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## Lear Corporation Q4 2008 Earnings Call Transcript

### Question-and-Answer Session

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#### Operator

(Operator Instructions) The first question comes from the line of Chris Ceraso - Credit Suisse.

#### Chris Ceraso - Credit Suisse

Most of the other expense you talked about has to do with IAC. I was surprised at the drop in SG&A. On a percent of sales it makes sense but I wouldn't have thought that on a dollar basis you could change it that quickly. Can you talk about some of the expense buckets in there and how that came down so fast with sales?

#### Matthew Simoncini

If you go back to the third quarter call we talked about our \$150 million improvement plan. Included in there, even split 1/3, 1/3, 1/3 was near-term actions which were about \$50 million we thought over 12 months. It included things like eliminating non-essential spending, suspending certain compensation programs such as the 401K match, some of the things you would expect. We talked about and Bob spoke about the holiday break and vacations and a lot of things you are hearing a lot of other people do. So there is a portion of that which is not sustainable. We do believe on a go-forward basis or a year-over-year basis we can continue to bring that number down. The number you see in the fourth quarter is not the run rate but we would see going into next year a spending level that is a fair bit lower than what we saw for the full year of 2008.

Obviously when the sales come back on an absolute dollar basis the amount may be down but the percentage will probably creep up.

#### Chris Ceraso - Credit Suisse

To summarize that, what is kind of a normal percent of sales?

#### Matthew Simoncini

We spoke about in the past about 4% but that was based on a revenue number that was probably in the \$14 billion range. If you extend that out you would get a number that would be higher than what we are expecting for next year but we really try to stay away from providing guidance. It is going to depend a lot on what the customers do and how they manage their programs and what they do as far as the backlog and the timing of the backlog.

**Chris Ceraso - Credit Suisse**

This may be up for discussion with the banks right now but as you calculate your leverage ratio do you include that other expense line so if we anticipate losses at IAC to continue is that going to impair your EBITDA from a covenant standpoint?

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