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LEAR CORP

Form 10-Q

April 26, 2019

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2018-03-31 0000842162

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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
X ACT OF 1934**

For the quarterly period ended March 30, 2019.

**..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

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

13-3386776
(I.R.S. Employer
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 every Interactive Data File required to be submitted 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 such files). Yes No

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

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 April 23, 2019, the number of shares outstanding of the registrant's common stock was 62,261,160 shares.

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LEAR CORPORATION

FORM 10-Q

FOR THE QUARTER ENDED MARCH 30, 2019

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LEAR CORPORATION AND SUBSIDIARIES

PART I — FINANCIAL INFORMATION

ITEM 1 — CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

INTRODUCTION TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

We have prepared the unaudited condensed consolidated financial statements of Lear Corporation and subsidiaries 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 ("GAAP") 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, 2018.

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)**

	March 30, 2019 ⁽¹⁾	December 31, 2018
ASSETS		
<i>CURRENT ASSETS:</i>		
Cash and cash equivalents	\$1,199.4	\$1,493.2
Accounts receivable	3,468.8	2,880.3
Inventories	1,200.5	1,196.8
Other	728.9	710.2
Total current assets	6,597.6	6,280.5
<i>LONG-TERM ASSETS:</i>		
Property, plant and equipment, net	2,593.3	2,598.1
Goodwill	1,406.3	1,405.3
Other	1,764.8	1,316.8
Total long-term assets	5,764.4	5,320.2
Total assets	\$12,362.0	\$11,600.7
LIABILITIES AND EQUITY		
<i>CURRENT LIABILITIES:</i>		
Short-term borrowings	\$14.9	\$9.9
Accounts payable and drafts	3,094.4	2,862.8
Accrued liabilities	1,791.3	1,615.0
Current portion of long-term debt	13.8	12.9
Total current liabilities	4,914.4	4,500.6
<i>LONG-TERM LIABILITIES:</i>		
Long-term debt	1,938.6	1,941.0
Other	958.7	640.4
Total long-term liabilities	2,897.3	2,581.4
Redeemable noncontrolling interest	156.6	158.1
<i>EQUITY:</i>		
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; 64,563,291 shares issued as of March 30, 2019 and December 31, 2018	0.6	0.6
Additional paid-in capital	961.5	1,017.4
Common stock held in treasury, 2,147,928 and 1,623,678 shares as of March 30, 2019 and December 31, 2018, respectively, at cost	(305.6)	(225.1)
Retained earnings	4,300.3	4,113.6
Accumulated other comprehensive loss	(711.5)	(705.8)
Lear Corporation stockholders' equity	4,245.3	4,200.7
Noncontrolling interests	148.4	159.9
Equity	4,393.7	4,360.6
Total liabilities and equity	\$12,362.0	\$11,600.7

⁽¹⁾ Unaudited.

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

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Table of Contents**LEAR CORPORATION AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**
(Unaudited; in millions, except share and per share data)

	Three Months Ended	
	March 30,	March 31,
	2019	2018
Net sales	\$5,160.1	\$ 5,733.7
Cost of sales	4,686.9	5,102.3
Selling, general and administrative expenses	148.3	155.4
Amortization of intangible assets	12.7	13.1
Interest expense	20.9	20.7
Other (income) expense, net	4.4	(5.6)
Consolidated income before provision for income taxes and equity in net income of affiliates	286.9	447.8
Provision for income taxes	43.1	77.7
Equity in net income of affiliates	(2.3)	(4.1)
Consolidated net income	246.1	374.2
Less: Net income attributable to noncontrolling interests	17.2	20.5
Net income attributable to Lear	\$228.9	\$ 353.7
Basic net income per share available to Lear common stockholders (Note 13)	\$3.75	\$ 5.19
Diluted net income per share available to Lear common stockholders (Note 13)	\$3.73	\$ 5.16
Cash dividends declared per share	\$0.75	\$ 0.70
Average common shares outstanding	62,818,795	67,086,326
Average diluted shares outstanding	63,123,195	67,562,452
Consolidated comprehensive income (Condensed Consolidated Statements of Equity)	\$248.2	\$ 520.0
Less: Comprehensive income attributable to noncontrolling interests	25.0	33.7
Comprehensive income attributable to Lear	\$223.2	\$ 486.3

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

Table of Contents**LEAR CORPORATION AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF EQUITY****(In millions, except share and per share data)**

	Three Months Ended March 30, 2019			
	Common Stock	Additional Paid-In Capital	Common Stock Held in Treasury	Retained Earnings
Balance at January 1, 2019	\$0.6	\$1,017.4	\$(225.1)	\$4,113.6
Comprehensive income (loss):				
Net income	—	—	—	228.9
Other comprehensive income (loss):	—	—	—	—
Total comprehensive income (loss)	—	—	—	228.9
Stock-based compensation	—	9.5	—	—
Net issuance of 280,020 shares held in treasury in settlement of stock-based compensation	—	(65.4)	37.4	(1.2)
Repurchase of 804,270 shares of common stock at average price of \$146.56 per share	—	—	(117.9)	—
Dividends declared to Lear Corporation stockholders	—	—	—	(47.7)
Dividends declared to non-controlling interest holders	—	—	—	—
Redeemable non-controlling interest adjustment	—	—	—	6.7
Balance at March 30, 2019	\$0.6	\$961.5	\$(305.6)	\$4,300.3

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

Table of Contents**LEAR CORPORATION AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF EQUITY (continued)****(In millions, except share and per share data)**

	Three Months Ended March 30, 2019				
	Accumulated Other Comprehensive Loss, Net of Tax	Lear Corporation Stockholders' Equity	Non-controlling Interests	Equity	Redeemable Non-controlling Interests
Balance at January 1, 2019	\$(705.8)	\$4,200.7	\$ 159.9	\$4,360.6	\$ 158.1
Comprehensive income (loss):					
Net income	—	228.9	16.0	244.9	1.2
Other comprehensive income (loss):	(5.7)	(5.7)	3.8	(1.9)	4.0
Total comprehensive income (loss)	(5.7)	223.2	19.8	243.0	5.2
Stock-based compensation	—	9.5	—	9.5	—
Net issuance of 280,020 shares held in treasury in settlement of stock-based compensation	—	(29.2)	—	(29.2)	—
Repurchase of 804,270 shares of common stock at average price of \$146.56 per share	—	(117.9)	—	(117.9)	—
Dividends declared to Lear Corporation stockholders	—	(47.7)	—	(47.7)	—
Dividends declared to non-controlling interest holders	—	—	(31.3)	(31.3)	—
Redeemable non-controlling interest adjustment	—	6.7	—	6.7	(6.7)
Balance at March 30, 2019	\$(711.5)	\$4,245.3	\$ 148.4	\$4,393.7	\$ 156.6

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

Table of Contents**LEAR CORPORATION AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF EQUITY (continued)****(In millions, except share and per share data)**

	Three Months Ended March 31, 2018			
	Common Stock	Additional Paid-In Capital	Common Stock Held in Treasury	Retained Earnings
Balance at January 1, 2018	\$0.7	\$1,215.4	\$(724.1)	\$4,171.9
Comprehensive income:				
Net income	—	—	—	353.7
Other comprehensive income:	—	—	—	—
Total comprehensive income	—	—	—	353.7
Stock-based compensation	—	13.2	—	—
Net issuance of 327,498 shares held in treasury in settlement of stock-based compensation	—	(72.2))27.8	—
Repurchase of 829,360 shares of common stock at average price of \$187.41 per share	—	—	(155.4)	—
Dividends declared to Lear Corporation stockholders	—	—	—	(47.7)
Dividends declared to non-controlling interest holders	—	—	—	—
Adoption of ASU 2016-16	—	—	—	2.3
Affiliate transaction	—	—	—	—
Redeemable non-controlling interest adjustment	—	—	—	(5.4)
Acquisition of outstanding non-controlling interest	—	—	—	—
Balance at March 31, 2018	\$0.7	\$1,156.4	\$(851.7)	\$4,474.8

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

Table of Contents**LEAR CORPORATION AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF EQUITY (continued)****(In millions, except share and per share data)**

	Three Months Ended March 31, 2018				
	Accumulated Other Comprehensive Loss, Net of Tax	Lear Corporation Stockholders' Equity	Non-controlling Interests	Equity	Redeemable Non-controlling Interests
Balance at January 1, 2018	\$(513.4)	\$4,150.5	\$ 142.1	\$4,292.6	\$ 153.4
Comprehensive income:					
Net income	—	353.7	17.0	370.7	3.5
Other comprehensive income:	132.6	132.6	5.2	137.8	8.0
Total comprehensive income	132.6	486.3	22.2	508.5	11.5
Stock-based compensation	—	13.2	—	13.2	—
Net issuance of 327,498 shares held in treasury in settlement of stock-based compensation	—	(44.4)	—	(44.4)	—
Repurchase of 829,360 shares of common stock at average price of \$187.41 per share	—	(155.4)	—	(155.4)	—
Dividends declared to Lear Corporation stockholders	—	(47.7)	—	(47.7)	—
Dividends declared to non-controlling interest holders	—	—	(19.7)	(19.7)	—
Adoption of ASU 2016-16	—	2.3	—	2.3	—
Affiliate transaction	—	—	14.0	14.0	—
Redeemable non-controlling interest adjustment	—	(5.4)	—	(5.4)	5.4
Acquisition of outstanding non-controlling interest	—	—	(3.4)	(3.4)	—
Balance at March 31, 2018	\$(380.8)	\$4,399.4	\$ 155.2	\$4,554.6	\$