

LEAR CORP
Form 10-Q
October 23, 2015
Table of Contents

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT
OF 1934

For the quarterly period ended September 26, 2015.

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT
OF 1934

For the transition period from _____ to _____
Commission file number: 001-11311

LEAR CORPORATION

(Exact name of registrant as specified in its charter)

Delaware 13-3386776
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

21557 Telegraph Road, Southfield, MI 48033
(Address of principal executive offices) (Zip code)
(248) 447-1500
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of October 20, 2015, the number of shares outstanding of the registrant's common stock was 75,302,327 shares.

Table of Contents

LEAR CORPORATION

FORM 10-Q

FOR THE QUARTER ENDED SEPTEMBER 26, 2015

INDEX

	Page No.
<u>Part I – Financial Information</u>	
<u>Item 1 – Condensed Consolidated Financial Statements</u>	
<u>Introduction to the Condensed Consolidated Financial Statements</u>	<u>3</u>
<u>Condensed Consolidated Balance Sheets - September 26, 2015 (Unaudited) and December 31, 2014</u>	<u>4</u>
<u>Condensed Consolidated Statements of Comprehensive Income (Unaudited) - Three and Nine Months Ended September 26, 2015 and September 27, 2014</u>	<u>5</u>
<u>Condensed Consolidated Statements of Cash Flows (Unaudited) - Nine Months Ended September 26, 2015 and September 27, 2014</u>	<u>6</u>
<u>Notes to the Condensed Consolidated Financial Statements</u>	<u>7</u>
<u>Item 2 – Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>35</u>
Item 3 – Quantitative and Qualitative Disclosures about Market Risk (included in Item 2)	
<u>Item 4 – Controls and Procedures</u>	<u>49</u>
<u>Part II – Other Information</u>	
<u>Item 1 – Legal Proceedings</u>	<u>49</u>
<u>Item 1A – Risk Factors</u>	<u>49</u>
<u>Item 2 – Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>49</u>
<u>Item 5 – Other Information</u>	<u>50</u>
<u>Item 6 – Exhibits</u>	<u>50</u>
<u>Signatures</u>	<u>51</u>

Table of Contents

LEAR CORPORATION

PART I — FINANCIAL INFORMATION

ITEM 1 — CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

INTRODUCTION TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

We have prepared the condensed consolidated financial statements of Lear Corporation and subsidiaries, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to such rules and regulations. We believe that the disclosures are adequate to make the information presented not misleading when read in conjunction with the financial statements and the notes thereto included in our Annual Report on Form 10-K, as filed with the Securities and Exchange Commission, for the year ended December 31, 2014.

The financial information presented reflects all adjustments (consisting of normal recurring adjustments) which are, in our opinion, necessary for a fair presentation of the results of operations, cash flows and financial position for the interim periods presented. These results are not necessarily indicative of a full year's results of operations.

Table of Contents

LEAR CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions, except share data)

	September 26, 2015 ⁽¹⁾	December 31, 2014
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$922.8	\$1,094.1
Accounts receivable	2,959.9	2,471.7
Inventories	1,043.3	853.7
Other	705.8	960.1
Total current assets	5,631.8	5,379.6
LONG-TERM ASSETS:		
Property, plant and equipment, net	1,781.9	1,624.7
Goodwill	1,061.1	726.2
Other	1,163.9	1,419.7
Total long-term assets	4,006.9	3,770.6
Total assets	\$9,638.7	\$9,150.2
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Accounts payable and drafts	\$2,576.4	\$2,525.3
Accrued liabilities	1,462.9	1,188.8
Current portion of long-term debt	16.9	243.7
Total current liabilities	4,056.2	3,957.8
LONG-TERM LIABILITIES:		
Long-term debt	1,962.6	1,475.0
Other	695.1	688.1
Total long-term liabilities	2,657.7	2,163.1
EQUITY:		
Preferred stock, 100,000,000 shares authorized (including 10,896,250 Series A convertible preferred stock authorized); no shares outstanding	—	—
Common stock, \$0.01 par value, 300,000,000 shares authorized; 80,563,291 shares issued as of September 26, 2015 and December 31, 2014	0.8	0.8
Additional paid-in capital	1,433.0	1,475.2
Common stock held in treasury, 5,262,709 and 2,541,306 shares as of September 26, 2015 and December 31, 2014, respectively, at cost	(519.1)	(176.9)
Retained earnings	2,612.0	2,161.7
Accumulated other comprehensive loss	(686.4)	(502.0)
Lear Corporation stockholders' equity	2,840.3	2,958.8
Noncontrolling interests	84.5	70.5
Equity	2,924.8	3,029.3
Total liabilities and equity	\$9,638.7	\$9,150.2

⁽¹⁾ Unaudited.

The accompanying notes are an integral part of these condensed consolidated balance sheets.

Table of Contents

LEAR CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited; in millions, except per share data)

	Three Months Ended		Nine Months Ended	
	September 26, 2015	September 27, 2014	September 26, 2015	September 27, 2014
Net sales	\$4,330.3	\$4,232.7	\$13,486.8	\$13,177.6
Cost of sales	3,877.1	3,871.5	12,157.7	12,076.8
Selling, general and administrative expenses	137.6	128.1	440.8	402.8
Amortization of intangible assets	13.0	8.6	39.5	25.4
Interest expense	21.4	15.7	66.3	47.1
Other expense, net	21.7	11.1	60.4	57.1
Consolidated income before provision for income taxes and equity in net income of affiliates	259.5	197.7	722.1	568.4
Provision for income taxes	76.1	57.6	210.9	163.1
Equity in net income of affiliates	(9.9) (7.8) (31.7) (29.0
Consolidated net income	193.3	147.9	542.9	434.3
Less: Net income attributable to noncontrolling interests	12.3	7.8	32.7	23.7
Net income attributable to Lear	\$181.0	\$140.1	\$510.2	\$410.6
Basic net income per share attributable to Lear	\$2.37			