

# Lear Corp

LEA  
NYSE

**A** Strongly Outperform  
Data as of 06/06/2014

## SCHWAB EQUITY RATING

**A** Strongly Outperform  
Percentile Ranking: **3** Data as of 06/06/2014

Last weeks rating: Data as of 05/30/2014  
**A** Strongly Outperform  
Percentile Ranking: 5

<b>A</b> 1-5	Strongly Outperform	<b>BUY</b>
<b>B</b> 6-30	Outperform	
<b>C</b> 31-70	Marketperform	
<b>D</b> 71-95	Underperform	
<b>F</b> 96-100	Strongly Underperform	

For details about using Schwab Equity Ratings, please see the Schwab Center for Financial Research report "Managing a Portfolio Using Schwab Equity Ratings" in the Stocks article library under Market Insight.

See page 4 for further documentation on Schwab Equity Ratings, Important Disclosures, and Regulation Analyst Certification.

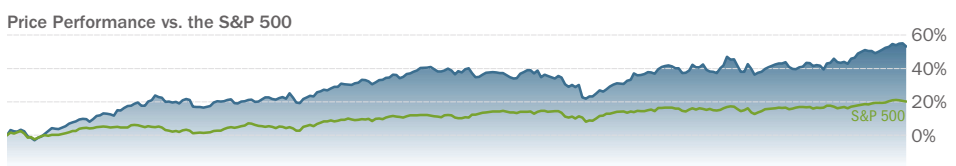
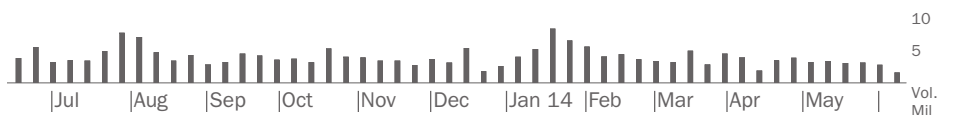
## RATIONALE BEHIND OUR **A** RATING ON LEA

For details about inputs to Schwab Equity Rating, see "Schwab Equity Ratings Foundations" in the "Stocks" article library under Market Insight.

	THIS WEEK	LAST WEEK	IMPORTANCE
<b>D</b> FUNDAMENTAL GRADE			
Cash Flow Strength	Neutral	Neutral	Medium
Capital Intensity	Neutral	Neutral	Medium
Efficient Management of Working Capital	Negative	Negative	Low
<b>A</b> VALUATION GRADE			
Price Driven Valuation	Positive	Positive	High
Valuation Sentiment	Positive	Positive	Medium
<b>B</b> MOMENTUM GRADE			
Recent Price Performance vs. the Market	▲ Positive	Neutral	Medium
Recent Brokerage Analyst Sentiment Change	Positive	Positive	Low
Earnings Trend Surprise	Neutral	Neutral	Low
<b>B</b> RISK GRADE			
Business Geographic Diversification	Positive	Positive	Low
Institutional Sentiment	Positive	Positive	Low

## PRICE & VOLUME HISTORY

LEA Daily Close Prices Data source: Reuters  
 ▲ E QUARTERLY POSITIVE/EARNINGS SURPRISE ANNOUNCEMENT  
 ▼ E QUARTERLY NEGATIVE/EARNINGS SURPRISE ANNOUNCEMENT  
 --- 200-DAY MOVING AVERAGE



## BUSINESS SUMMARY

Source: Reuters

Lear Corporation is a tier 1 supplier to the global automotive industry. The Company supplies its products to automotive manufacturers with automotive seat systems and related components, as well as electrical distribution systems and related compone...

For more details, see page 2.

## OVERVIEW

Source: Reuters

Price as of 6/11/14	<b>\$91.51</b>
Market Capitalization	<b>7.4 Billion</b>
Asset Class	<b>Mid Cap</b>
Beta	<b>1.30</b>

## SECTOR/INDUSTRY

Source: S&P Capital IQ

Schwab Industry Rating **B**

Sector	Consumer Discretionary
Industry	Auto Components
Sub-Industry	Auto Parts & Equipment

Schwab Sector Viewpoint **Outperform**

## METRICS

Source: Reuters

	LEA	S&P 500
<b>VALUE METRICS</b>		
P/E last 4Q	17.1	18.4
P/E forecast EPS	12.0	-
P/Free Cash Flow last 4Q	40.4	15.2
P/Sales last 4Q	.45	1.71
Price/Book	2.4	4.8
Dividend Yield(%)	.9	1.9
<b>GROWTH METRICS (%)</b>		
1 year sales growth	11.9	2.2
3 year sales growth	10.7	8.9
1 year EPS growth	-58.3	16.2
3 year EPS growth	7.2	16.6
1-year forecast EPS growth	29.5	-
3-5 year EPS growth forecast	18.5	-
1 year dividend growth	21.4	18.9
3 year dividend growth	-	18.9
<b>MOMENTUM METRICS (%)</b>		
4 week stock price change	6.3	2.9
26 week stock price change	13.7	9.1
<b>FINANCIAL METRICS (%)</b>		
Gross margin	8.3	40.5
Net margin	2.6	9.3
Return on assets	4.8	4.6
Return on equity	13.7	14.9
Return on invested capital	8.6	11.6
Long-term debt/capital	.25	.36

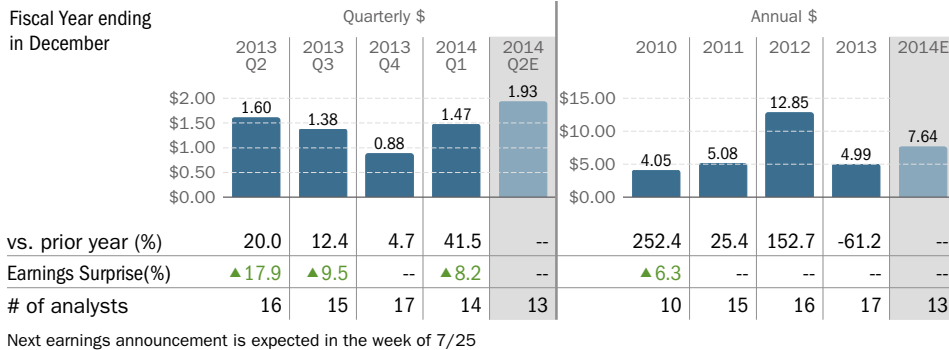
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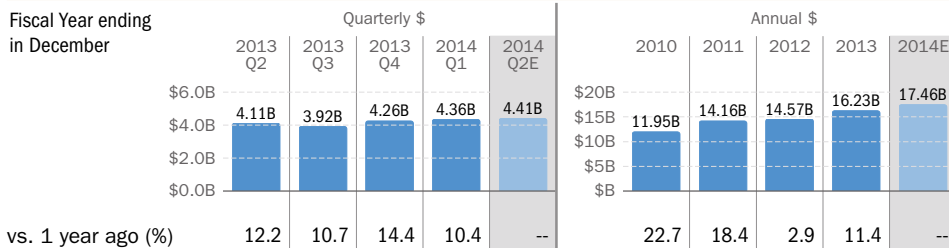
## EARNINGS PER SHARE

Earnings data source: Reuters



## REVENUE

Revenue data source: Reuters



## ANNUAL EARNINGS FORECAST

Source: Reuters

	MEAN FORECAST	CONSENSUS CHANGE IN LAST 30 DAYS	FORECAST RANGE	NUMBER OF FORECASTS
12/31/2014	\$7.64	\$0.00	\$7.40-\$8.05	13
12/31/2015	\$8.97	\$0.03	\$8.30-\$9.74	13
Next 5 Yr. Growth Rate	18.5%	0.0%	15.3%-20.3%	3

## DIVIDENDS

Dividends data source: Reuters



Dividends are paid on a Quarterly basis.

## SCHWAB SECTOR STOCK LIST

Price as of: 6/11/2014

TICKER	COMPANY	PRICE	SCHWAB EQUITY RATING	GICS INDUSTRY
H	Hyatt Hotels Corp	\$60.47	A	Hotels, Restaurants & Leisure
LYV	Live Nation Entertainment Inc	23.61	A	Media
TWX	Time Warner Inc	68.92	A	Media
TOWR	Tower International Inc	33.44	A	Auto Components

## OTHER OPINIONS

S&P Capital IQ's RATING SINCE 04/25/2013  
Recommendation ★★★★★

Credit Suisse Rating RATING SINCE 07/26/2013  
RATING NOT AVAILABLE

Argus 12 Month Rating  
RATING NOT AVAILABLE

Ned Davis Rating RATING SINCE 04/07/2014  
SELL NEUTRAL BUY

Market Edge Second Opinion® RATING SINCE 03/03/2014  
AVOID NEUTRAL LONG

Reuters Average Rating RATING SINCE 05/14/2014  
NO OPINION SELL UNDER-PERFORM HOLD OUT-PERFORM BUY

## BUSINESS DESCRIPTION

Source: Reuters

Lear Corporation is a tier 1 supplier to the global automotive industry. The Company supplies its products to automotive manufacturers with automotive seat systems and related components, as well as electrical distribution systems and related components. The Company has two segments: seating and electrical power management systems (EPMS). The seating segment includes seat systems and related components, such as seat frames, recliner 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. As of December 31, 2011, it had 20 joint ventures located throughout Asia, as well as five in North America, two in Europe and Africa and one with operations in all three regions.

# Lear Corp



**1** 05/16/14 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

**2** 05/14/14 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

# Lear Corp

## IMPORTANT DISCLOSURES FOR LEA

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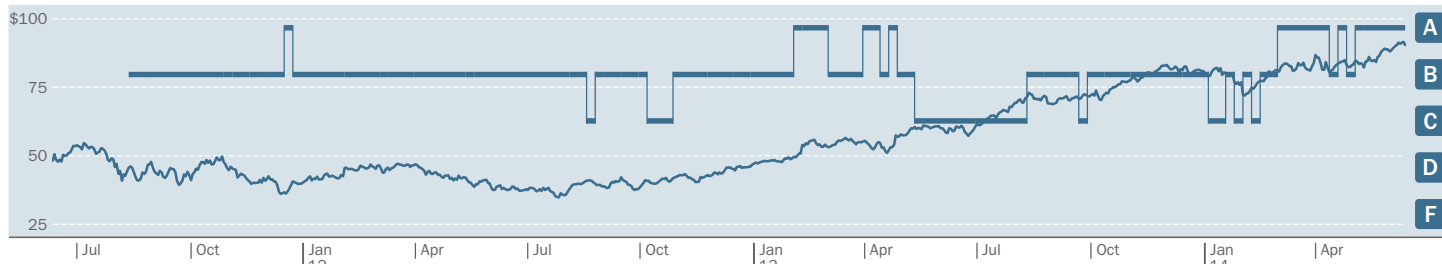
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Note the Price Chart in the disclosures of this report which shows the rating and price history over applicable periods for this stock, including if and when coverage was terminated or suspended.

Within the previous 12 months, the percentage of companies that have a Schwab Equity Rating and for which Schwab has provided investment banking services are as follows:

- 2.20% in Buy Category (Schwab Equity Ratings and Schwab Equity Ratings International of A or B)
- 1.45% in Hold Category (Schwab Equity Ratings and Schwab Equity Ratings International of C)
- 1.45% in Sell Category (Schwab Equity Ratings and Schwab Equity Ratings International of D or F)

Price History for LEA



## SCHWAB EQUITY RATINGS MEANING AND DISTRIBUTION

Schwab Equity Ratings are assigned to approximately 3000 of the largest (by market capitalization) stocks of issuers headquartered or incorporated in the U.S. or in certain foreign nations where companies typically incorporate or locate for tax or operational reasons. The explanation and table below are included to assist you in using Schwab Equity Ratings as one component of your own research to evaluate stocks and investment opportunities.

Schwab rates stocks using a scale of A/B/C/D/F. Schwab's outlook is that "A" rated stocks, on average, will strongly outperform and "F" rated stocks, on average, will strongly underperform the equities market over the next 12 months. Schwab Equity Ratings are based upon a disciplined, systematic approach that evaluates each stock on the basis of a wide variety of investment criteria from four broad categories: Fundamentals, Valuation, Momentum, and Risk. This approach attempts to gauge investor expectations since stock prices tend to move in the same direction as changes in investor expectations. Stocks with low and potentially improving investor expectations tend to receive the best Schwab Equity Ratings ("A" or "B" ratings), while stocks with high and potentially falling investor expectations tend to receive the worst Schwab Equity Ratings ("D" or "F" ratings). From time to time, Schwab may update the Schwab Equity Ratings methodology.

### Schwab Equity Ratings Distribution

Schwab Equity Rating	Percentile Ranking Distribution	Distribution of Rating Within Sector	12 Month Return Outlook	General Buy/Hold/Sell Guidance*
A	1 - 5	Top 5%	Strongly Outperform	Buy
B	6 - 30	Next 25%	Outperform	Buy
C	31 - 70	Next 40%	Marketperform	Hold
D	71 - 95	Next 25%	Underperform	Sell
F	96 - 100	Bottom 5%	Strongly Underperform	Sell

\*The general buy/hold/sell guidance is relative to other rated equities only. Before considering whether to take any action, an investor should consider whether equities generally are performing well in comparison to other asset classes and whether other equities in the same sector or category with the same or better rating may be more appropriate.

### Investment Rating Explanation

**A (Strongly Outperform):** If an investor is looking to add a stock to his or her portfolio, "A" rated stocks may be the best candidates for consideration.

**B (Outperform):** An investor looking to add a stock to his or her portfolio might also consider a "B" rated stock, though preference should be given to "A" rated stocks.

**C (Marketperform):** An investor would not usually consider a "C" rated stock for purchase. An investor that has a "C" rated stock in his or her portfolio should consider continuing to hold the stock, and might monitor the stock's ongoing performance and compare the potential benefits of owning a stock with higher ratings.

**D (Underperform):** An investor holding a "D" rated stock should consider whether it is appropriate to continue to hold that stock in his or her portfolio. An investor would not usually consider a "D" rated stock for purchase.

**F (Strongly Underperform):** An investor holding an "F" rated stock should consider whether it is appropriate to eliminate that stock from his or her portfolio. An investor would not usually consider an "F" rated stock for purchase.

**Percentile Rankings Explanation:** Each of the approximately 3,000 stocks rated in the Schwab Equity Ratings U.S. universe is given a score that is derived from the research factors used in the Schwab Equity Ratings model. Once the stock's composite score, which includes all research factor scores, is calculated, the universe of rated stocks is divided into the largest (by market capitalization) 800 stocks ("large-cap" stocks) and the remainder ("small-cap stocks"). The large- and small-cap groups are further divided into ten economic sectors within each capitalization group. The assignment of a final Schwab Equity Rating depends on how well a given stock's composite score ranks against the composite scores of other stocks in the same capitalization group and sector. The result is a stock's within-capitalization-group and within-sector, or cap-neutral and sector-neutral, percentile ranking. The lowest percentile rankings represent the best scores and correspond to the best letter grades. For example, in a sector of 400 rated stocks, the top 4 stocks would receive a percentile ranking of 1 and the bottom 4 stocks would receive a percentile ranking of 100. Stocks ranked in percentile groups 1-5 are rated "A" and those in percentile groups 6-30 are rated "B."

# Lear Corp

## IMPORTANT DISCLOSURES FOR LEA

### Descriptions for Non-Rated Stocks

Category	Definition	Description
NR	Not Rated	Schwab has decided not to publish a rating on this stock due to unusual or extraordinary business circumstances related to this company. Although Schwab generally does not monitor C, D, and F rated stocks for unusual or extraordinary business circumstances, from time to time, a rating of NR may appear on a particular stock.
NA	Not Available	A Schwab Equity Rating is not available on this stock due to insufficient information about this stock.
NC	Not Covered	This stock is not currently in the Schwab Equity Rating universe or is prohibited from coverage for regulatory or other reasons.

## SCHWAB INDUSTRY RATINGS MEANING AND DISTRIBUTION

### About Schwab Industry Ratings

The Schwab Center for Financial Research (SCFR) uses an objective and disciplined approach to rank industries as classified by the widely recognized GICS (Global Industry Classification Standard) groupings. The GICS structure is comprised of sectors, industry groups, industries and sub-industries. Schwab Industry Ratings is a ranking at the industry level.

The term industry is used to describe a business activity (e.g. software, airlines, beverages). If a company participates in multiple business activities, it is usually considered to be in the industry in which most of its revenues is derived.

There are three component grades underlying Schwab Industry Ratings. Each Schwab Industry Rating component grade and respective factors are calculated for each stock in the Schwab Equity Ratings® universe of 3200 stocks and ranked relative to the universe. Stock rankings are then aggregated into an average score for each GICS industry. Next, average scores are ranked relative to the GICS industries and each industry is assigned a Schwab Industry Rating grade of "A", "B", "C", "D" or "F." An industry must include at least 6 companies in order to be rated.

Charles Schwab & Co., Inc. ("Schwab") rates industries "A", "B", "C", "D" or "F". Schwab's outlook is that "A" rated industries, on average, will strongly outperform and "F" rated industries, on average, will strongly underperform the broad equities market over the next 12 months. Schwab Industry Ratings are based upon a disciplined, systematic approach that evaluates each industry on the basis of a wide variety of investment criteria from three broad categories: Fundamental Perspective, Valuation Perspective and Momentum Perspective. This approach attempts to gauge investor expectations and the potential of an industry. Schwab Industry Ratings are not based on the Schwab Equity Ratings of the securities within the industry. Over time, the methodology upon which Schwab Industry Ratings are based may be altered.

### How to use Schwab Industry Ratings

There are two uses for Schwab Industry Ratings. The primary use should be for stock selection in conjunction with Schwab Equity Ratings. The other use can be for clients interested in pursuing industry over- and under-weightings within their portfolios and/or industry rotation strategies. It is important for investors to maintain a well diversified portfolio.

### How to use Schwab Industry Ratings in conjunction with Schwab Equity Ratings

In conjunction with Schwab Equity Ratings, Schwab Industry Ratings can be useful in screening new stock purchases and in identifying portfolio holdings for possible sale. Schwab Equity Ratings should be given more consideration when making individual stock buy and sell decisions. For example, a "D" or "F" rated stock in an "A" rated industry is still considered a sell candidate by Schwab. Schwab's outlook is that among stocks with similar Schwab Equity Ratings, those with high industry ratings will outperform those with low industry ratings over a 12-month time horizon.

Sector and industry diversification is a critical building block in portfolio construction. A review of sector weights coupled with individual stock concentration is a critical step in evaluating portfolio risk. Simply investing in industries or sectors that Schwab rates highly will not result in a diversified portfolio. To find out how well diversified your portfolio is, Schwab clients should use the Portfolio Checkup tool on schwab.com.

### Schwab Industry Ratings Distribution

Schwab Industry Rating	Schwab Industry Rating Distribution	12 Month Investment Outlook for Industry
A	Top 20%	Strongly Outperform
B	Next 20%	Outperform
C	Next 20%	Marketperform
D	Next 20%	Underperform
F	Bottom 20%	Strongly Underperform

Schwab Industry Ratings should not be considered as guidance for buying, holding or selling an individual security. Please refer to the Schwab Equity Ratings for information on general buy, hold and sell guidance for individual equities.

### Descriptions for Non-Rated Industries

Category	Definition	Description
NR	Not Rated	Schwab has decided not to publish a rating on this industry due to unusual or extraordinary business circumstances related to this industry.
NC	Not Covered	This industry is not currently in the Schwab Industry Ratings universe or there are an insufficient number of companies in the industry for Schwab to provide a rating.

## IMPORTANT DISCLOSURES FOR H

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Price History for H

Schwab Equity Rating History for H



## IMPORTANT DISCLOSURES FOR LYV

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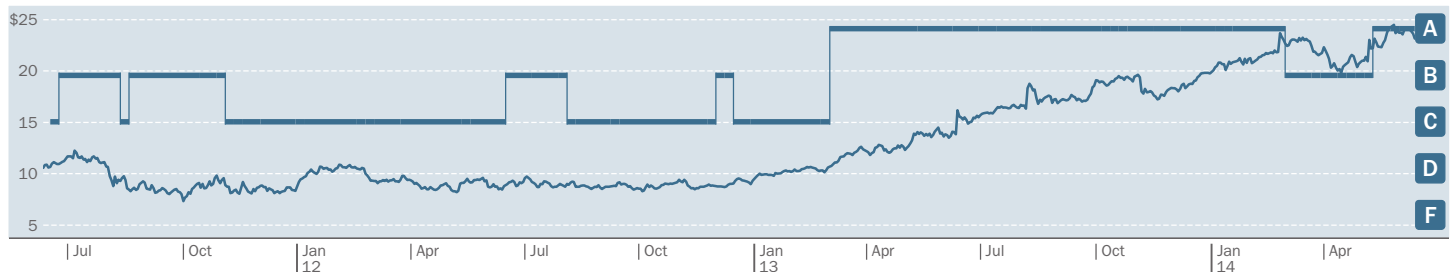
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Price History for LYV

Schwab Equity Rating History for LYV



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# Lear Corp

Price History for TWX

Schwab Equity Rating History for TWX



## IMPORTANT DISCLOSURES FOR TOWR

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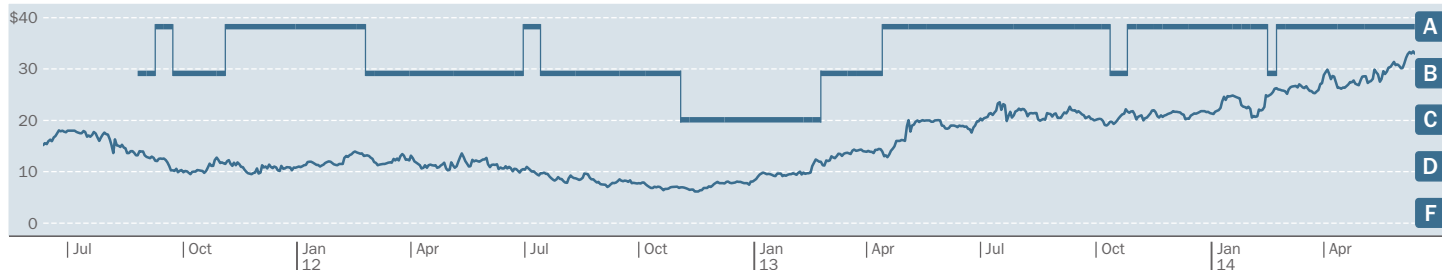
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Price History for TOWR

Schwab Equity Rating History for TOWR



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<sup>4</sup>Markit on Demand used S&P Capital IQ's data in making its calculations.