.84	23.63/16.60	NM	0.9	NM	20.20	NR	21	3.6	52.0
Federal-Mogul Hldgs'A'	FDML	2,489	18.24	23.62/9.32	1.93	Nil	21	NA	NR	14	1.4	21.6
Fox Factory Hldg	FOXF	626	18.29	20.75/14.33	NA	Nil	28	NA	NR	82	8.8	8.0
Icahn Enterprises L.P.	IEP	10,466	102.21	149.77/67.35	0.69	5.9	16	NA	NR	24	4.8	41.1
Linamar Corp	LNR.C	3,617	61.03	61.03/26.36	2.50	0.7	15	NA	B	NA	6.4	25.7
Martinrea Intl	MRE.C	903	11.21	11.82/6.57	1.44	1.1	70	NA	NR	NA	1.2	39.0
Quantum Fuel Sys Tech	QTWW	100	4.37	11.25/1.85	1.05	Nil	NM	NA	C	7	NM	23.7
Remy Intl	REMY	761	23.98	27.30/17.60	1.66	1.7	16	NA	NR	12	3.6	37.1
Sypris Solutions	SYPR	89	5.45	6.50/2.52	0.11	1.7	NM	NA	B-	12	NM	29.9
Tower International	TOWR	603	32.87	33.04/16.88	1.60	Nil	NM	48.00	NR	20	NM	72.1
Visteon Corp	VC	4,375	94.22	94.23/58.02	2.06	Nil	7	NA	NR	77	9.3	17.8

NA-Not Available NM-Not Meaningful NR-Not Rated. \*For Peer Groups with more than 15 companies or stocks, selection of issues is based on market capitalization.

## S&P Capital IQ Analyst Research Notes and other Company News

### May 16, 2014

11:09 am ET ... S&P CAPITAL IQ KEEPS BUY OPINION ON SHARES OF LEAR CORP. (LEA 83.63\*\*\*\*): We raise our 12-month target price \$7 to \$94, or 11.8X our forward four-quarter EPS estimate of \$7.96, based on peer and historical P/E analysis. We increase our 2014 EPS estimate \$0.12 to \$7.68 and initiate 2015's at \$9.01, or 17% growth. Our target is in the upper portion of its historical range, but at a discount to peers. We expect the company to benefit from a recovering Europe (38% of 2013 sales were in its Europe and Africa segment, up from 35% in 2012), as well as higher volume in the US and Asia. An expanding backlog portends well for sales growth through 2016. /E. Levy, CFA

### May 14, 2014

12:04 pm ET ... LEAR CORP. (LEA 86.69) UP 2.1, UPDATE: DEUTSCHE BANK UPGRADES LEAR TO BUY, SHARES UP 2+%. In a report issued Wednesday, Deutsche Bank upgraded its rating of Lear Corporation (NYSE: LEA) from Hold to Buy with a price target raise from \$95 to \$100. A team of Deutsche Bank analysts led by Rod Lache believes Lear's Electrical business should be able to sustain stronger-than-usual margins for a longer time than expected. The analyst raised his valuations for Lear's Structures business to have EPS of \$0.84 and Lear South America to have EPS of \$0.55 by the end of 2015 -- both of which are encouraging pieces of news. Lear has responded well to this upgra...Acquire Media

### January 31, 2014

03:06 pm ET ... S&P CAPITAL IQ KEEPS BUY OPINION ON SHARES OF LEAR (LEA 73.21\*\*\*\*): We keep our \$87 target price, based on historical and peer P/E analysis. We raise our '14 EPS estimate \$0.16 to \$7.56, primarily on increased operating margin forecasts for both the seating and electric power management systems segments. Revenues in 2014, should outpace global vehicle production rates, as Lear gains market share and diversifies customer and regional mix. We expect 2014 profits to rise as we expect segment profits margins to widen as the year progresses. LEA posts adjusted Q4 EPS of \$1.55, vs. \$1.48, below our \$1.56 estimate, despite higher than expected sales. /E. Levy, CFA

### January 31, 2014

03:06 pm ET ... S&P CAPITAL IQ KEEPS BUY OPINION ON SHARES OF LEAR (LEA 73.21\*\*\*\*): We keep our \$87 target price, based on historical and peer P/E analysis. We raise our '14 EPS estimate \$0.16 to \$7.56, primarily on increased operating margin forecasts for both the seating and electric power management systems segments. Revenues in 2014, should outpace global vehicle production rates, as Lear gains market share and diversifies customer and regional mix. We expect 2014 profits to rise as we expect segment profits margins to widen as the year progresses. LEA posts adjusted Q4 EPS of \$1.55, vs. \$1.48, below our \$1.56 estimate, despite higher than expected sales. /E. Levy, CFA

### January 23, 2014

04:46 pm ET ... S&P CAPITAL IQ REITERATES BUY OPINION ON SHARES OF LEAR (LEA 79.36\*\*\*\*): We expect LEA to post Q4 EPS of \$1.56, vs. \$1.48. For full '13, we estimate EPS of \$5.89, rising 26% to \$7.40 in '14, on 6% higher sales. We look for LEA to benefit from increasing U.S. and global demand that we see in '14. We also think LEA will benefit from flat to slightly higher volume in Europe, where it derives about one-third of its revenues. We expect past restructuring actions to help margins, as should greater contributions from joint ventures. Past and ongoing share repurchases should help EPS. The \$0.68 per share annual dividend adds to total return potential we see. /E. Levy, CFA

### October 25, 2013

UP 0.00 to 76.16... LEA posts \$1.45 vs. \$1.29 Q3 adj. EPS on 11% sales rise. Capital IQ consensus forecast was \$1.32. Expects '13 sales of approximately \$16.0B, up from prior outlook of approximately \$15.8B, core op. earnings of approximately \$835M, up from the prior outlook of \$750M-\$800M, FCF of approximately \$325M, up \$25M from prior outlook.

### October 25, 2013

01:45 pm ET ... S&P CAPITAL IQ REITERATES BUY OPINION ON SHARES OF LEAR (LEA 77.58\*\*\*\*): We raise our '13 EPS estimate \$0.18 to \$5.89, and '14's by \$0.40 to \$7.40. We lift our 12-month target price by \$8 to \$87, or about 11.8X our '14 EPS projection. Our target multiple is in the upper portion of its recent historical range, but a discount to the peer average. Revenues in '14 should benefit from global demand growth and especially some progress in Europe. We see margin improvement in '14, especially in the second half. The \$0.68 annual dividend adds

to total return potential. LEA posts adjusted Q3 EPS of \$1.45, vs. \$1.29, above our \$1.31 estimate. /E. Levy, CFA

### September 27, 2013

Lear Corporation announced that Richard H. Bott has been appointed to the company's Board of Directors, effective immediately. Mr. Bott currently serves on the Board of Directors of Genesee & Wyoming Inc.

### July 26, 2013

01:07 pm ET ... S&P KEEPS BUY OPINION ON SHARES OF LEAR (LEA 67.71\*\*\*\*): We up our target price by \$14 to \$79, as we shift our focus to '14 EPS estimates. We lift our '13 EPS forecast \$0.18 to \$5.71 and '14's by \$0.23 to \$7.00. Our target price of 11.3X our '14 EPS estimate reflects peer and historical multiple analysis. Sales were up in all key regions, including Europe where LEA was profitable. Lear should benefit from rising global volume, but margins should be weighed down by product changeover costs until about mid-14. Adj EPS of \$1.62, vs. \$1.45, was above our \$1.48 estimate on higher sales and operating margins and fewer shares than expected. /E. Levy, CFA

### May 20, 2013

Lear Corporation at its annual general meeting held on May 16, 2013, approved appointment of Henry D.G. Wallace as director of the company.

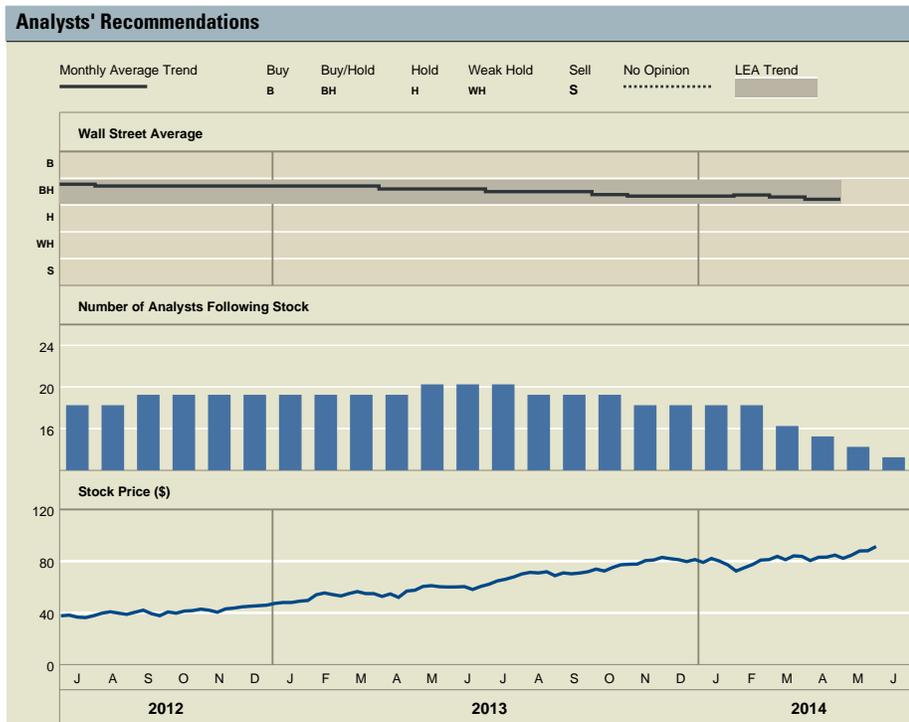
### April 25, 2013

UP 3.43 to 57.38... LEA posts \$1.30 vs. \$1.38 Q1 adj. EPS as higher SG&A costs offset 8% revenue rise. Capital IQ consensus forecast is \$1.11. S&P Capital IQ upgrades to buy from hold. ...

### April 25, 2013

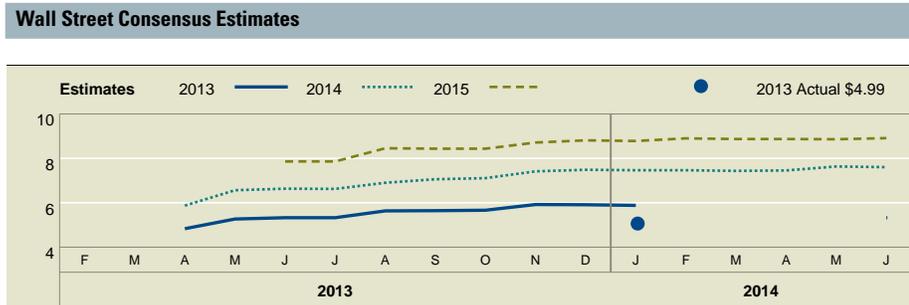
02:29 pm ET ... S&P UPGRADES OPINION ON SHARES OF LEAR TO BUY FROM HOLD (LEA 57.05\*\*\*\*): We increase our target price by \$15 to \$65, or 11.8X our '13 EPS estimate, on historical and peer P/E analysis. We raise our '13 EPS estimate by \$0.70 to \$5.53 and initiate '14's at \$6.77. The primary driver to our EPS forecast increase is the announcement of an accelerated share repurchase program that is seen dramatically reducing LEA's share count. It also reflects better than expected Q1 sales, operating margins and profit. We think Lear will see operating profit above the high end of its '13 guidance. LEA posts Q1 adjusted EPS of \$1.30 vs. \$1.38, above our \$1.13 estimate. /E. Levy, CFA

# Lear Corp



Of the total 14 companies following LEA, 14 analysts currently publish recommendations.

	No. of Recommendations	% of Total	1 Mo. Prior	3 Mos. Prior
Buy	4	29	3	5
Buy/Hold	4	29	4	4
Hold	5	36	7	7
Weak Hold	0	0	0	0
Sell	0	0	0	0
No Opinion	1	7	1	1
<b>Total</b>	<b>14</b>	<b>100</b>	<b>15</b>	<b>17</b>



Fiscal Years	Avg Est.	High Est.	Low Est.	# of Est.	Est. P/E
2015	8.96	9.74	8.30	14	10.2
2014	7.64	8.05	7.40	13	12.0
<b>2015 vs. 2014</b>	<b>▲ 17%</b>	<b>▲ 21%</b>	<b>▲ 12%</b>	<b>▲ 8%</b>	<b>▼ -15%</b>
Q2'15	2.17	2.29	1.97	13	42.1
Q2'14	1.93	2.10	1.80	13	47.3
<b>Q2'15 vs. Q2'14</b>	<b>▲ 12%</b>	<b>▲ 9%</b>	<b>▲ 9%</b>	<b>0%</b>	<b>▼ -11%</b>

A company's earnings outlook plays a major part in any investment decision. S&P Capital IQ organizes the earnings estimates of over 2,300 Wall Street analysts, and provides their consensus of earnings over the next two years, as well as how those earnings estimates have changed over time. Note that the information provided in relation to consensus estimates is not intended to predict actual results and should not be taken as a reliable indicator of future performance.

### Wall Street Consensus Opinion

**BUY/HOLD**

### Companies Offering Coverage

- Barclays
- BofA Merrill Lynch
- Buckingham Research Group Inc.
- CLSA
- Citigroup Inc
- Deutsche Bank
- Gabelli & Company, Inc.
- Goldman Sachs
- JP Morgan
- KeyBank Capital Markets Inc.
- Morgan Stanley
- RBC Capital Markets
- Sterne Agee & Leach Inc.
- UBS Investment Bank

### Wall Street Consensus vs. Performance

For fiscal year 2014, analysts estimate that LEA will earn US\$ 7.64. For the 1st quarter of fiscal year 2014, LEA announced earnings per share of US\$ 1.47, representing 19% of the total annual estimate. For fiscal year 2015, analysts estimate that LEA's earnings per share will grow by 17% to US\$ 8.96.

## Glossary

### S&P Capital IQ STARS

Since January 1, 1987, S&P Capital IQ Equity Research has ranked a universe of U.S. common stocks, ADRs (American Depositary Receipts), and ADSs (American Depositary Shares) based on a given equity's potential for future performance. Similarly, S&P Capital IQ Equity Research has ranked Asian and European equities since June 30, 2002. Under proprietary STARS (STock Appreciation Ranking System), S&P Capital IQ equity analysts rank equities according to their individual forecast of an equity's future total return potential versus the expected total return of a relevant benchmark (e.g., a regional index (S&P Asia 50 Index, S&P Europe 350® Index or S&P 500® Index)), based on a 12-month time horizon. STARS was designed to meet the needs of investors looking to put their investment decisions in perspective. Data used to assist in determining the STARS ranking may be the result of the analyst's own models as well as internal proprietary models resulting from dynamic data inputs.

### S&P Capital IQ Quality Ranking

(also known as **S&P Capital IQ Earnings & Dividend Rankings**) - Growth and stability of earnings and dividends are deemed key elements in establishing S&P Capital IQ's earnings and dividend rankings for common stocks, which are designed to encapsulate the nature of this record in a single symbol. It should be noted, however, that the process also takes into consideration certain adjustments and modifications deemed desirable in establishing such rankings. The final score for each stock is measured against a scoring matrix determined by analysis of the scores of a large and representative sample of stocks. The range of scores in the array of this sample has been aligned with the following ladder of rankings:

A+ Highest	B Below Average
A High	B- Lower
A- Above Average	C Lowest
B+ Average	D In Reorganization
NR Not Ranked	

### S&P Capital IQ EPS Estimates

S&P Capital IQ earnings per share (EPS) estimates reflect analyst projections of future EPS from continuing operations, and generally exclude various items that are viewed as special, non-recurring, or extraordinary. Also, S&P Capital IQ EPS estimates reflect either forecasts of S&P Capital IQ equity analysts; or, the consensus (average) EPS estimate, which are independently compiled by Capital IQ, a data provider to S&P Capital IQ Equity Research. Among the items typically excluded from EPS estimates are asset sale gains; impairment, restructuring or merger-related charges; legal and insurance settlements; in process research and development expenses; gains or losses on the extinguishment of debt; the cumulative effect of accounting changes; and earnings related to operations that have been classified by the company as discontinued. The inclusion of some items, such as stock option expense and recurring types of other charges, may vary, and depend on such factors as industry practice, analyst judgment, and the extent to which some types of data is disclosed by companies.

### S&P Capital IQ Core Earnings

S&P Capital IQ Core Earnings is a uniform methodology for adjusting operating earnings by focusing on a company's after-tax earnings generated from its principal businesses. Included in the S&P Capital IQ definition are employee stock option grant expenses, pension costs, restructuring charges from ongoing operations, write-downs of depreciable or amortizable operating assets, purchased research and development, M&A related expenses and unrealized gains/losses from hedging activities. Excluded from the definition are pension gains, impairment of goodwill charges, gains or losses from asset sales, reversal of prior-year charges and provision from litigation or insurance settlements.

### S&P Capital IQ 12-Month Target Price

The S&P Capital IQ equity analyst's projection of the market price a given security will command 12 months hence, based on a combination of intrinsic, relative, and private market valuation metrics, including S&P Capital IQ Fair Value.

### S&P Capital IQ Equity Research

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### Abbreviations Used in S&P Capital IQ Equity Research Reports

CAGR - Compound Annual Growth Rate
CAPEX - Capital Expenditures
CY - Calendar Year
DCF - Discounted Cash Flow
DDM - Dividend Discount Model

EBIT - Earnings Before Interest and Taxes
EBITDA - Earnings Before Interest, Taxes, Depreciation and Amortization
EPS - Earnings Per Share
EV - Enterprise Value
FCF - Free Cash Flow
FFO - Funds From Operations
FY - Fiscal Year
P/E - Price/Earnings
P/NAV - Price to Net Asset Value
PEG Ratio - P/E-to-Growth Ratio
PV - Present Value
R&D - Research & Development
ROCE - Return on Capital Employed
ROE - Return on Equity
ROI - Return on Investment
ROIC - Return on Invested Capital
ROA - Return on Assets
SG&A - Selling, General & Administrative Expenses
SOTP - Sum-of-The-Parts
WACC - Weighted Average Cost of Capital

### Dividends on American Depositary Receipts (ADRs) and American Depositary Shares (ADSs) are net of taxes (paid in the country of origin).

### S&P Capital IQ Qualitative Risk Assessment

Reflects an S&P Capital IQ equity analyst's view of a given company's operational risk, or the risk of a firm's ability to continue as an ongoing concern. The S&P Capital IQ Qualitative Risk Assessment is a relative ranking to the S&P U.S. STARS universe, and should be reflective of risk factors related to a company's operations, as opposed to risk and volatility measures associated with share prices. For an ETF this reflects on a capitalization-weighted basis, the average qualitative risk assessment assigned to holdings of the fund.

### STARS Ranking system and definition:

#### ★★★★★ 5-STARS (Strong Buy):

Total return is expected to outperform the total return of a relevant benchmark, by a wide margin over the coming 12 months, with shares rising in price on an absolute basis.

#### ★★★★☆ 4-STARS (Buy):

Total return is expected to outperform the total return of a relevant benchmark over the coming 12 months, with shares rising in price on an absolute basis.

#### ★★★☆☆ 3-STARS (Hold):

Total return is expected to closely approximate the total return of a relevant benchmark over the coming 12 months, with shares generally rising in price on an absolute basis.

#### ★★★☆☆ 2-STARS (Sell):

Total return is expected to underperform the total return of a relevant benchmark over the coming 12 months, and the share price not anticipated to show a gain.

#### ★★★☆☆ 1-STAR (Strong Sell):

Total return is expected to underperform the total return of a relevant benchmark by a wide margin over the coming 12 months, with shares falling in price on an absolute basis.

### Relevant benchmarks:

In North America, the relevant benchmark is the S&P 500 Index, in Europe and in Asia, the relevant benchmarks are the S&P Europe 350 Index and the S&P Asia 50 Index, respectively.

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S&P Capital IQ's quantitative evaluations are derived from S&P Capital IQ's proprietary Fair Value quantitative ranking model. The Fair Value Ranking methodology is a relative ranking methodology. As a quantitative model, Fair Value relies on history and consensus estimates and does not introduce an element of subjectivity. Some Quantitative Stock Reports contain Buy, Hold and Sell recommendations. Reports that do not contain a recommendation may or may not contain ranking information. For reports containing a recommendation or ranking information refer to the Glossary Section of this report for more information, including a detailed description of the methodology and definition of S&P Quality Ranking and S&P Fair Value Rank.

### STARS Stock Reports and Quantitative Stock Reports:

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### STARS Stock Reports:

#### S&P Capital IQ Global STARS Distribution as of March 31, 2014

Ranking	North America	Europe	Asia	Global
Buy	35.4%	35.8%	41.9%	36.2%
Hold	52.3%	43.3%	54.3%	51.0%
Sell	12.3%	20.9%	3.8%	12.8%
Total	100%	100%	100%	100%

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