Second Quarter 2015 Earnings Call

July 30, 2015

Rob Wagman – ***President & Chief Executive Officer***

Nick Zarcone – ***Executive Vice President & Chief Financial Officer***

Joe Boutross – ***Director, Investor Relations***









Forward Looking Statements

Statements and information included in this presentation that are not purely historical are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and are made pursuant to the "safe harbor" provisions of such Act .

Forward-looking statements include, but are not limited to statements regarding our expectations, intentions, beliefs and strategies regarding the future, including statements regarding trends, cyclicality and changes in the markets we sell into; strategic direction; changes to procurement processes; the cost of compliance with environmental and other laws; expected tax rates; planned capital expenditures; liquidity positions; ability to generate cash from continuing operations; the potential impact of adopting new accounting pronouncements; expected financial results, including revenue and profitability; obligations under our retirement plans; savings or additional costs from business integrations and cost containment programs; and the adequacy of accruals.

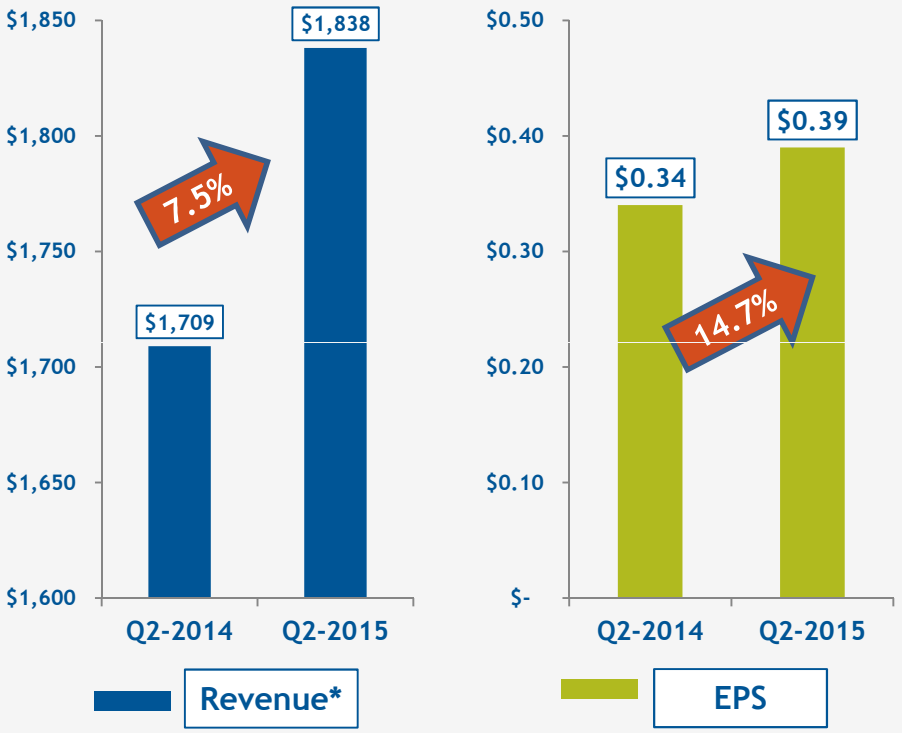
All forward-looking statements we make are based on information available to us at the time the statements are made, and we assume no obligation to update any forward-looking statements, except as may be required by law. The potential risks and uncertainties that could cause actual results to differ from the results predicted or implied by our forward-looking statements include, among others, changes in federal or state laws or regulations that affect our business, changes in the types of replacement parts that insurance carriers will accept, fluctuations in the prices of metals, as well as the risks and uncertainties included under the captions "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2014 and any of our subsequent Quarterly Reports on Form 10-Q. These reports are available on our investor relations website at lkqcorp.com and on the SEC website at sec.gov.

Mission Statement

To be the leading global value-added distributor of vehicle parts and accessories by offering our customers the most comprehensive, available and cost effective selection of part solutions while building strong partnerships with our employees and the communities in which we operate.

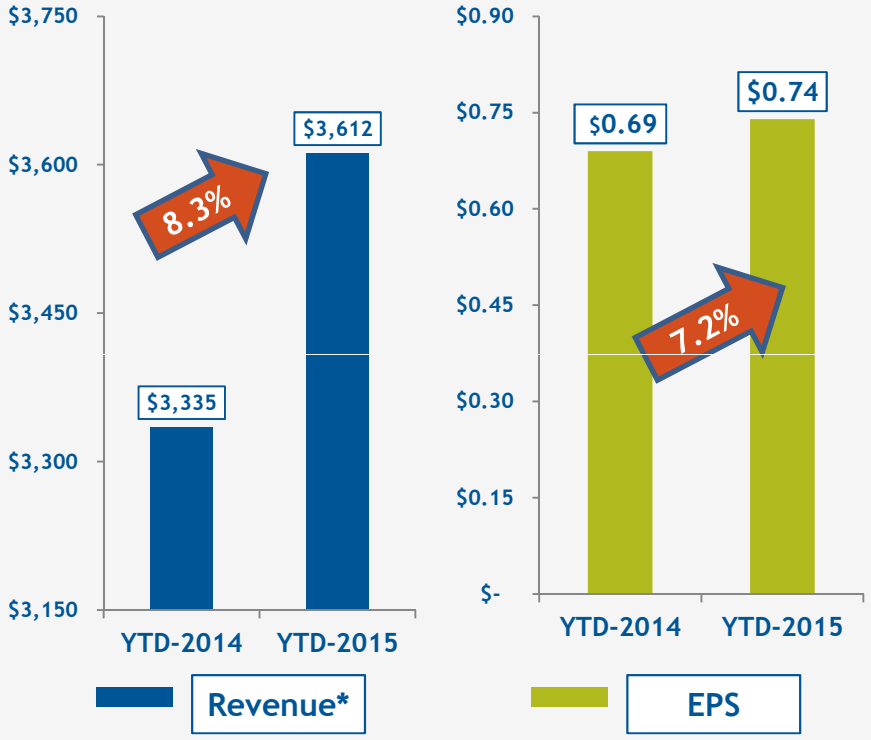
Consolidated Results

Q2 2015



- Organic growth of parts & services 7.5%
- Segment EBITDA Margin 12.7%
- Adjusted diluted EPS of $0.39 for Q2 2015
- Declining scrap prices & FX combined to negatively impact YOY EPS growth ($0.03)

YTD 2015



- Organic growth of parts & services 7.5%
- Segment EBITDA Margin 12.6%
- Adjusted diluted EPS of $0.76 for YTD 2015
- Declining scrap prices & FX combined to negatively impact YOY EPS growth ($0.06)

YTD data as of 6/30/15

* Revenue in millions

LKQ Corporation

Q2 2015 Revenue Growth

Q2 revenue changes by source:	Organic	Acquisition	Foreign Exchange	Total [1]
North America	6.3%	0.9%	(0.9%)	6.3%
Europe	10.1%	11.1%	(11.7%)	9.5%
Specialty	6.6%	25.3%	(1.9%)	30.0%
Parts and services	**7.5%**	**7.4%**	**(4.3%)**	**10.6%**
Other Revenue	(20.6%)	0.4%	(0.4%)	(20.5%)
Total	4.7%	6.7%	(3.9%)	7.5%

[1] The sum of the individual revenue change components may not equal the total percentage change due to rounding.

- **North American growth equally weighted between volume & price**
- **ECP organic revenue growth for branches open more than 12 months was 7.1%**
- **ECP YOY collision parts revenue growth of 33%**
- **Unfavorable F/X impact on European revenue of $54 million**
- **European constant currency growth of 21.2%**
- **Specialty acquisition growth reflects Q4 2014 acquisition of Stag Parkway**
- **Decrease in Other Revenue primarily attributable to decline in scrap prices. Scrap was 36% lower YOY in Q2 2015**

YTD 2015 Revenue Growth

YTD revenue changes by source:	Organic	Acquisition	Foreign Exchange	Total [1]
North America	5.4%	1.1%	(0.9%)	5.7%
Europe	12.0%	11.9%	(11.2%)	12.6%
Specialty	6.5%	28.0%	(1.7%)	32.7%
Parts and services	**7.5%**	**7.8%**	**(4.0%)**	**11.3%**
Other Revenue	(19.2%)	0.5%	(0.3%)	(19.0%)
Total	4.9%	7.1%	(3.7%)	8.3%

[1] The sum of the individual revenue change components may not equal the total percentage change due to rounding.

- **North American parts & services growth reflects both price (67%) & volume (33%) increases**
- **ECP organic revenue growth of 14.1%**
- **Unfavorable F/X impact on European revenue of ~$100 million**
- **Constant currency European growth of 23.8%**
- **Specialty acquisition growth reflects Q4 2014 acquisition of Stag Parkway**
- **Decrease in Other Revenue primarily attributable to decline in scrap prices**

Q2 2015 Operating Highlights

North America

- Cumulative miles driven witnessed a YOY increase of 3.4% through May; 12-month moving average for miles driven through May 2015 reached its highest level since 1990
- YTD average price of unleaded regular gas was $2.42 a gallon through May 2015 compared to an average of $3.51 during the same period in 2014, a 31% decrease YOY
- US unemployment rate in Q2 2015 was 5.4% compared to 6.2% Q2 2014, a 13% decrease YOY

Europe

- ECP opened a net 2 additional branches bringing our network to 194 branch locations. We anticipate opening five branches in Q3 & three in Q4. On track to open the 13 branches we approved for 2015
- ECP's industry relations team is working diligently with our UK insurance partners to drive increased alternative parts usage levels within their body shop networks
- Sator achieved 6.2% organic growth in the quarter & witnessed additional gross margin benefit YOY, primarily from the shift in its network from a 3 step to a 2 step distribution model & the opening of our Lyon location in 2014

Specialty

- Integration activities related to the Stag acquisition continued in the quarter and generated cost savings in overhead expenses
- Moving forward with a new 250,000 square foot distribution center in Washington State. This facility will allow us to improve service levels across the Pacific Northwest and Western Canada. Scheduled to open by the end of 2015
- SEMA data indicated the industry increased sales for the fifth year in row, with total sales volume growth of over 8% from 2013

Inventory

Inventory Procurement	Q2 2015	Q2 2014	% Change
Aftermarket inventory (millions)	$698.2	$654.0	6.8%
Wholesale salvage cars and trucks	75,000	71,000	5.6%
Self service and “crush only” cars	131,000	143,000	(8.4%)

- **Aftermarket inventory levels sufficient to achieve our growth targets**
- **Adjusted procurement strategy for salvage inventory to focus on buying a better quality car to drive incremental revenue & gross margin dollars. Salvage organic revenue growth has outperformed overall North American organic growth since implementing this strategy**
- **Intentional decrease in self-service procurement given continued volatility & regional pricing discrepancies in scrap prices**
- **Thus far in Q3, salvage procurement & pricing are trending favorably with ample volume at auction**
- **Average cost per vehicle for dismantling by our wholesale operations was $1,943, which is flat YOY**

Acquisition Activity

	Number of Q2 Acquisitions	TTM Revenue*	Number of YTD Acquisitions	TTM Revenue*
North America	2	Less than $10 million	3	Less than $12 million
Europe	6	Less than $75 million	7	Less than $76 million
Specialty	0	-	0	-
Total	8	Less than $85 million	10	Less than $88 million

North America

- **Acquired a wholesale salvage yard in Alabama & an aftermarket business in Iowa**

Europe

- **Acquired six distributors of aftermarket automotive products in the Netherlands which added 10 additional branches to Sator's network. After acquisitions, branch count totals 82**

Q3 Events

- **On July 8, 2015, the Company announced it acquired substantially all of the assets of PartsChannel, Inc., an aftermarket collision parts distributor with fourteen warehouses servicing over thirty markets across the United States.**
- **Acquired a self service retail business with eight locations in California**
- **On July 9, 2015, the Company announced that it signed a definitive agreement to acquire The Coast Distribution System, Inc. for $5.50 per share in cash. Coast is a leading distributor of replacement parts, supplies and accessories for recreational vehicles (RVs) primarily to retail parts and supplies stores, service and repair establishments, and new and used RV dealers in North America. The Coast acquisition is expected to close in the third quarter of 2015**

* TTM Revenue from acquisition date

Q2 2015 Key Initiatives

New ECP Distribution Center (Tamworth, UK)

- 750,000 square feet
- Significant level of automation
- Will ultimately replace two existing facilities
- Key Timeline
  - 2015 – Construction
  - 2016/2017 – Automation installation & transition from existing facilities
  - 2018 – Fully operational
- EPS impact (2-3)¢ in 2016; (7-9)¢ in 2017; accretive thereafter

Productivity Initiatives

- Engaged Alix Partners to assist with holistic review of North American operations
- Initiated early phases of work plan that will extend through 2017
- Don't expect meaningful benefits until mid-2016
- Will update on progress as benefits realized

New ECP Distribution Center



Financial Results

Operating Results

($ in millions, except per share data)	Second Quarter			YTD		
	2015	2014	Change	2015	2014	Change
Revenue	$1,838	$1,709	7.5%	$3,612	$3,335	8.3%
Gross Margin	724	671	7.9%	1,423	1,323	7.6%
Segment EBITDA	233	211	10.2%	454	417	9.1%
Operating Income	200	174	15.4%	386	347	11.2%
Pre-tax Income	186	160	16.2%	355	318	11.4%
Net Income	120	105	14.1%	227	210	8.2%
EPS - Diluted	$0.39	$0.34	14.7%	$0.74	$0.69	7.2%
EPS - Adjusted	$0.39	$0.35	11.4%	$0.76	$0.70	8.6%

Our effective income tax rate for the six months ended June 30, 2015 was 35.2% compared with 34.0% for the comparable prior year period. The higher effective income tax rate for the six months ended June 30, 2015 is primarily a result of our expected geographic distribution of income, as we expect a smaller proportion of our annual pretax income will be generated in lower tax rate international jurisdictions.

Q2 2015 Consolidated Margins

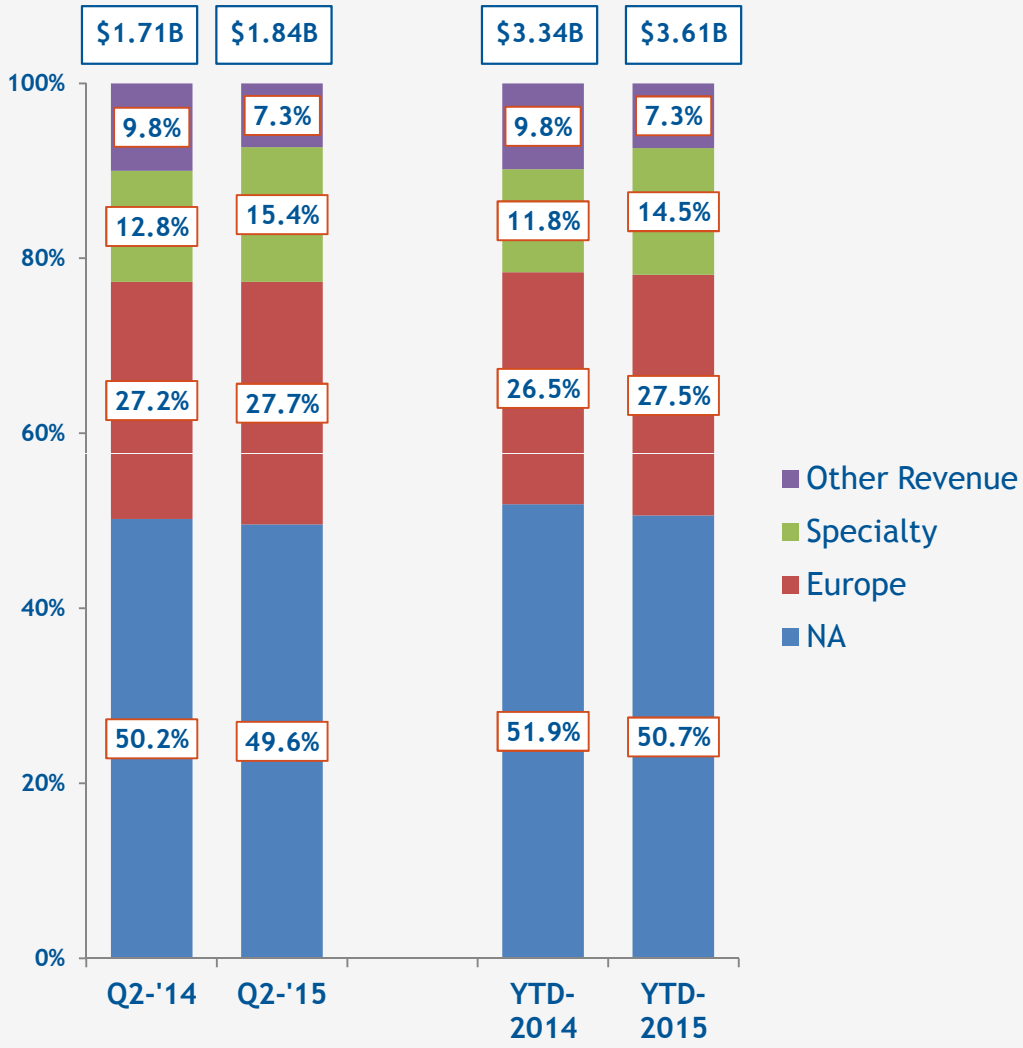
(As a % of Revenue)	Q2 2015	Q2 2014	Change F/(U)	QTD Commentary
Revenue	100.0%	100.0%	-	
Gross margin	39.4%	39.3%	0.1%	Improvement in European and North American gross margins; partially offset by mix – lower margin Specialty business acquired in October 2014
Facility and warehouse expenses	7.4%	7.5%	0.1%	Improvement due to mix – growth & integration in Specialty and European segments, which tend to run lower facility costs than North America segment
Distribution expenses	8.2%	8.6%	0.4%	Lower fuel expenses
Selling, general and administrative expenses	11.2%	10.9%	(0.3%)	Increase in sales force and administrative personnel in Europe to support acquisition and organic growth
Segment EBITDA	12.7%	12.4%	0.3%	
Restructuring and acquisition related expenses	0.1%	0.3%	0.2%	Restructuring costs primarily related to integration activities in Specialty segment; acquisition costs mostly related to European acquisitions
Depreciation and amortization	1.6%	1.8%	0.2%	Expenses roughly flat in dollar terms
Operating income	10.9%	10.2%	0.7%	

YTD 2015 Consolidated Margins

(As a % of Revenue)	YTD 2015	YTD 2014	Change F/(U)	YTD Commentary
Revenue	100.0%	100.0%	-	
Gross margin	39.4%	39.7%	(0.3%)	Decline primarily due to mix – lower margin Specialty business acquired in October 2014
Facility and warehouse expenses	7.4%	7.6%	0.2%	Improvement due to mix – growth & integration in Specialty and European segments, which tend to run lower facility costs than North America segment
Distribution expenses	8.1%	8.5%	0.4%	Lower fuel expenses
Selling, general and administrative expenses	11.3%	11.1%	(0.2%)	Roughly equal impacts from cost in Netherlands associated with move to a two-step distribution model and increase in sales force and administrative personnel in UK to support growth
Segment EBITDA	12.6%	12.5%	0.1%	
Restructuring and acquisition related expenses	0.2%	0.3%	0.1%	Restructuring costs primarily related to integration activities in Specialty segment; acquisition costs mostly related to European acquisitions
Depreciation and amortization	1.6%	1.7%	0.1%	Increase in dollar terms from depreciation expense on higher capital spending
Operating income	10.7%	10.4%	0.3%	

YTD data as of 6/30/15

Components of Quarterly Revenue



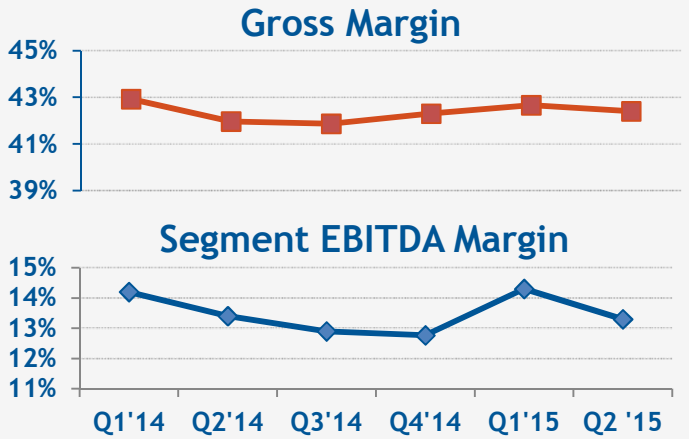
- Other Revenue (primarily related to self service) continues to become a lower percentage of total revenue as scrap prices fall and we grow our other lines of business
- North America segment historically has highest GM and EBITDA margins
- Portion of change in margins on a consolidated basis is attributable to change in revenue mix
- Decline in North America revenue as a % of consolidated revenue from 2014 to 2015 reflects diversification of our revenue stream through acquisitions in European and Specialty businesses during 2014 and 2015
- Self Service margins are the most affected by changes in scrap prices

YTD data as of 6/30/15

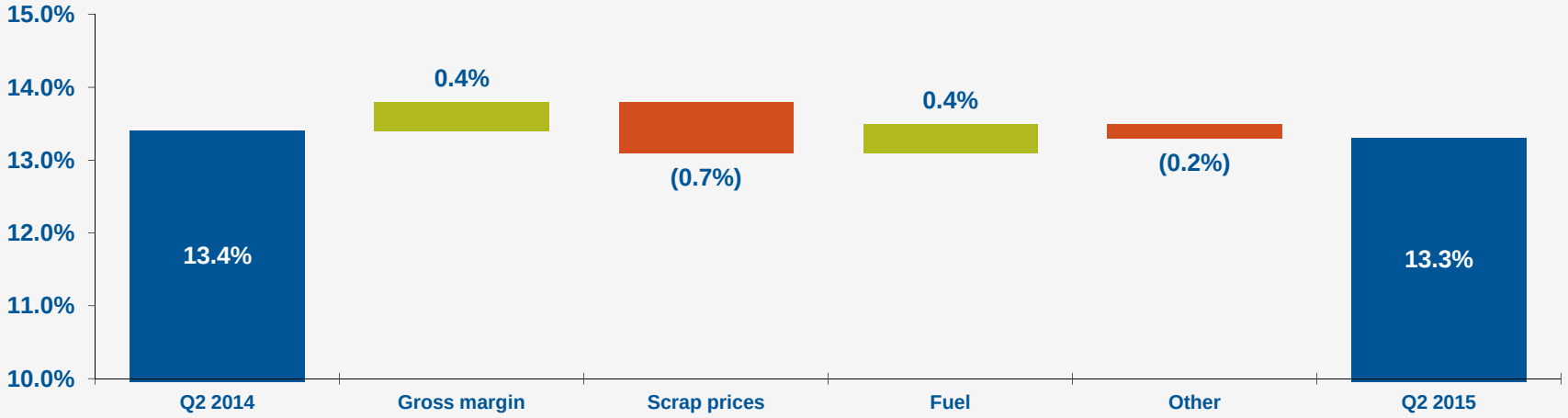
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North America – Q2 2015 Results

($ in millions)	2015	2014	Change	% of Revenue 2015	% of Revenue 2014
Revenue	$1,045	$1,026	1.9%		
Gross Margin	$443	$431	2.8%	42.4%	42.0%
Operating Expenses	$306	$296	3.4%	29.4%	28.9%
Segment EBITDA	$139	$137	1.5%	13.3%	13.4%



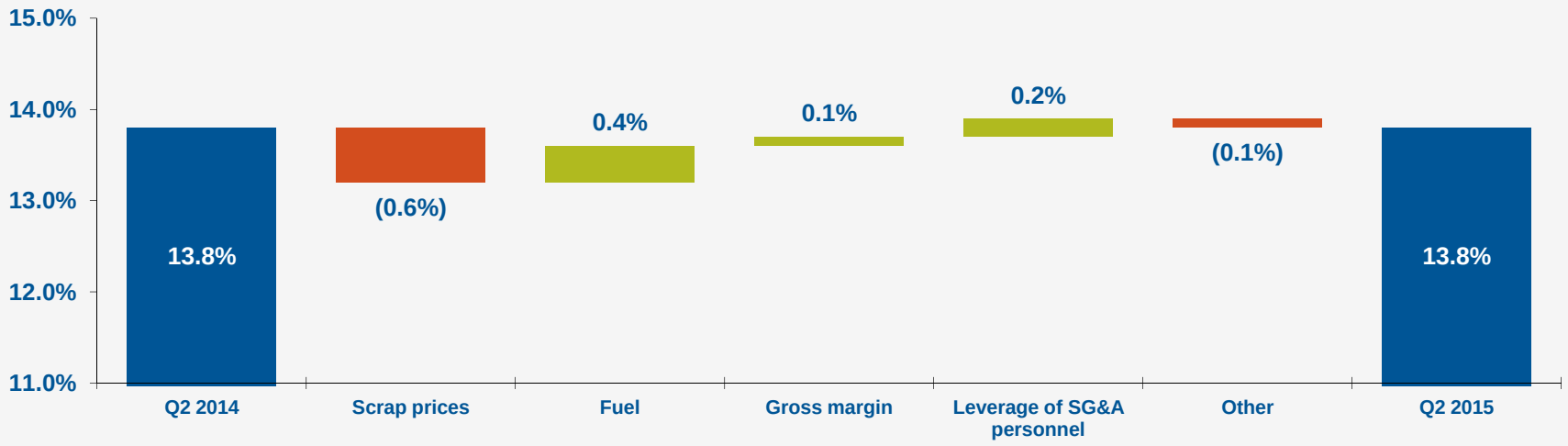
North America Segment EBITDA Margin Bridge



North America – YTD 2015 Results

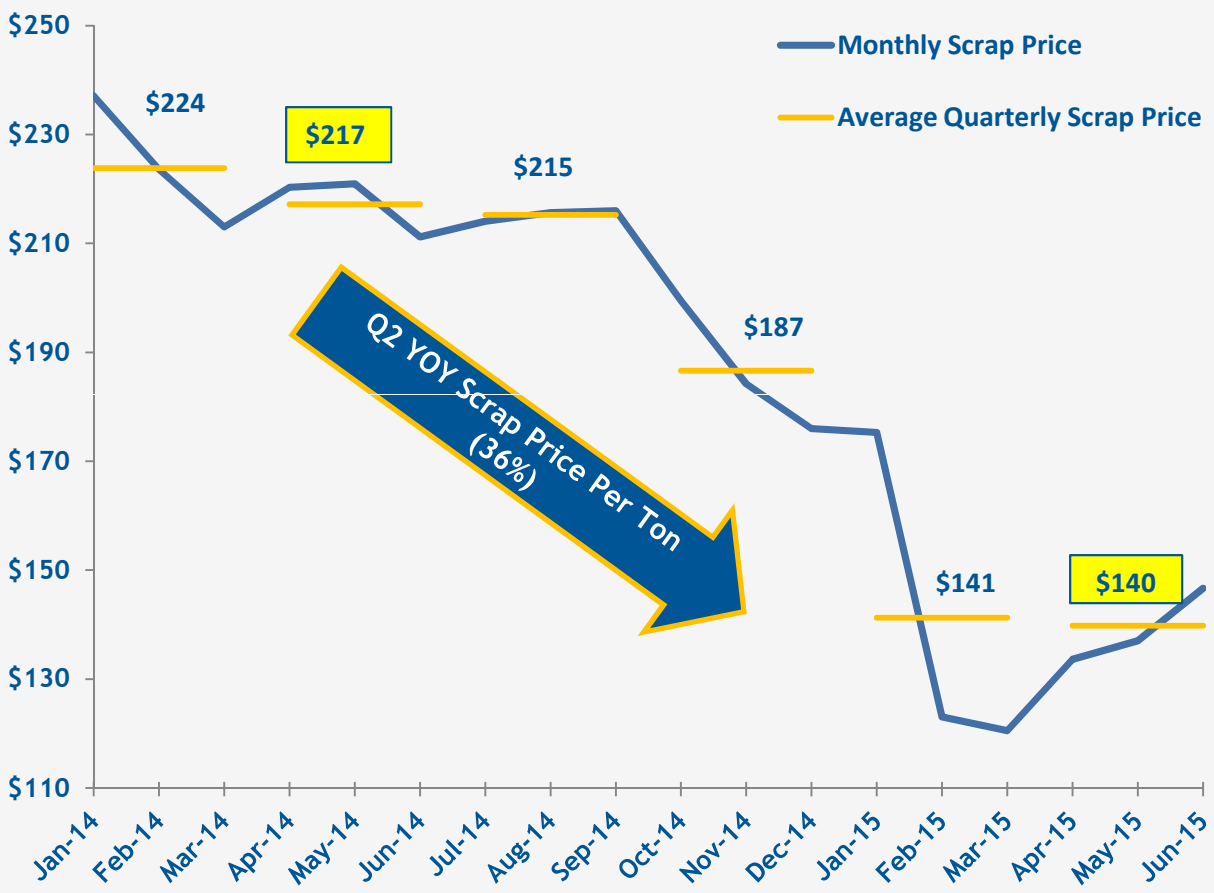
($ in millions)	2015	2014	Change	% of Revenue 2015	% of Revenue 2014
Revenue	$2,091	$2,055	1.8%		
Gross Margin	$890	$872	2.1%	42.6%	42.5%
Operating Expenses	$604	$593	1.9%	28.9%	28.9%
Segment EBITDA	$288	$283	1.8%	13.8%	13.8%

North America Segment EBITDA Margin Bridge



YTD data as of 6/30/15

Scrap Prices



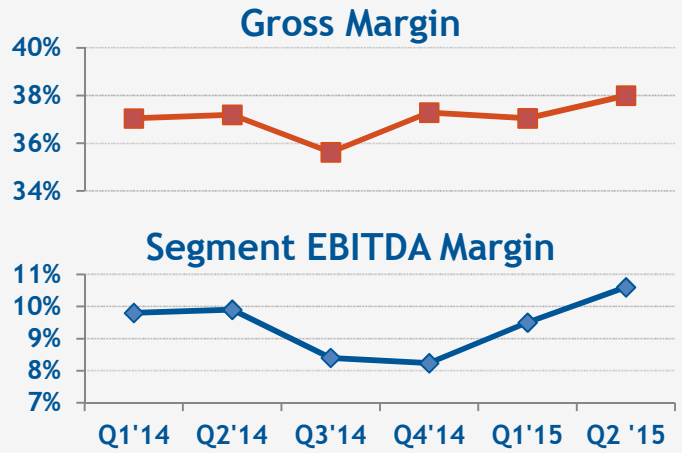
- Decrease in other revenue primarily attributable to lower scrap prices
- Average price we receive for scrap steel was ~36% lower YOY, at $140 for YTD June 2015 vs. $217 per ton in 2014
- Estimated negative EPS impact of $0.03, or approximately $10M of net income for YTD June 2015
- Scrap has become smaller portion of global revenue mix

(1) The scrap pricing above is based on the weighted average price achieved. Prices and volume vary by region.

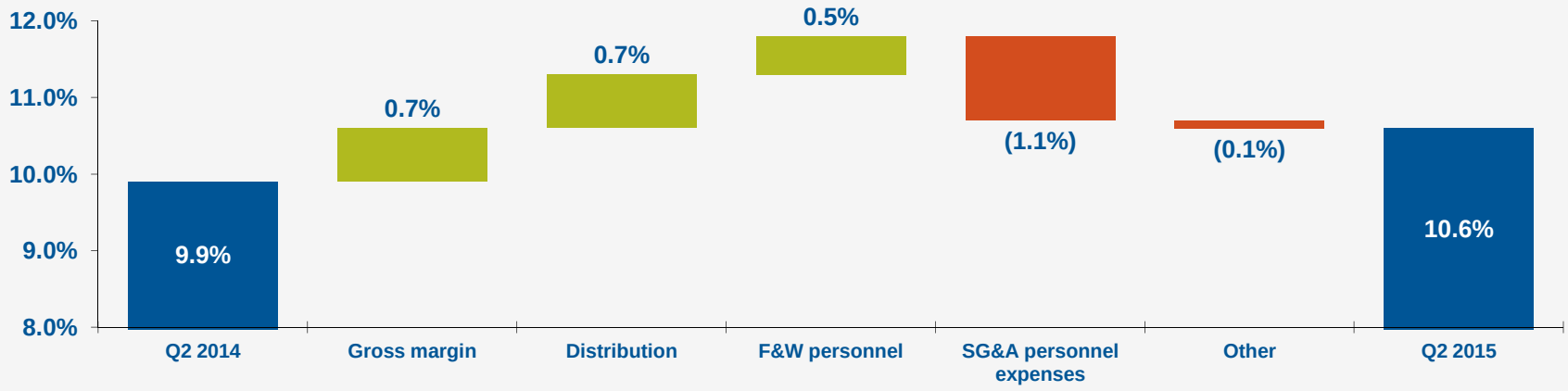
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Europe – Q2 2015 Results

($ in millions)	2015	2014	Change	% of Revenue 2015	% of Revenue 2014
Revenue	$510	$465	9.7%		
Gross Margin	$193	$173	11.6%	37.9%	37.2%
Operating Expenses	$138	$126	9.5%	27.1%	27.2%
Segment EBITDA	$54	$46	17.4%	10.6%	9.9%
ECP Branches	194	165	29		
Sator Branches	82	52	30		



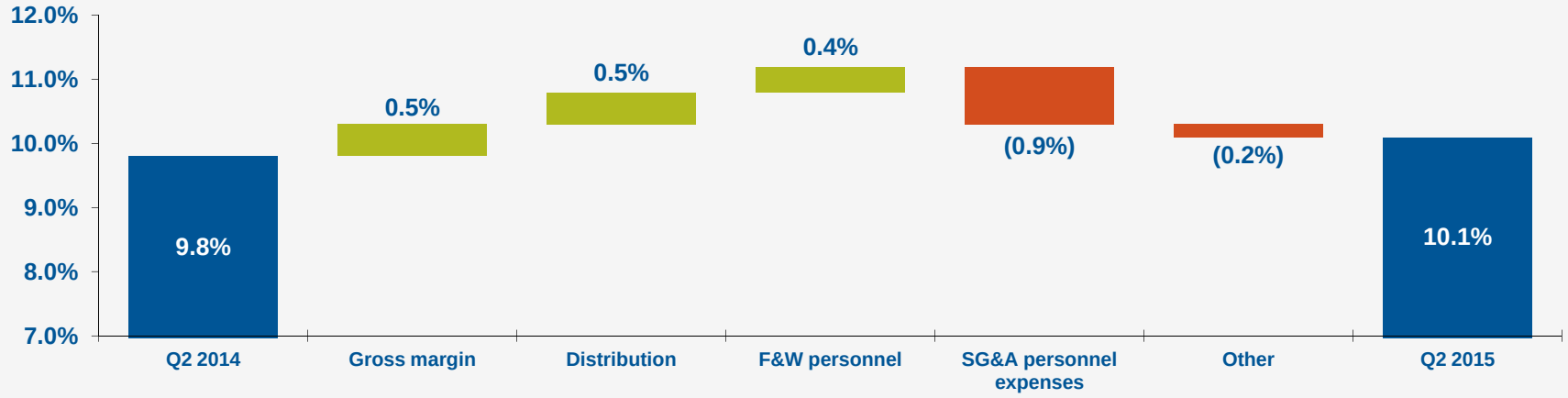
Europe Segment EBITDA Margin Bridge



Europe-YTD 2015 Results

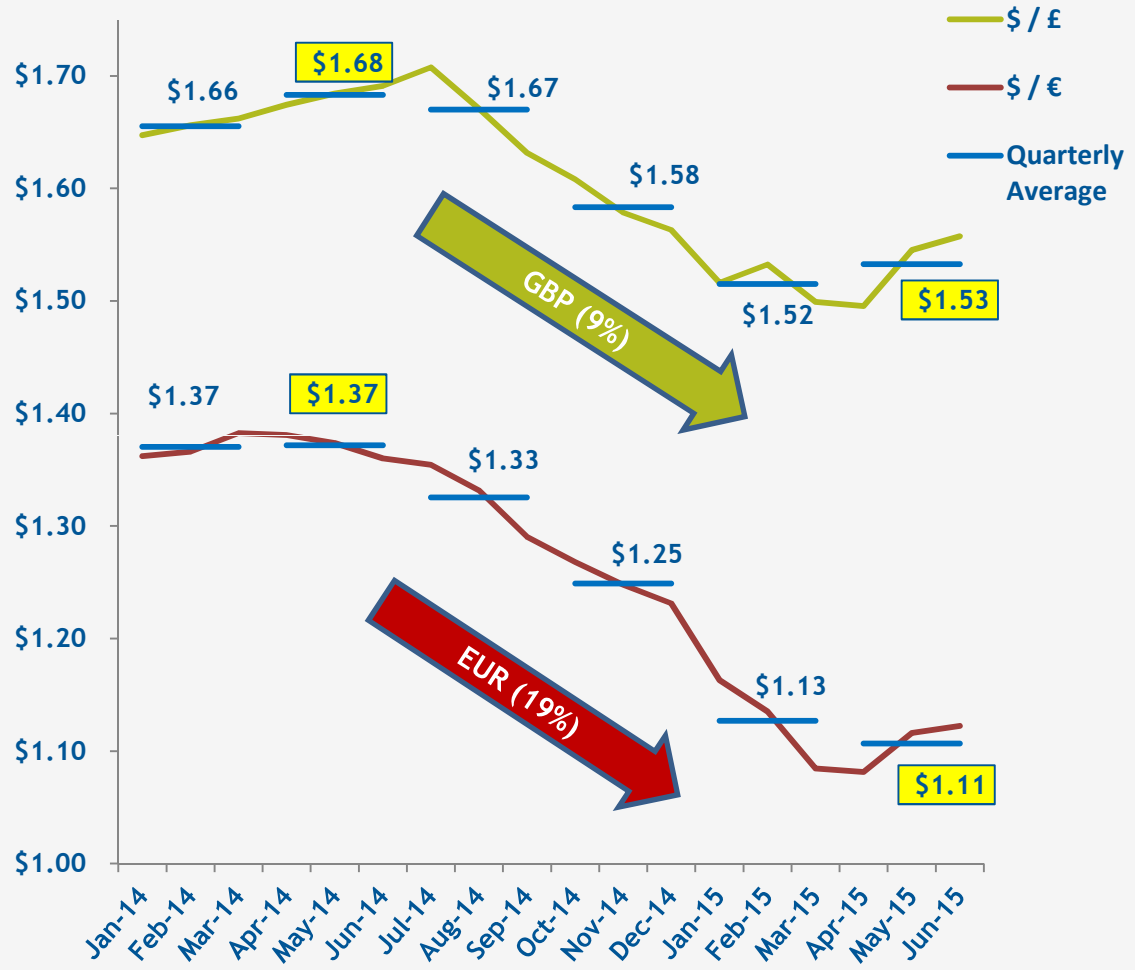
($ in millions)	2015	2014	Change	% of Revenue 2015	% of Revenue 2014
Revenue	$997	$885	12.7%		
Gross Margin	$374	$329	13.7%	37.6%	37.1%
Operating Expenses	$270	$240	12.5%	27.2%	27.2%
Segment EBITDA	$100	$87	14.9%	10.1%	9.8%
ECP Branches	194	165	29		
Sator Branches	82	52	30		

Europe Segment EBITDA Margin Bridge



YTD data as of 6/30/15

Foreign Exchange



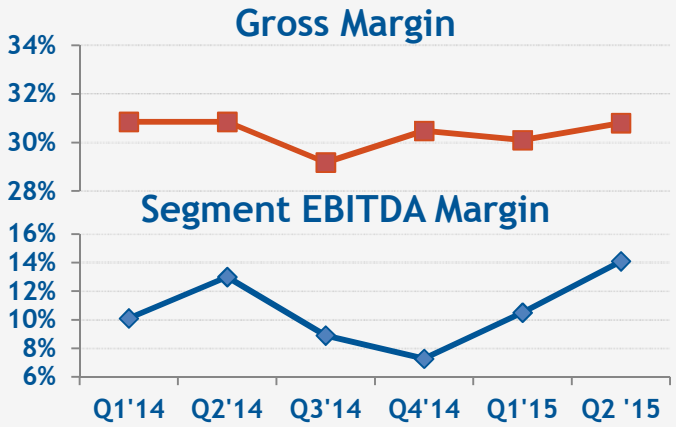
*Reflects the combined impact of all currencies on consolidated EPS growth (all segments); charts & revenue figures above include reflect only GBP and EUR currencies related to Europe segment.

- £ down 9% Q2 2015 vs. Q2 2014
- € down 19% Q2 2015 vs. Q2 2014
- Translation impact of stronger dollar on European revenue growth:
  - Q2: $(54) million
  - YTD: $(99) million
- Constant currency European revenue growth:
  - Q2: 21.2%
  - YTD: 23.8%
- Estimated currency impact on EPS growth*:
  - Q2: $(0.02)
  - YTD: $(0.03)

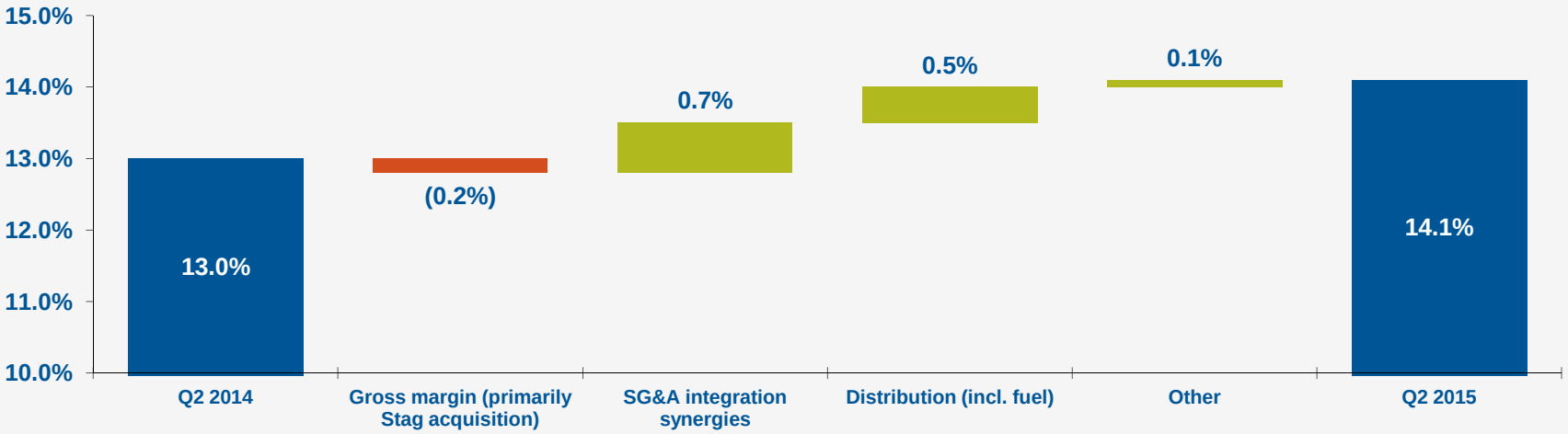
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Specialty– Q2 2015 Results

($ in millions)	2015	2014	Change	% of Revenue 2015	% of Revenue 2014
Revenue	$284	$218	30.3%		
Gross Margin	$87	$67	29.9%	30.8%	30.9%
Operating Expenses	$47	$39	20.5%	16.7%	17.9%
Segment EBITDA	$40	$28	42.9%	14.1%	13.0%



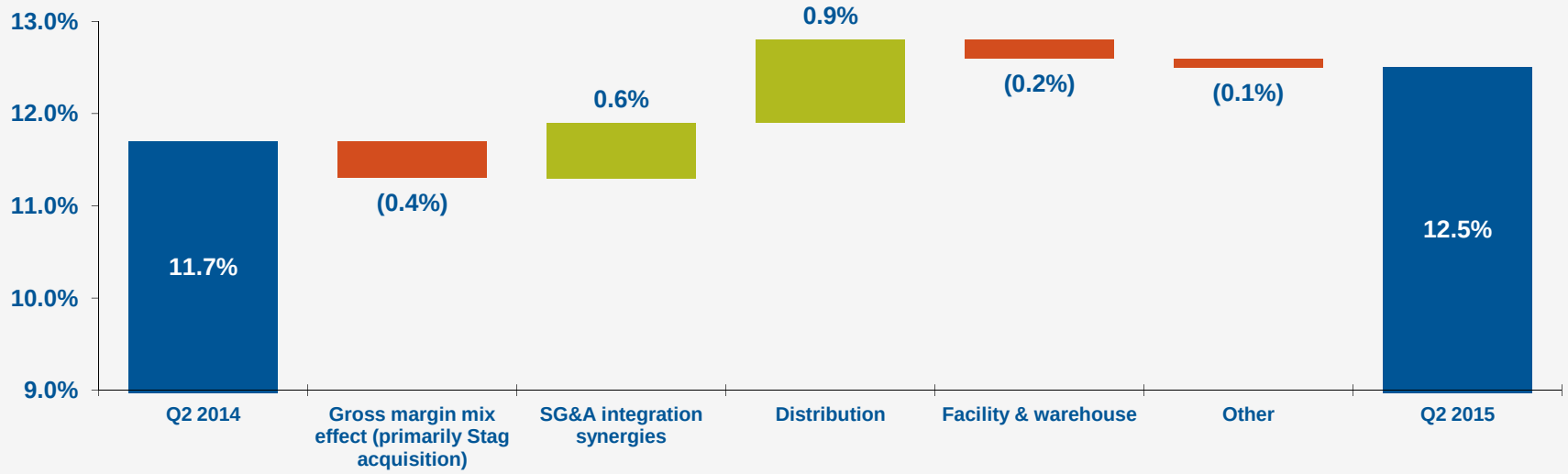
Specialty Segment EBITDA Margin Bridge



Specialty – YTD 2015 Results

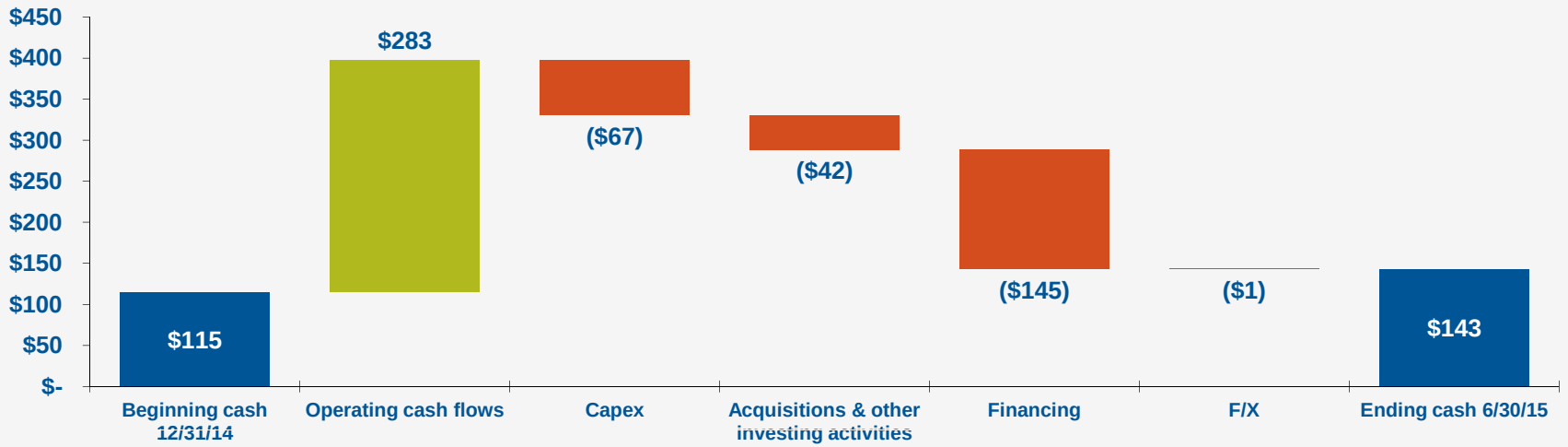
($ in millions)	2015	2014	Change	% of Revenue 2015	% of Revenue 2014
Revenue	$526	$395	33.2%		
Gross Margin	$160	$122	31.1%	30.5%	30.9%
Operating Expenses	$94	$76	23.7%	18.0%	19.2%
Segment EBITDA	$66	$46	43.5%	12.5%	11.7%

Specialty Segment EBITDA Margin Bridge



YTD data as of 6/30/15

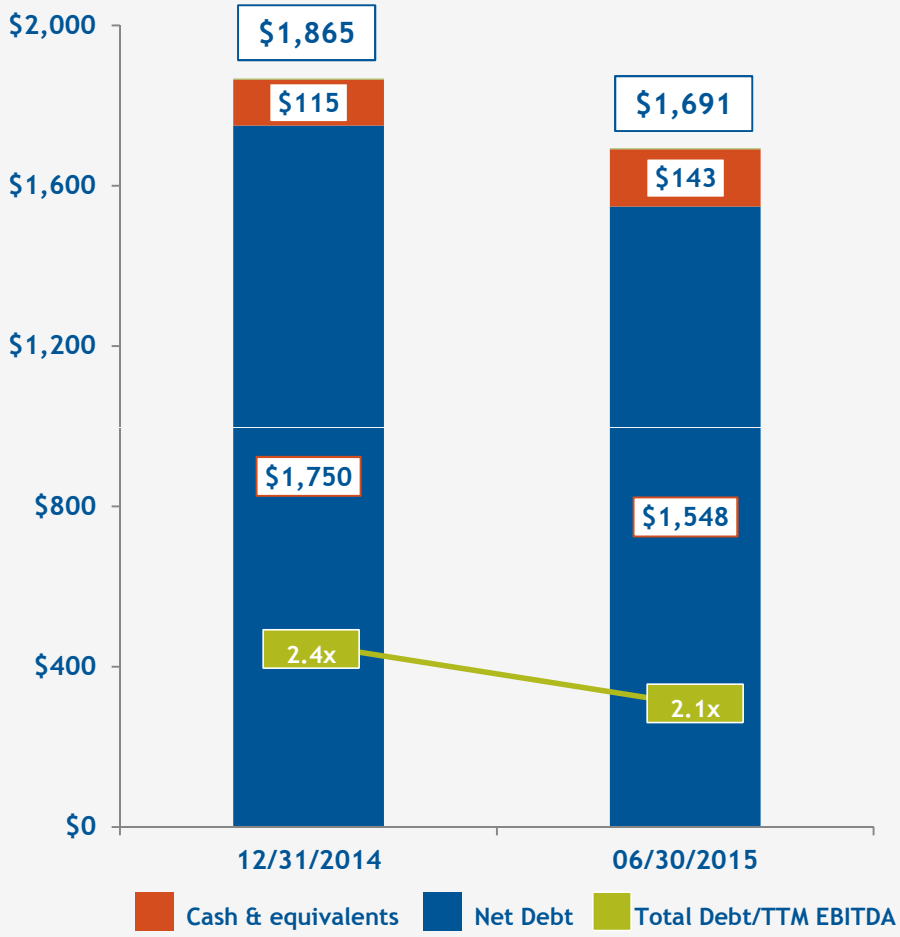
YTD 2015 Capital Allocation

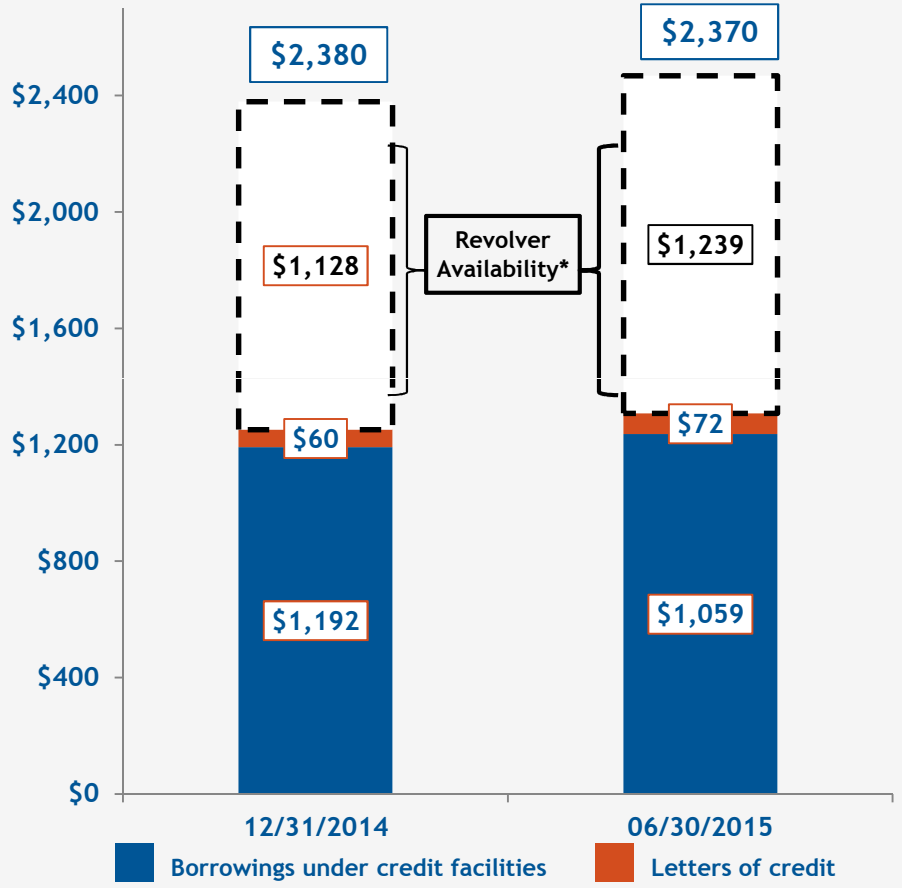


- Operating cash flows:
  - $34M increase in consolidated EBITDA
  - Lesser working capital increase than 2014 (decrease in inventories and increase in payables)
  - Accelerated purchases of aftermarket inventory in Q4 2014 in anticipation of potential issues with U.S. ports on the West Coast
- Investing activities includes $67M of CapEx and $42M for acquisitions & other investments
- Net cash flow from operating and investing activities of $174M used to repay debt and build our cash on hand

Leverage & Liquidity

($ in millions)





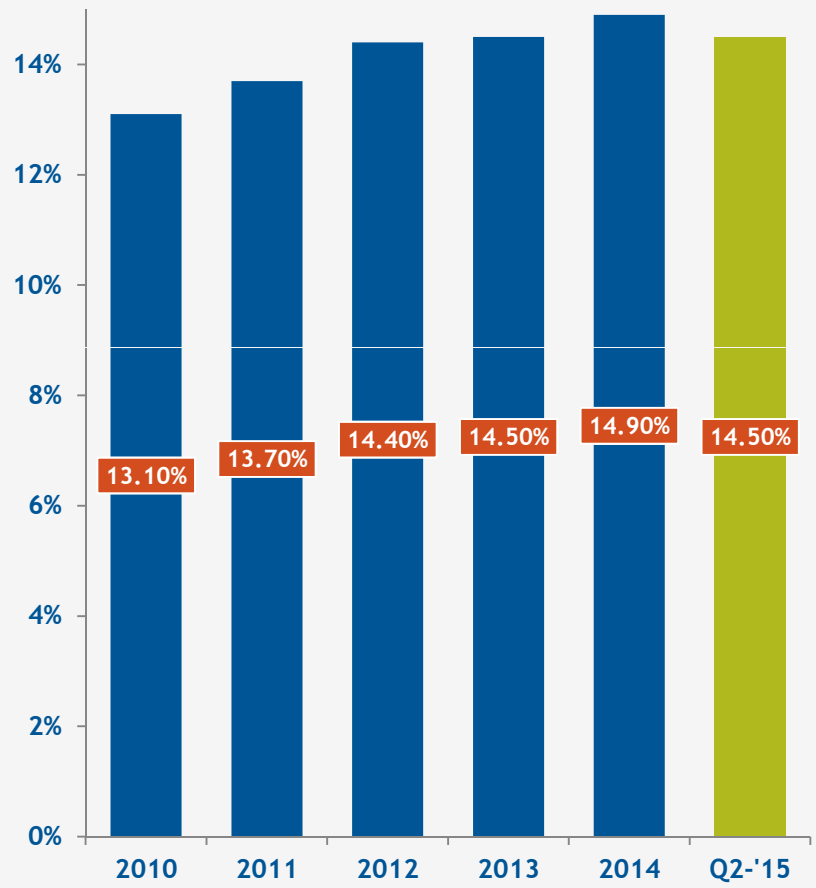
Effective borrowing rate for Q2 2015 was 3.42%

* Revolver availability includes our term loans, revolving credit facilities, and our receivables securitization facility

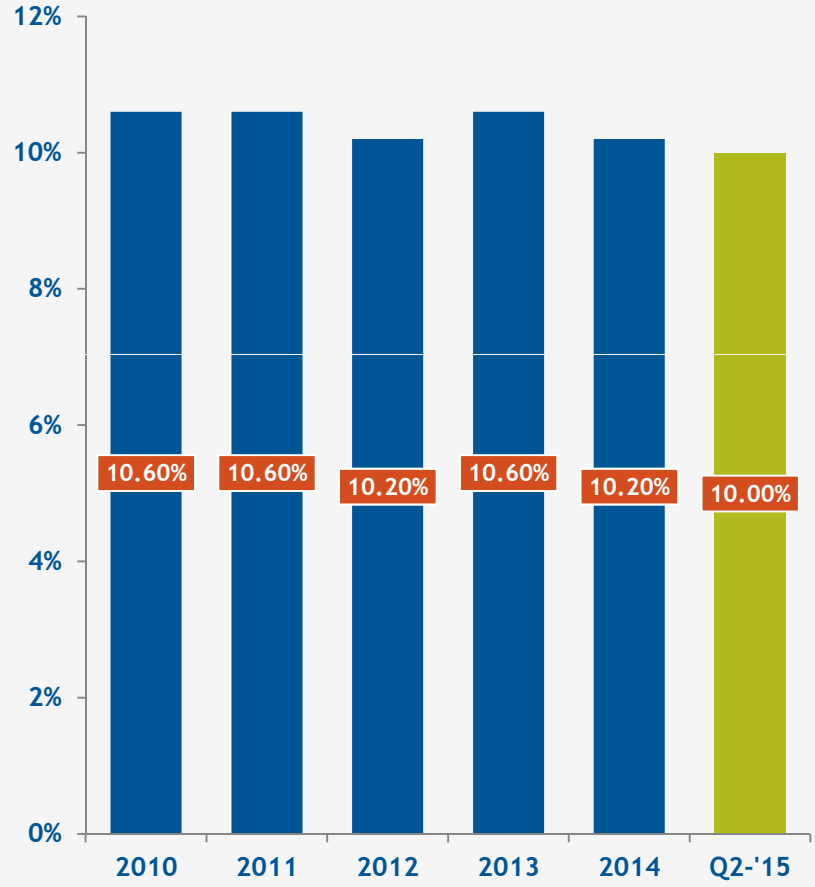
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Key Return Metrics

Return on Equity*



Return on Invested Capital*



*Amounts above represent TTM ROE & ROIC

Guidance 2015

(effective only on the date issued: July 30, 2015)

($ in millions excluding EPS)

	Full Year 2014 Actual	Full Year 2015 Guidance [(a)]
Organic revenue growth, ***for parts & services***	9.0%	7.0% to 8.5%
Net Income	$382	$425 to $445
Diluted EPS	$1.25	$1.38 to $1.45
Cash flow from operations	$371	~$450
Capital expenditures	$141	$150 to $180

(a) Guidance for 2015 is based on current conditions and excludes the impact of restructuring and acquisition related expenses, losses on debt extinguishment, and gains or losses (including changes in fair value of contingent consideration liabilities) and capital spending related to acquisitions or divestitures. Organic revenue guidance refers only to parts and services revenue. LKQ updated its February 2015 guidance on July 30, 2015, and it is only effective on the date of issuance. It is LKQ's policy to comment on its annual guidance only when the company issues its quarterly press releases with financial results. LKQ has no obligation to update this guidance.

Key Takeaways

- **Solid organic revenue growth of 7.5% for parts & services in Q2 & YTD**
- **Constant currency revenue growth of 15% for parts & services in Q2 & YTD**
- **Segment EBITDA margin improvement for Q2 & YTD periods**
- **Adjusted YTD EPS of $0.76 vs. $0.70**
  - **Unfavorable swings in scrap prices ($0.03) & currencies ($0.03) negatively impacted YTD 2015 EPS growth by ($0.06) YOY**

Consistent Business Model & Strategy



Appendix - Non-GAAP Financial Measures

The financial data contained in the presentation materials includes earnings before interest, taxes, depreciation and amortization ("EBITDA") and provides a reconciliation of net income to EBITDA. The financial data contained in the presentation materials also includes adjusted net income and adjusted diluted earnings per share ("EPS") and provides a reconciliation of net income and diluted EPS to adjusted net income and adjusted diluted EPS. The Company defines adjusted net income and adjusted diluted EPS as net income and diluted EPS adjusted to eliminate the impact of restructuring and acquisition related expenses, net of tax, loss on debt extinguishment, net of tax, and the change in fair value of contingent consideration liabilities. EBITDA, adjusted net income and adjusted diluted EPS are not measures of financial performance under generally accepted accounting principles in the United States.

We have presented EBITDA, adjusted net income and adjusted diluted EPS information solely as supplemental disclosures because we believe they offer investors, securities analysts and other interested parties useful information regarding our results of operations because they assist in analyzing our performance and the value of our business. EBITDA provides insight into our profitability trends, and allows management and investors to analyze our operating results with and without the impact of depreciation, amortization, interest and income tax expense. We believe EBITDA is used by securities analysts, investors and other interested parties in evaluating companies, many of which present EBITDA when reporting their results. EBITDA should not be construed as an alternative to operating income, net income or net cash provided by (used in) operating activities, as determined in accordance with accounting principles generally accepted in the United States. Adjusted net income and adjusted diluted EPS are presented as supplemental measures of our performance that management believes are useful for evaluating and comparing our operating activities across reporting periods. Adjusted net income and adjusted diluted EPS should not be construed as alternatives to net income or diluted EPS as determined in accordance with accounting principles generally accepted in the United States. Not all companies that report EBITDA, adjusted net income and adjusted diluted EPS information calculate these measures in the same manner as we do and, accordingly, our calculations are not necessarily comparable to similarly named measures of other companies and may not be appropriate measures for performance relative to other companies.

EBITDA & Segment EBITDA Reconciliation

	QTD		YTD	
	Q2-2015	Q2-2014	Q2-2015	Q2-2014
(in thousands)				
Segment EBITDA				
North America	$ 138,880	$ 137,150	$ 288,268	$ 283,288
Europe	53,943	45,945	100,466	87,100
Specialty	40,198	28,356	65,602	46,160
Total Segment EBITDA	233,021	211,451	454,336	416,548
Deduct:				
Restructuring and acquisition related expenses	1,663	5,901	8,151	9,222
Change in fair value of contingent consideration liabilities	125	(790)	276	(2,012)
Add:				
Equity in earnings of unconsolidated subsidiaries	(1,162)	(442)	(3,070)	(478)
EBITDA	$ 230,071	$ 205,898	$ 442,839	$ 408,860
Depreciation and Amortization	31,045	31,047	61,714	58,893
Interest Expense, Net	14,622	15,628	29,528	31,746
Loss on debt extinguishment				324
Provision for Income Taxes	64,682	54,341	124,780	108,362
Net Income	$ 119,722	$ 104,882	$ 226,817	$ 209,535

*Loss on debt extinguishment is considered a component of interest in calculating EBITDA, as the write-off of debt issuance costs is similar to the treatment of debt issuance cost amortization.

LKQ Corporation

Adjusted Net Income & Adjusted EPS Reconciliation

(In thousands, except per share data)	QTD Q2-2015	QTD Q2-2014	YTD YTD-2015	YTD YTD-2014
Net income	$ 119,722	$ 104,882	$ 226,817	$ 209,535
Adjustments:				
Restructuring and acquisition related expenses, net of tax	1,079	3,895	5,290	6,087
Loss on debt extinguishment, net of tax				214
Change in fair value of contingent consideration liabilities	125	(790)	276	(2,012)
Adjusted net income	$ 120,926	$ 107,987	$ 232,383	$ 213,824
Weighted average diluted common shares outstanding	307,247	305,837	307,105	305,677
Diluted earnings per share	$ 0.39	$ 0.34	$ 0.74	$ 0.69
Adjusted diluted earnings per share	$ 0.39	$ 0.35	$ 0.76	$ 0.70

LKQ Corporation

Constant Currency Reconciliation

The following unaudited table reconciles revenue growth for Parts & Services to constant currency revenue growth for the same measure:

	Three Months Ended June 30, 2015		Six Months Ended June 30, 2015	
	Consolidated	Europe	Consolidated	Europe
Parts & Services				
Revenue growth as reported	10.6%	9.5%	11.3%	12.6%
Less: Currency impact	-4.3%	-11.7%	-4.0%	-11.2%
Revenue growth at constant currency	14.9%	21.2%	15.3%	23.8%

We evaluate growth in our operations on both an as reported and a constant currency basis. The constant currency presentation, which is a non-GAAP measure, excludes the impact of fluctuations in foreign currency exchange rates. We believe providing constant currency information provides valuable supplemental information regarding our growth, consistent with how we evaluate our performance. Constant currency revenue results are calculated by translating prior year revenue in local currency using the current year's currency conversion rate. This non-GAAP measure has limitations as an analytical tool and should not be considered in isolation or as a substitute for an analysis of our results as reported under GAAP. Our use of this term may vary from the use of similarly-titled measures by other issuers due to the potential inconsistencies in the method of calculation and differences due to items subject to interpretation.