

LEAR CORP
Form 10-Q
October 25, 2017
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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 ACT OF 1934

For the quarterly period ended September 30, 2017.

☐ 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	13-3386776
(State or other jurisdiction of incorporation or organization)	(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 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, 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	☐	(Do not check if a smaller reporting company)	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 October 23, 2017, the number of shares outstanding of the registrant's common stock was 67,560,732 shares.

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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, 2016.

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.

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LEAR CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions, except share data)

	September 30, 2017 ⁽¹⁾	December 31, 2016
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$1,253.7	\$ 1,271.6
Accounts receivable	3,357.9	2,746.5
Inventories	1,232.9	1,020.6
Other	718.5	610.6
Total current assets	6,563.0	5,649.3
LONG-TERM ASSETS:		
Property, plant and equipment, net	2,378.1	2,019.3
Goodwill	1,387.1	1,121.3
Other	1,383.8	1,110.7
Total long-term assets	5,149.0	4,251.3
Total assets	\$11,712.0	\$ 9,900.6
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Short-term borrowings	\$1.8	\$ 8.6
Accounts payable and drafts	3,176.0	2,640.5
Accrued liabilities	1,706.2	1,497.6
Current portion of long-term debt	9.0	35.6
Total current liabilities	4,893.0	4,182.3
LONG-TERM LIABILITIES:		
Long-term debt	1,953.0	1,898.0
Other	691.0	627.4
Total long-term liabilities	2,644.0	2,525.4
Redeemable noncontrolling interest	147.7	—
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; 72,563,291 and 80,563,291 shares issued as of September 30, 2017 and December 31, 2016, respectively	0.7	0.8
Additional paid-in capital	1,199.3	1,385.3
Common stock held in treasury, 5,003,036 and 11,131,648 shares as of September 30, 2017 and December 31, 2016, respectively, at cost	(602.4	) (1,200.2
Retained earnings	3,810.3	3,706.9
Accumulated other comprehensive loss	(536.8	) (835.6
Lear Corporation stockholders' equity	3,871.1	3,057.2
Noncontrolling interests	156.2	135.7
Equity	4,027.3	3,192.9
Total liabilities and equity	\$11,712.0	\$ 9,900.6

(1) Unaudited.

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

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LEAR CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited; in millions, except share and per share data)

	Three Months Ended		Nine Months Ended	
	September 30,	October 1,	September 30,	October 1,
	2017	2016	2017	2016
Net sales	\$4,981.5	\$4,526.4	\$15,103.2	\$13,914.1
Cost of sales	4,425.6	4,012.5	13,387.0	12,324.1
Selling, general and administrative expenses	158.2	153.6	471.1	456.9
Amortization of intangible assets	12.5	15.2	34.1	41.7
Interest expense	21.7	20.6	63.9	62.0
Other (income) expense, net	(21.8)	14.2	(12.3)	(0.8)
Consolidated income before provision for income taxes and equity in net income of affiliates	385.3	310.3	1,159.4	1,030.2
Provision for income taxes	77.8	88.2	240.2	287.4
Equity in net income of affiliates	(7.5)	(12.9)	(41.3)	(49.2)
Consolidated net income	315.0	235.0	960.5	792.0
Less: Net income attributable to noncontrolling interests	19.8	20.6	47.6	46.8
Net income attributable to Lear	\$295.2	\$		