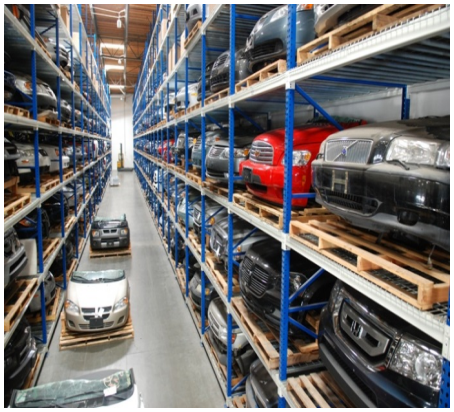
Second Quarter 2016 Earnings Call

July 28, 2016

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 and are subject to a number of risks and uncertainties. Actual results may differ materially from our forward-looking information.

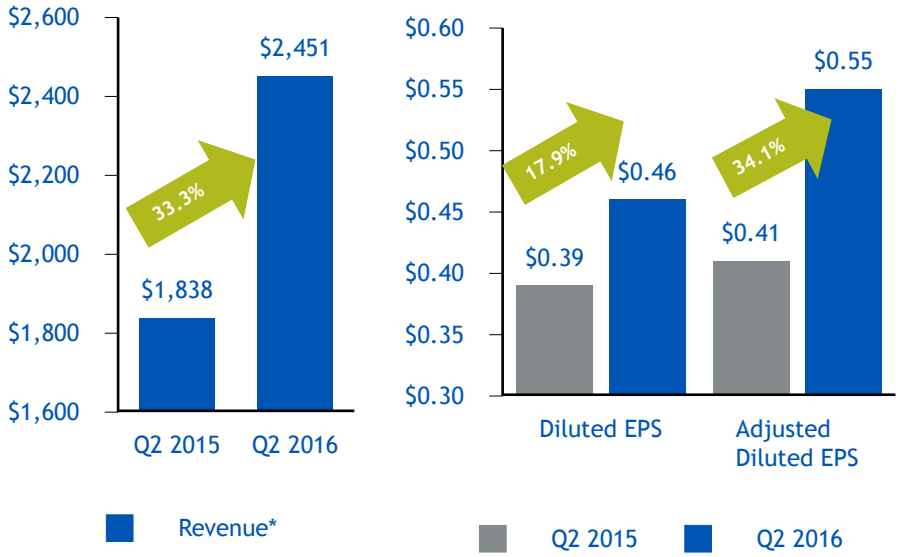
All forward-looking statements we make are based on information available to us at the time the statements are made, and we assume no obligation to update any forward-looking statements, except as may be required by law. The risks and uncertainties that could cause actual results to differ from the results predicted or implied by our forward-looking statements include 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, 2015 and in 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.

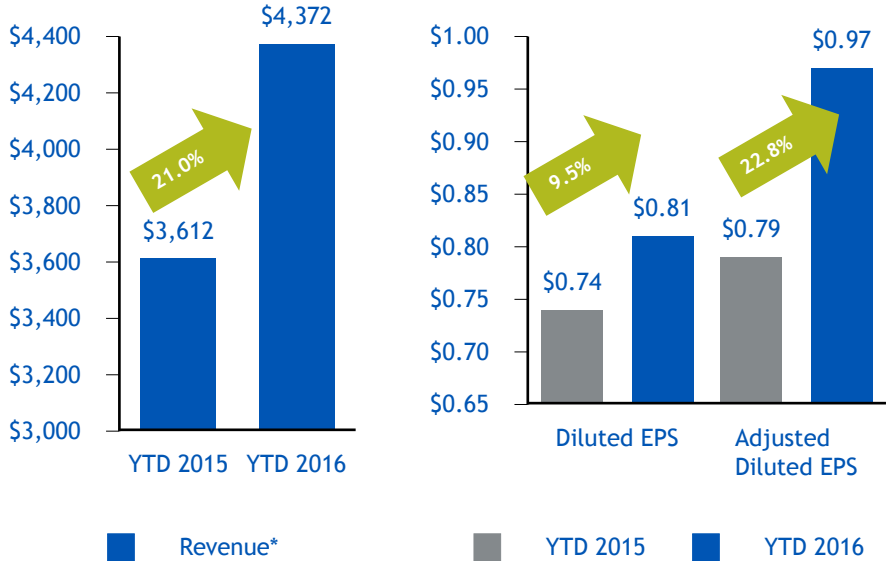
Consolidated Results

Q2 2016



- Organic growth of parts and services revenue of 5.4%
- Net income $140.7 million Q2 2016 vs. $119.7 million Q2 2015
- Segment EBITDA Margin** 13.0% Q2 2016 vs. 12.7% Q2 2015

YTD 2016



- Organic growth of parts and services revenue of 5.8%
- Net income $248.5 million YTD 2016 vs. $226.8 million YTD 2015
- Segment EBITDA Margin** 12.7% YTD 2016 vs. 12.6% YTD 2015

* Revenue in millions
** Refer to Segment EBITDA reconciliation on page 31

Q2 2016 Revenue Growth

Revenue Changes by Source:	Organic	Acquisition	Foreign Exchange	Total[1]
North America	3.1%	2.8%	(0.3)%	5.6%
Europe	8.0%	57.5%	(3.7)%	61.8%
Specialty	8.0%	11.1%	(0.5)%	18.5%
Glass	nm	nm	nm	nm
Parts and Services	5.4%	32.8%	(1.4)%	36.8%
Other Revenue	(16.2)%	5.2%	(0.2)%	(11.2)%
Total	3.8%	30.8%	(1.3)%	33.3%

- Organic growth in parts and services revenue was predominantly attributable to pricing in our wholesale operations and higher volume in our salvage operations partially offset offset by a negative mix impact as we saw a smaller percentage of sales from high value salvage part types in 2016
- ECP organic revenue growth for parts and services was 9.6%. Revenue growth for branches open more than 12 months was 7.8% and collision parts revenue growth was 18.2%
- Sator organic revenue growth for parts and services was 4.4%
- Unfavorable F/X impact on European revenue of $19 million; European constant currency parts and services revenue growth of 65.5%[2]
- European acquisition growth represented $292 million, of which $284 million was generated by Rhiag-Inter Auto Parts Italia S.p.A. ("Rhiag") (acquired March 18, 2016)
- Through our acquisition of Pittsburgh Glass Works ("PGW") in Q2 2016, the Glass segment was added with Q2 revenue of $210 million
- Specialty acquisition growth reflects Q3 2015 acquisition of The Coast Distribution System, Inc. ("Coast")
- Decrease in Other Revenue primarily attributable to lower volume due to the sale of one of our metals processing businesses at the end of Q2 2015 and lower precious metals pricing. Scrap steel was flat quarter over quarter

(1) The sum of the individual revenue change components may not equal the total percentage due to rounding
(2) Refer to constant currency reconciliation on page 30

YTD 2016 Revenue Growth

Revenue Changes by Source:	Organic	Acquisition	Foreign Exchange	Total[1]
North America	4.0%	3.0%	(0.5)%	6.4%
Europe	7.5%	34.2%	(4.1)%	37.6%
Specialty	9.3%	10.3%	(0.6)%	19.0%
Glass	nm	nm	nm	nm
Parts and Services	5.8%	19.7%	(1.6)%	23.9%
Other Revenue	(20.6)%	5.2%	(0.2)%	(15.6)%
Total	3.9%	18.6%	(1.5)%	21.0%

- Organic growth in parts and services revenue was attributable to similar changes in volume and price. Sales volumes increased in our wholesale operations resulting from improved fill rates and in-stock rates while prices increased in our wholesale operations, primarily in our salvage operations, as a result of shifting our salvage vehicle purchasing to higher quality vehicles
- ECP organic revenue growth for parts and services was 8.5%. Revenue growth for branches open more than 12 months was 6.8% and collision parts revenue growth was 16.8%
- Sator organic revenue growth for parts and services was 5.2%
- Unfavorable F/X impact on European revenue of $41 million; European constant currency parts and services revenue growth of 41.7%[2]
- European acquisition growth represented $340 million, of which $318 million was generated by Rhiag (acquired March 18, 2016)
- Through our acquisition of PGW in Q2 2016, the glass segment was added with Q2 revenue of $210 million
- Specialty acquisition growth reflects Q3 2015 acquisition of Coast
- Decrease in Other Revenue primarily attributable to lower volume due to the sale of one of our metals processing businesses at the end of Q2 2015 and lower precious metals pricing. Scrap steel prices were 17% lower YOY in YTD 2016

(1) The sum of the individual revenue change components may not equal the total percentage due to rounding
(2) Refer to constant currency reconciliation on page 30

Q2 2016 Operating Highlights

North America

- Roadnet routing software installed in 80% of North American fleet representing over 3,400 vehicles. Currently tracking over 285,000 miles & 42,000 deliveries daily. On target to be fully installed & utilized by year-end
- Increased outbound calls from 17.2 per day/per sales rep to 18 in Q2, a 4.7% increase over Q1
- Initiative started to review all of our cross-docks to improve turnaround time & minimize damaged product (70% of our product flows through a cross dock)

Europe

- In early Q2, we issued €500 million of 8 year senior notes priced at 3. 875% (previously announced)
- ECP opened 7 new branches in Q2 including further expansion into Northern Ireland. During Q2, ECP's Ecommerce platform introduced expanded ordering capabilities for our customers, incorporating available stock via hub & central facilities into local collection abilities
- ECP's new national distribution center (Tamworth 2) continues to progress on plan. While we are only able to use a small portion, we recognized rent & other property costs during Q2 with costs of approximately £2.2 million ($3.2 million)
- Britain's referendum resulted in a vote for the country to leave the European Union. The Pound Sterling fell against the dollar approximately 10% and the Euro was weaker by approximately 2% from the day the referendum was passed on June 23rd to quarter end. The timetable and exact impact is unclear. We anticipate it will have unfavorable currency translation impact in the second half of the year

Specialty

- Continued strong organic year-over-year growth throughout Q2 largely due to expansion of delivery routes / days as we integrate Coast business into our delivery fleet, coupled with expanded warehouse service levels and inventory throughout the country
- New automotive & RV unit sales continue favorable year-over-year growth trends, further fueling organic revenue
- Six additional Coast distribution centers were integrated as of June 30, 2016, and only 4 of the 17 original Coast warehouses are in operation
- Oregon Distribution Center closed June 2016, as our Washington State Distribution Center became fully operational in Q1

Glass

- On April 21, 2016, LKQ acquired PGW, a leading global distributor and manufacturer of automotive glass products. The acquisition will expand our addressable market in North America and globally

Inventory

Inventory Procurement:	Q2			YTD		
($ in millions, Cars purchased in 000s)	2016	2015	% Change	2016	2015	% Change
Total procurement	$1,232	$698	76.5%	$2,054	$1,389	47.9%
Wholesale salvage cars and trucks	72	75	(2.9)%	144	145	(0.7)%
Europe Wholesale salvage cars and trucks	6	5	20.0%	12	11	9.1%
Self service and "crush only" cars	138	131	5.3%	263	231	13.9%

- We believe aftermarket inventory levels are sufficient to achieve our growth targets
- Inventory purchases for Rhiag totaled $242M and $263M for Q2 and YTD periods
- Total procurement reflects $167 million glass inventory purchases made between April 21 and June 30, 2016 as a result of our April 2016 acquisition of PGW. The amount includes purchases of raw materials used in PGW's manufacturing and fabrication of automotive glass products as well as purchases of aftermarket and refurbished automotive replacement glass and assemblies.
- Compared to the the prior year period, we increased our purchases of lower cost self service and "crush only" cars. Prices for these vehicles have come down in certain markets due to the decline in the prices of scrap and other metals allowing us to purchase higher quality vehicles at favorable prices
- Average cost per vehicle in our full service salvage operations was $1,996, which is a 2.7% increase YOY

Acquisition Activity

	Number of Q2 Acquisitions	TTM Revenue*	Number of YTD Acquisitions	TTM Revenue*
North America	—	—	—	—
Europe	1	$4.0 million	3	$1.0 billion
Specialty	—	—	—	—
Glass	1	$1.1 billion	1	$1.1 billion
Total	2	$1.1 billion	4	$2.1 billion

Europe

- In Q1, we acquired Rhiag which expands LKQ's geographic presence in continental Europe. Additionally, we acquired a small distributor in the Netherlands in Q2. The vast majority of the acquired TTM revenue in Europe relates to Rhiag.

Glass

- On April 21, 2016, LKQ acquired PGW, a leading global distributor and manufacturer of automotive glass products. PGW's business comprises wholesale and retail distribution services, automotive glass manufacturing, and retailer alliance partnerships. The acquisition will expand our addressable market in North America and globally. LKQ created a new reportable segment subsequent to the acquisition (Glass Segment).

* Approximate TTM Revenue as of acquisition date

Financial Results

Operating Results

($ in millions,except per share data)	Second Quarter			YTD		
	2016	2015	Change	2016	2015	Change
Revenue	$2,451	$1,838	33.3%	$4,372	$3,612	21.0%
Gross Margin	922	724	27.4%	1,682	1,423	18.2%
Segment EBITDA*	319	233	36.9%	556	454	22.3%
Operating Income	243	200	21.4%	429	386	11.0%
Pre-tax Income	215	186	16.1%	381	355	7.5%
Net Income	141	120	17.6%	248	227	9.5%
EPS - Diluted	$0.46	$0.39	17.9%	$0.81	$0.74	9.5%
EPS - Adjusted**	$0.55	$0.41	34.1%	$0.97	$0.79	22.8%

- Our quarter and year-to-date 2016 tax rate of 34.8% was down from 34.9% and 35.2% in the prior year quarter and year to date periods, respectively. The lower effective income tax rate for the three and six months ended June 30, 2016 reflects our expected geographic distribution of income, with a slightly larger proportion of our pre-tax income expected to be earned in the typically lower tax rate international jurisdictions.

* Refer to Segment EBITDA reconciliation on page 31
** Refer to Adjusted Diluted EPS reconciliation on page 32

Q2 2016 Consolidated Margins

(as a % of Revenue)	Q2 2016	Q2 2015	Change F/(U)	QTD Commentary
Revenue	100.0%	100.0%	—%	
Gross Margin	37.6%	39.4%	(1.8)%	Reflects unfavorability of 1.8% and 0.7% from our PGW and Rhiag acquisitions, respectively. The 1.8% reduction in gross margin for PGW also reflects a one-time inventory step-up adjustment recorded upon acquisition, which reduced consolidated gross margin for the quarter by 0.4%. Excluding the acquisitions, the gross margin our historical North American, European and Specialty businesses collectively increased 70 bps
Facility and Warehouse Expenses	7.3%	7.4%	0.1%	The change in facilities and warehouse expense reflects a decrease of 0.5% and 0.3% from our acquisitions of PGW and Rhiag, respectively, which have lower facility and warehouse expenses as a percentage of revenue than our other operations. These decreases are offset by an increase in Europe for the facility costs associated with the partly operational Tamworth, England distribution facility and an increase in North America due to the realignment of plant manager responsibilities from SG&A to facilities and warehouse expense as part of organizational changes.
Distribution Expenses	7.5%	8.2%	0.7%	The change in distribution expense reflects a positive impact of 0.3% from both our acquisition of PGW and Rhiag, which have lower distribution expenses as a percentage of revenue than our other operations.
Selling, General and Administrative Expenses	10.4%	11.2%	0.8%	The change reflects a 0.6% decrease in expense from our acquisition of PGW, which has lower selling, general and administrative expenses as a percentage of revenue than our other operations and a decrease of in expense from our North America operations due to the realignment previously discussed
Restructuring and Acquisition Related Expenses	0.4%	0.1%	(0.3)%	Restructuring costs primarily related to integration activities in Specialty and Wholesale North America segments; acquisition costs mostly related to completed acquisitions of Rhiag and PGW
Depreciation and Amortization	2.1%	1.6%	(0.5)%	The increase in depreciation expense was a result of increased levels of property, plant and equipment to support our acquisition and organic related growth
Operating Income	9.9%	10.9%	(1.0)%	
Segment EBITDA*	13.0%	12.7%	0.3%	Includes 50 bps benefit related to non-cash expense for the PGW inventory step-up and depreciation capitalized in COGS

Note: In the table above, the sum of the individual percentages may not equal the total due to rounding

* Refer to segment EBITDA reconciliation on page 31. Segment EBITDA is a measure of segment profitability. Refer to individual segment slides for drivers of Segment EBITDA.

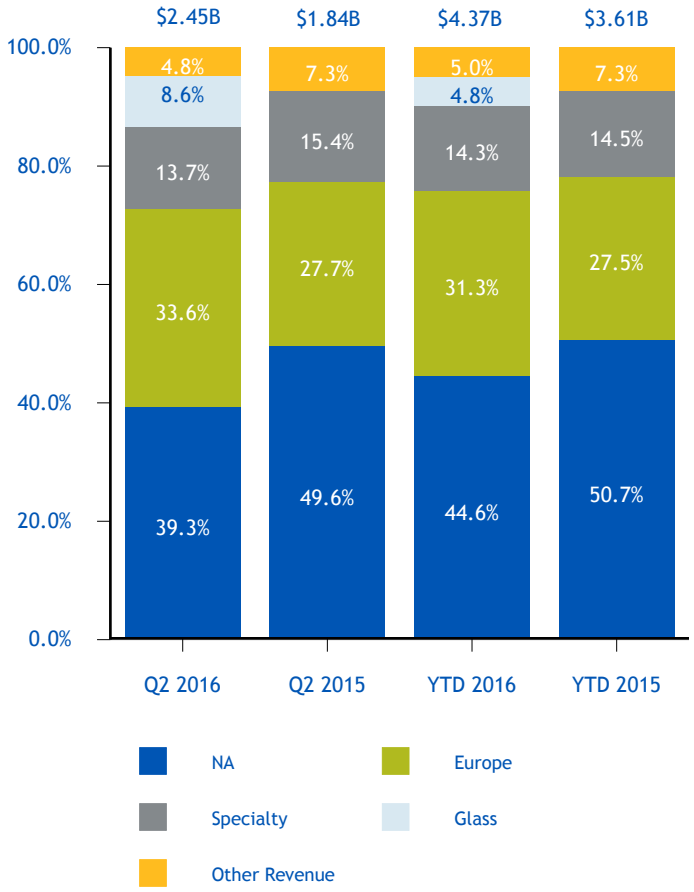
YTD 2016 Consolidated Margins

(as a % of Revenue)	YTD 2016	YTD 2015	Change F/(U)	YTD Commentary
Revenue	100.0%	100.0%	—%	
Gross Margin	38.5%	39.4%	(0.9)%	Reflects unfavorability of 1.0% and 0.4% from our PGW and Rhiag acquisitions, respectively. The 1.0% decrease in gross margin related to PGW includes the impact of a one-time inventory step-up adjustment recorded upon acquisition, which reduced consolidated gross margin for the quarter by 0.2%. This negative impact was partially offset by an increase in gross margin of 0.5% related to our North America segment, primarily in our self service operations
Facility and Warehouse Expenses	7.7%	7.4%	(0.3)%	The majority of the increase relates to (i) realignment of plant manager responsibilities from SG&A to facilities and warehouse expense in North America as part of organizational changes and the (ii) facility costs related to our new Tamworth distribution center in Europe, partially offset by decreases from our acquisitions of PGW and Rhiag, respectively, which have lower operating expenses as a percentage of revenue than our other operations
Distribution Expenses	7.7%	8.1%	0.4%	The decrease primarily relates to improvements of 0.2% and 0.1% from our acquisitions of Rhiag and PGW, respectively, which have lower distribution expenses than our other operations.
Selling, General and Administrative Expenses	10.8%	11.3%	0.5%	The decrease relates to an improvement of 0.3% from our acquisition of PGW, which has lower selling, general, and administrative expenses than our prior year consolidated selling, general and administrative expenses. The remaining improvement comes from our North America segment as a result of the realignment discussed above
Restructuring and Acquisition Related Expenses	0.5%	0.2%	(0.3)%	Restructuring costs primarily related to integration activities in Specialty and Wholesale North America segments; acquisition costs mostly related to completed acquisitions of Rhiag and PGW
Depreciation and Amortization	1.9%	1.6%	(0.3)%	The increase in depreciation expense was a result of increased levels of property, plant and equipment to support our acquisition and organic related growth, partially offset by a decline attributable to the impact of foreign exchange rates
Operating Income	9.8%	10.7%	(0.9)%	
Segment EBITDA*	12.7%	12.6%	0.1%	Includes 30 bps benefit related to non-cash expense for the PGW inventory step-up and depreciation capitalized in COGS and 10 bps benefit on non-operating income

Note: In the table above, the sum of the individual percentages may not equal the total due to rounding

* Refer to segment EBITDA reconciliation on page 31. Segment EBITDA is a measure of segment profitability. Refer to individual segment slides for drivers of Segment EBITDA

Components of Quarterly Revenue



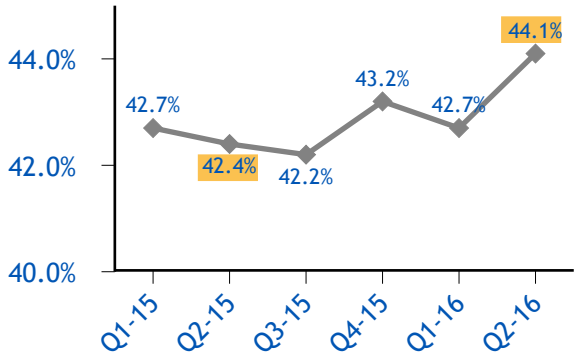
- A large portion of change in margins on a consolidated basis is attributable to change in revenue mix
- North America historically has highest Gross margins and EBITDA margins
- Increase in QTD revenue as a % of consolidated revenue for our European businesses reflects the acquisition of Rhiag
- The Glass revenue relates to revenue from our acquisition of PGW in Q2 2016
- Other Revenue continues to become a lower percentage of total revenue as we grow our other lines of business

North America - Q2 2016 Results

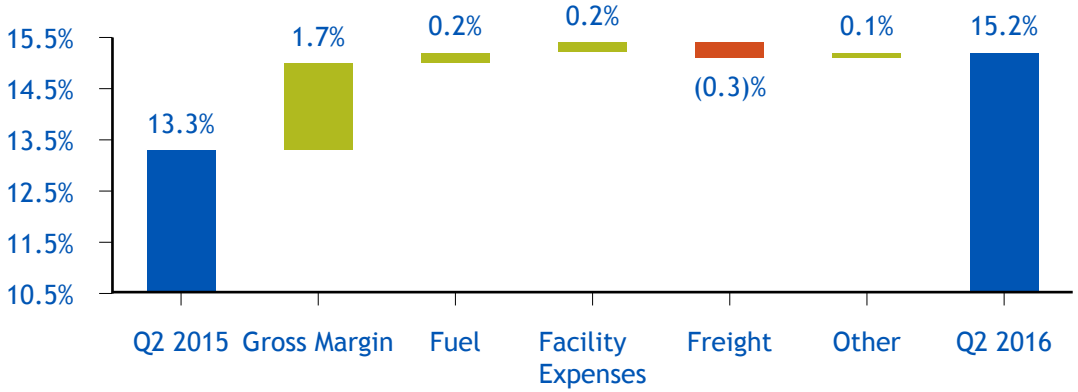
($ in millions)	2016	2015	Change	% of Revenue 2016	% of Revenue 2015
Total Revenue	$1,081	$1,045	3.4%		
Gross Margin	$477	$443	7.5%	44.1%	42.4%
Operating Expenses	$314	$306	2.6%	29.1%	29.4%
Segment EBITDA*	$164	$139	18.0%	15.2%	13.3%

*Refer to segment EBITDA reconciliation on page 31

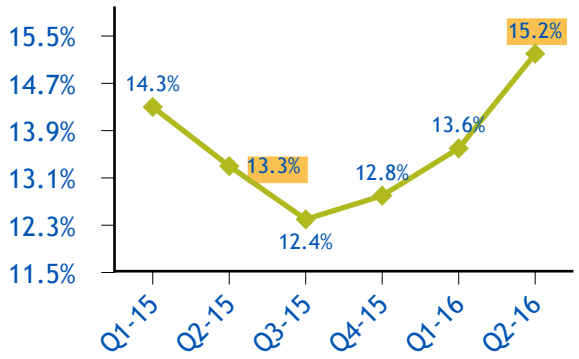
Gross Margin



North America Segment EBITDA Margin Bridge



Segment EBITDA Margin



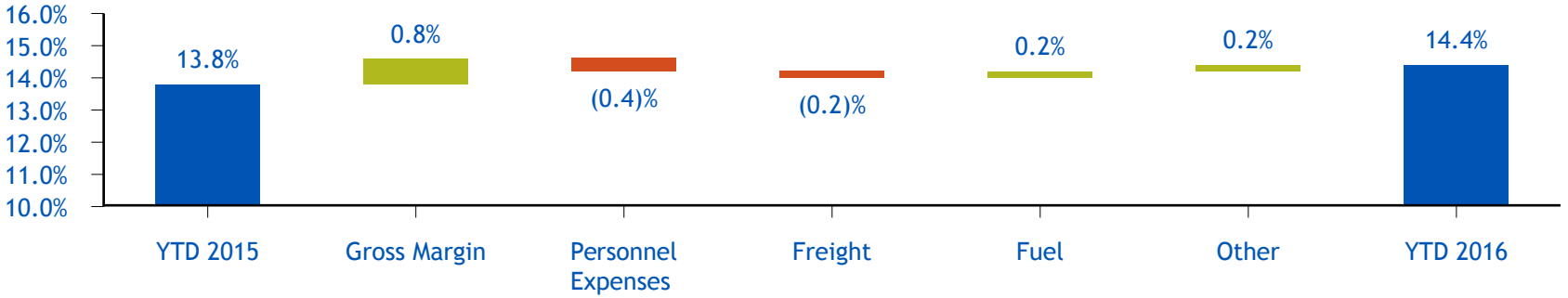
Note: In the table above, the sum of the individual percentages may not equal the total due to rounding

North America - YTD 2016 Results

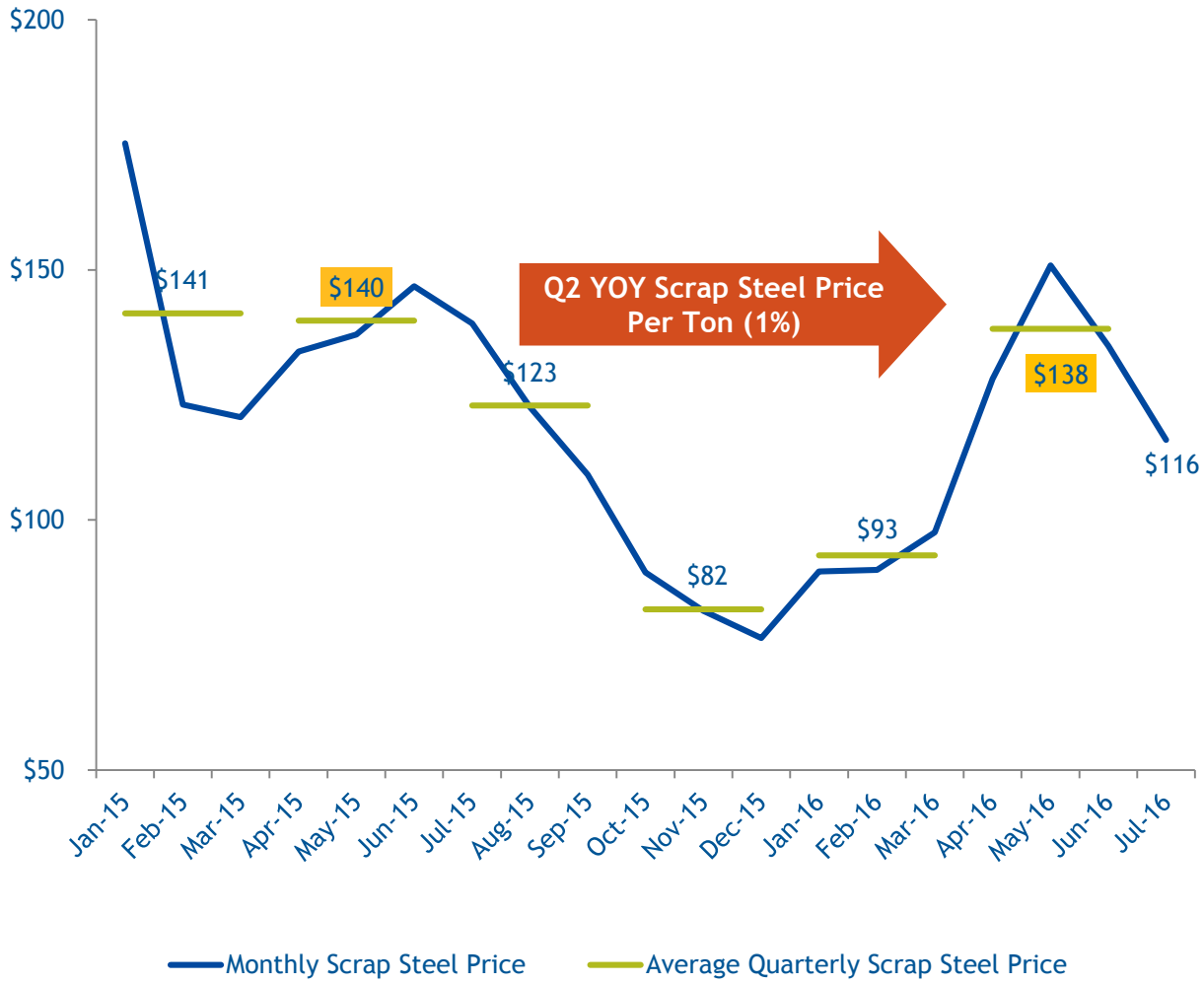
($ in millions)	2016	2015	Change	% of Revenue 2016	% of Revenue 2015
Total Revenue	$2,168	$2,091	3.7%		
Gross Margin	$941	$890	5.8%	43.4%	42.6%
Operating Expenses	$634	$604	5.0%	29.3%	28.9%
Segment EBITDA*	$311	$288	8.0%	14.4%	13.8%

*Refer to segment EBITDA reconciliation on page 31

North America Segment EBITDA Margin Bridge



Scrap Steel Prices



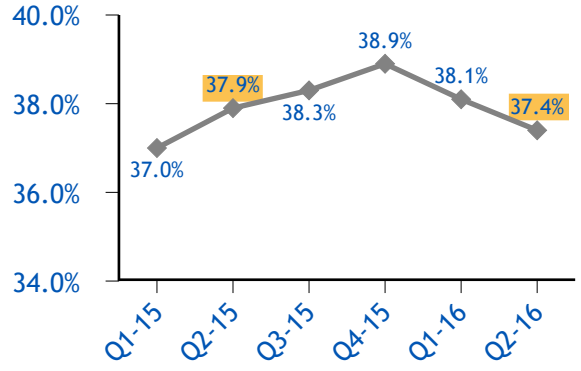
- Decrease in other revenue for YTD 2016 primarily attributable to the sale of a metals processing business near the end of Q2 2015 and lower precious metals prices YOY
- Average price we received for scrap steel was ~1% lower YOY, at $140 per ton for Q2 2015 vs. $138 per ton in Q2 2016
- Estimated positive YTD EPS impact of 2¢ due to improved margins as cost to purchase cars has decreased
- Scrap steel has become smaller portion of global revenue mix

Europe - Q2 2016 Results

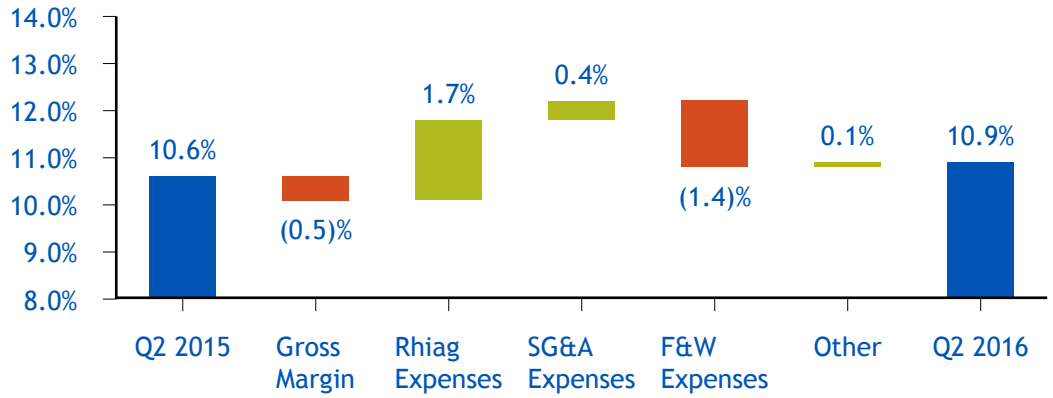
($ in millions)	2016	2015	Change	% of Revenue 2016	% of Revenue 2015
Total Revenue	$824	$510	61.6%		
Gross Margin	$308	$193	59.6%	37.4%	37.9%
Operating Expenses	$218	$138	57.7%	26.5%	27.1%
Segment EBITDA*	$90	$54	66.8%	10.9%	10.6%
ECP Branches	206	194	12		
Sator Branches	87	71	16		

*Refer to segment EBITDA reconciliation on page 31

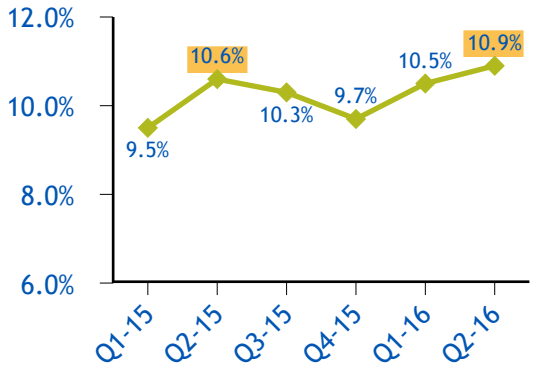
Gross Margin



Europe Segment EBITDA Margin Bridge



Segment EBITDA Margin



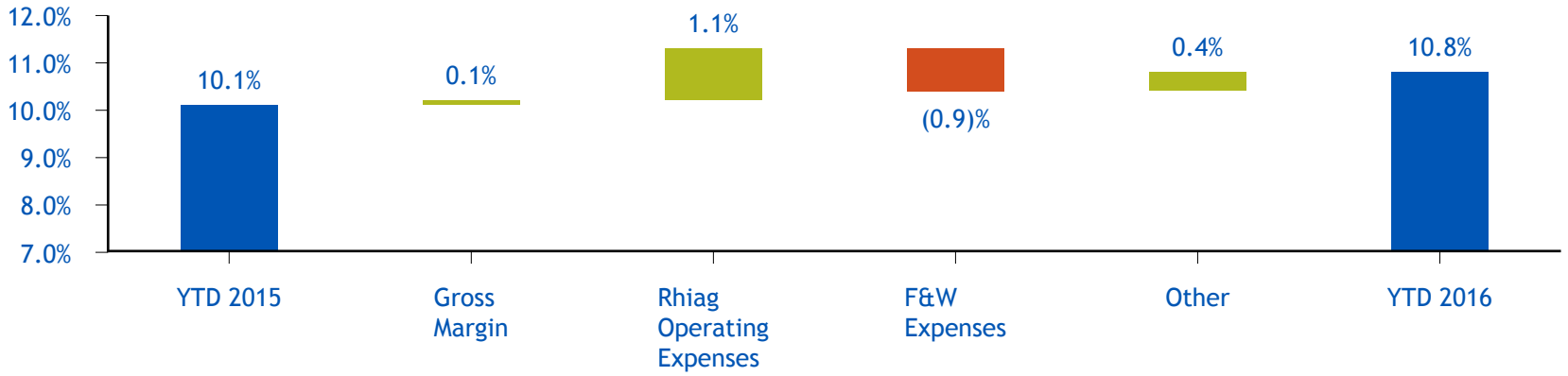
Note: In the table above, the sum of the individual percentages may not equal the total due to rounding

Europe – YTD 2016 Results

($ in millions)	2016	2015	Change	% of Revenue 2016	% of Revenue 2015
Total Revenue	$1,371	$997	37.5%		
Gross Margin	$517	$374	38.3%	37.7%	37.6%
Operating Expenses	$371	$270	36.9%	27.0%	27.2%
Segment EBITDA*	$147	$100	46.8%	10.8%	10.1%
ECP Branches	206	194	12		
Sator Branches	87	71	16		

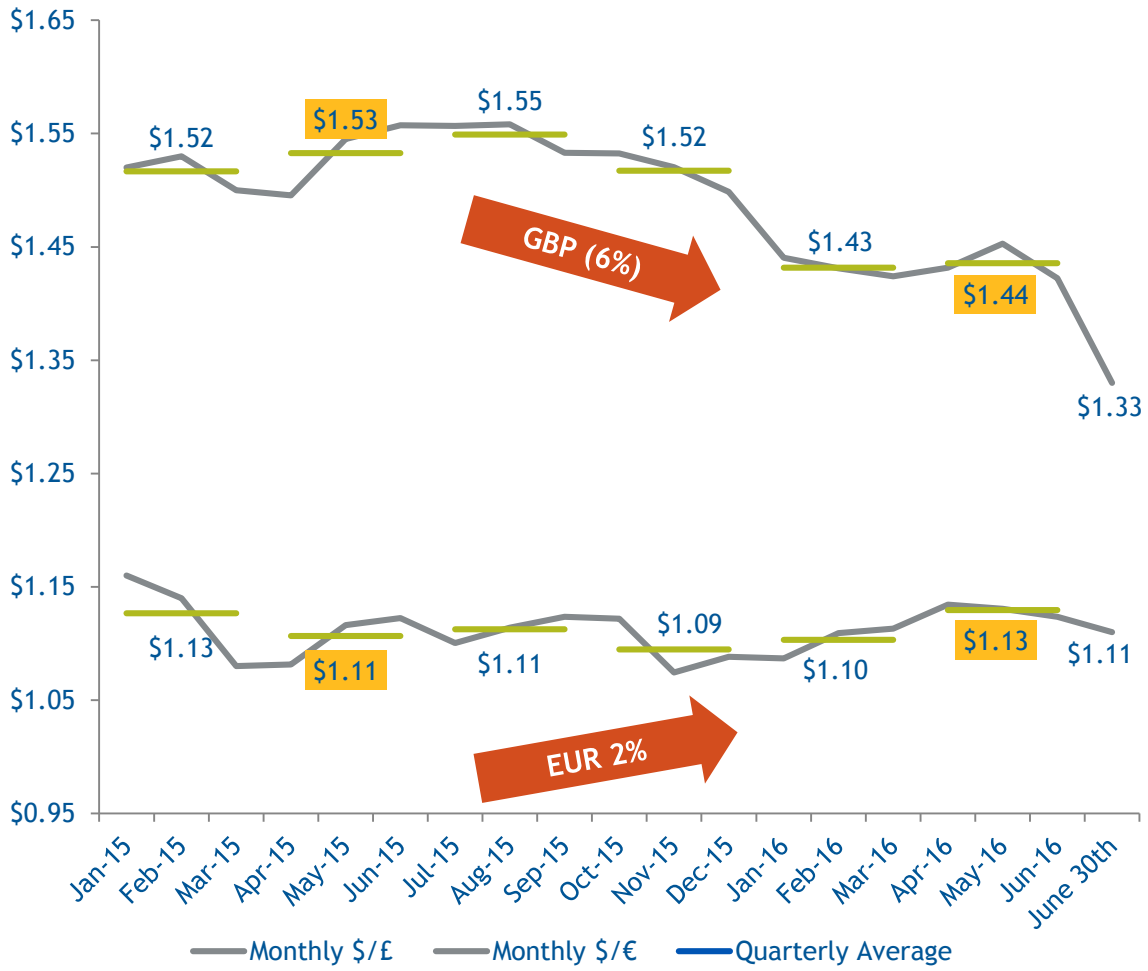
*Refer to segment EBITDA reconciliation on page 31

Europe Segment EBITDA Margin Bridge



Note: In the table above, the sum of the individual percentages may not equal the total due to rounding

Foreign Exchange



- £ down 6% Q2 2016 vs. Q2 2015
  - UK referendum to leave the EU had a minor impact on Q2 2016 average rate as sharp decline in GBP occurred late in the quarter
- € up 2% Q2 2016 vs. Q2 2015
- Translation impact of stronger dollar on Europe revenue growth:
  - Q2: $(19) million
  - YTD: $(41) million
- Europe constant currency parts and services revenue growth**:
  - Q2: 65.5%
  - YTD: 41.7%
- Estimated currency impact on EPS growth*:
  - Q2: 1¢ negative impact
  - YTD: 1.5¢ negative impact

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

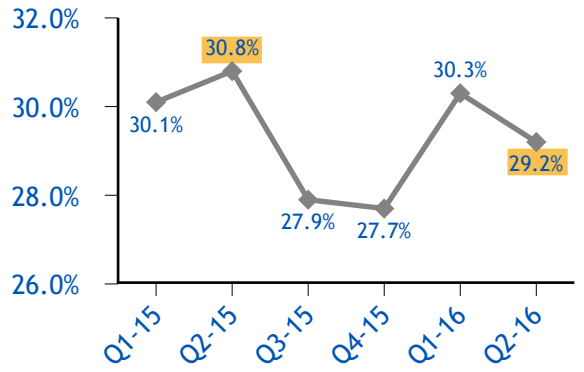
** Refer to constant current reconciliation on page 30

Specialty - Q2 2016 Results

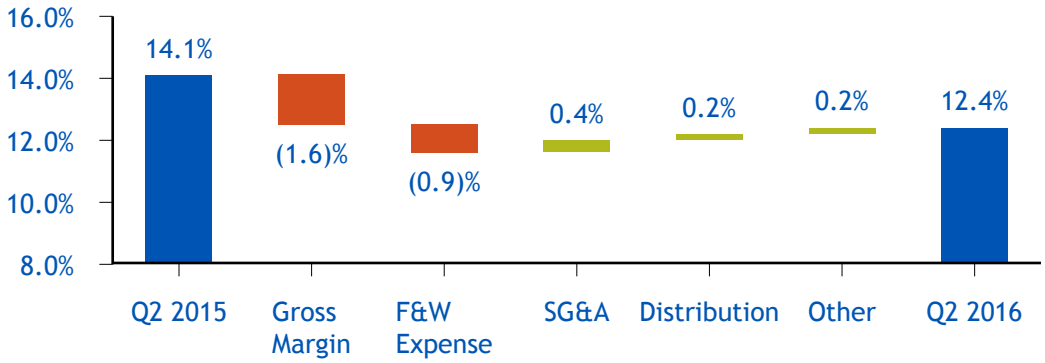
($ in millions)	2016	2015	Change	% of Revenue 2016	% of Revenue 2015
Total Revenue	$337	$284	18.5%		
Gross Margin	$98	$87	12.4%	29.2%	30.8%
Operating Expenses	$57	$47	20.9%	17.0%	16.7%
Segment EBITDA*	$42	$40	4.0%	12.4%	14.1%

*Refer to segment EBITDA reconciliation on page 31

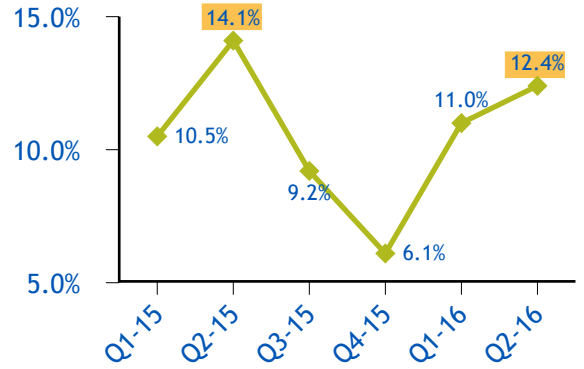
Gross Margin



Specialty Segment EBITDA Margin Bridge



Segment EBITDA Margin



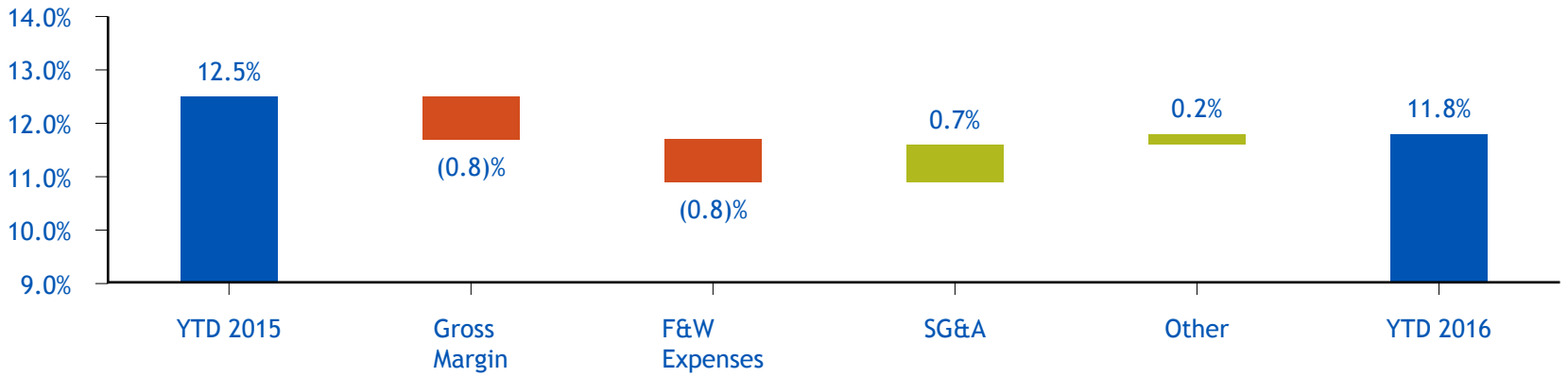
Note: In the table above, the sum of the individual percentages may not equal the total due to rounding

Specialty - YTD 2016 Results

($ in millions)	2016	2015	Change	% of Revenue 2016	% of Revenue 2015
Total Revenue	$625	$526	19.0%		
Gross Margin	$186	$160	16.0%	29.7%	30.5%
Operating Expenses	$113	$94	19.6%	18.1%	18.0%
Segment EBITDA*	$74	$66	12.1%	11.8%	12.5%

*Refer to segment EBITDA reconciliation on page 31

Specialty Segment EBITDA Margin Bridge



Note: In the table above, the sum of the individual percentages may not equal the total due to rounding

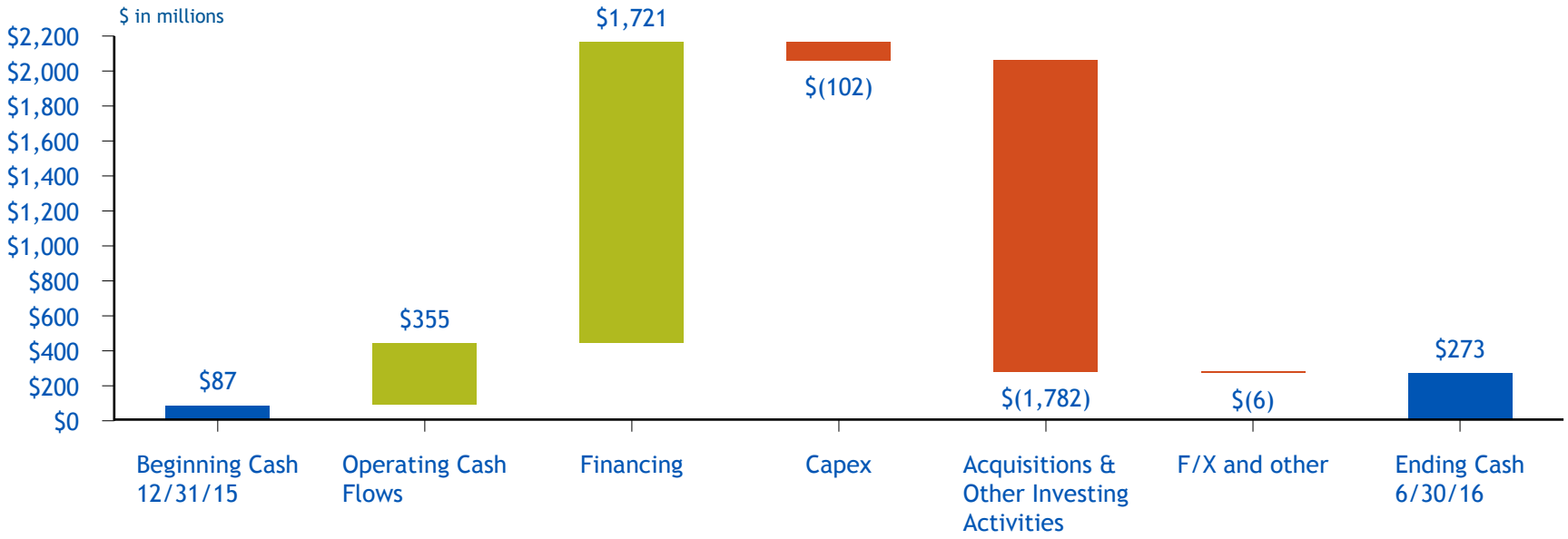
Glass – Q2 2016 Results

($ in millions)	2016	% of Revenue 2016
Total Revenue	$210	
Gross Margin*	$39	18.4%
Operating Expenses	$27	12.9%
Segment EBITDA**	$23	11.1%

*Includes a $10 million one time inventor step-up adjustment recorded upon acquisition **

**Refer to segment EBITDA reconciliation on page 31

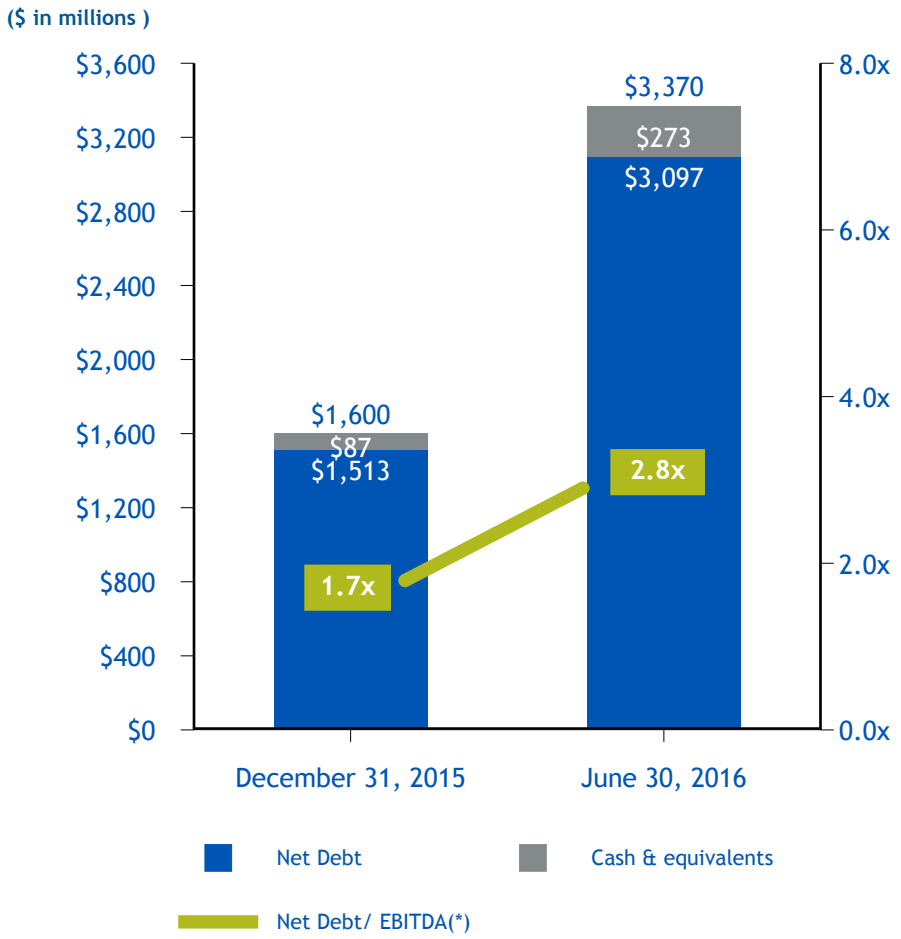
2016 Capital Allocation

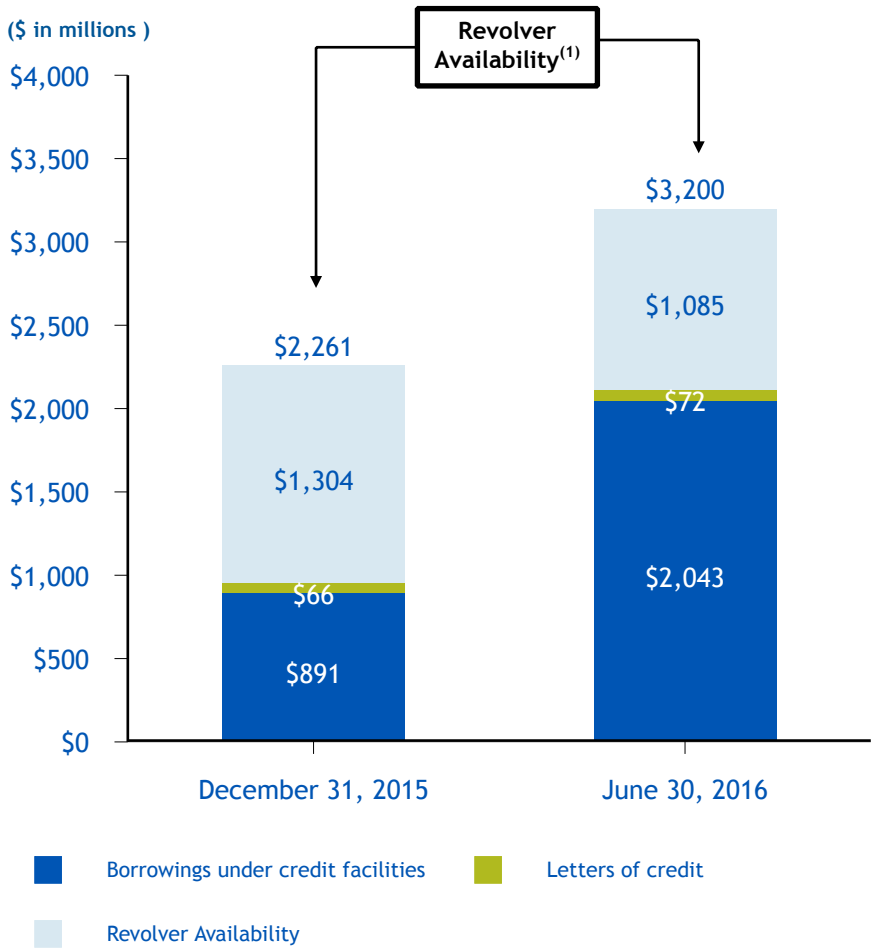


- Operating cash flows:
  - $360M of cash earnings[(1)] in YTD 2016 compared to $299M in YTD 2015
  - $5M cash outflow from operating assets and liabilities due mainly to an $83M increase in receivables (seasonal build in Q2) and $43M reduction of inventory
- Acquisitions and other investing activities include $1.8B of cash used to acquire Rhiag and PGW, including $0.5B of Rhiag debt paid off after closing
- Financing activities include borrowings on our revolving credit facility to fund acquisitions and proceeds from the issuance of our senior notes

(1) Cash earnings from the cash flow statement equals Net Income plus Depreciation and Amortization plus Stock-based Compensation Expense plus Deferred Income Tax plus Excess Tax Benefit from Stock-based Payments plus Costs Associated with Early Debt Termination plus Gain on Foreign Exchange Contract plus Other

Leverage & Liquidity



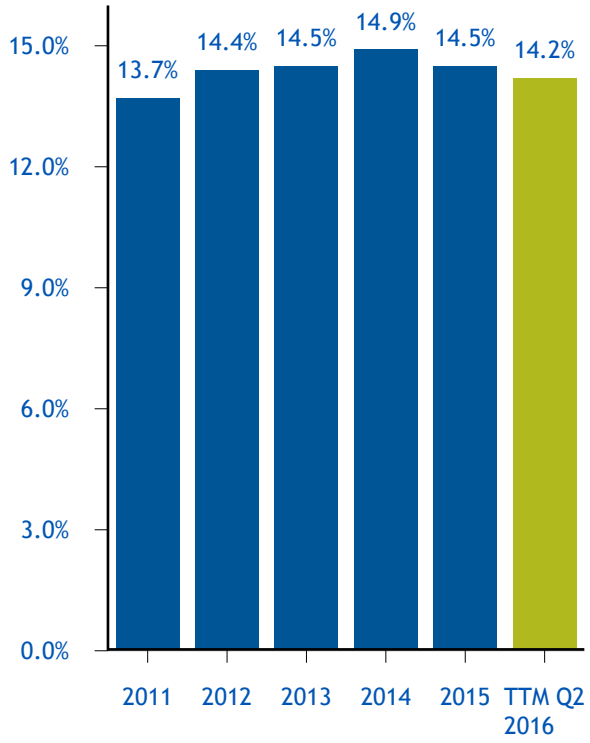


Effective borrowing rate for Q2 2016 was 3.1%

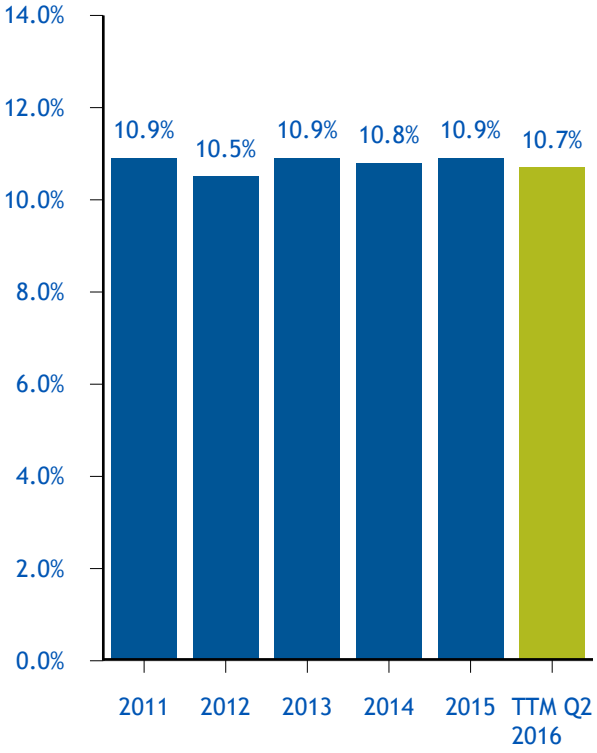
(1) Revolver availability includes our term loans and revolving credit facilities
(*) Net leverage per bank covenants is defined as Net Debt/EBITDA. See the definitions of Net Debt and EBITDA in the credit agreement filed with the SEC for further details

Key Return Metrics

Return on Equity



Return on Invested Capital*



(*) Amortization of intangibles has been excluded from the calculation of Return of Invested Capital

Guidance 2016
(effective only on the date issued: July 28, 2016)

($ in millions excluding EPS)	Full Year 2015 Actual	Full Year 2016 Guidance(1)
Organic Revenue Growth, for parts and services	7.0%	5.5%-7.0%
Adjusted Net Income	$459	$555-$580
Adjusted Diluted EPS	$1.49	$1.79-$1.87
Cash Flow from Operations	$530	$585-$635
Capital Expenditures	$170	$200-$225

(1) Guidance for 2016 is based on current conditions and excludes the impact of restructuring and acquisition related expenses, losses on debt extinguishment and amortization expense related to acquired intangibles. In addition, it excludes gains or losses (including changes in fair value of contingent consideration liabilities) and capital spending related to acquisitions or divestitures. Our forecasted results for our U.K. and other international operations were calculated using current foreign exchange rates for the remainder of the year
Full year 2015 actual figures for Adjusted Net Income and Adjusted Diluted EPS were calculated using the same methodology as the 2016 guidance. Organic revenue guidance refers only to parts and services revenue. LKQ updated its guidance on July 28, 2016, 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.

Note: Guidance includes the projected results of Rhiag and PGW from the respective acquisition dates through year-end.

Q2 2016 Key Takeaways

- Solid organic revenue growth of 5.4% and 5.8% for parts and services in Q2 and YTD 2016, respectively
- Constant currency* revenue growth of 38.2% and 25.5% for parts and services in Q2 and YTD 2016, respectively
- Net Income improvement of 17.6% and 9.5% for Q2 and YTD, respectively
- Segment EBITDA** margin improvement for Q2 and YTD periods primarily due to increases in gross margin
- Q2 Diluted EPS*** of $0.46 vs. $0.39, a 17.9% increase
- Q2 Adjusted Diluted EPS*** of $0.55 vs. $0.41, a 34.1% increase

(*) Refer to segment Constant Currency reconciliation on page 30
(**) Refer to segment Segment EBITDA reconciliation on page 31
(***) Refer to EPS reconciliation on page 32

Consistent Business Model and 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, loss on debt extinguishment, amortization expense related to acquired intangibles, the change in fair value of contingent consideration liabilities, other acquisition related gains and losses and the tax effect of these adjustments. 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.

Appendix 1- Constant Currency Reconciliation

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

	Three Months Ended June 30, 2016		Six Months Ended June 30, 2016	
	Consolidated	Europe	Consolidated	Europe
Parts and Services				
Revenue Growth as reported	36.8%	61.8%	23.9%	37.6%
Less: Currency impact	(1.4%)	(3.7%)	(1.6%)	(4.1%)
Revenue growth at constant currency	38.2%	65.5%	25.5%	41.7%

- We evaluate growth and profitability 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 and profitability, consistent with how we evaluate our performance, as this statistic removes the translation impact of exchange rate fluctuations, which is non-operational. Constant currency Segment EBITDA results are calculated by translating prior year Segment EBITDA in local currency using the current year's currency conversion rate. This non-GAAP measure has important 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 companies due to the potential inconsistencies in the method of calculation and differences due to items subject to interpretation.

Appendix 2- EBITDA and Segment EBITDA Reconciliation

(in millions)	QTD** Q2 2016	% of revenue	Q2 2015	% of revenue	YTD** Q2 2016	% of revenue	Q2 2015	% of revenue
Segment EBITDA								
North America	$ 163.8	15.2%	$ 138.9	13.3%	$ 311.2	14.4%	$ 288.3	13.8%
Europe	90.0	10.9%	53.9	10.6%	147.5	10.8%	100.5	10.1%
Specialty	41.8	12.4%	40.2	14.1%	73.5	11.8%	65.6	12.5%
Glass	23.3	11.1%	—	nm	23.3	11.1%	—	nm
Total Segment EBITDA	$ 318.9	13.0%	$ 233.0	12.7%	555.5	12.7%	$ 454.3	12.6%
Deduct:								
Restructuring and acquisition related expenses	9.1		1.7		23.9		8.2	
Inventory step-up adjustment- acquisition related	10.2		—		10.2		—	
Change in fair value of contingent consideration liabilities	—		0.1		0.1		0.3	
Add:								
Equity in earnings of unconsolidated subsidiaries	0.1		(1.2)		(0.2)		(3.1)	
Gains on foreign exchange contracts- acquisition related	—		—		18.3		—	
EBITDA	$ 299.7	12.2%	$ 230.1	12.5%	$ 539.4	12.3%	$ 442.8	12.3%
Depreciation and Amortization	57.7		31.0		90.9		61.7	
Interest Expense, Net	26.4		14.6		41.0		29.5	
Loss on debt extinguishment*	—		—		26.7		—	
Provision for Income Taxes	74.9		64.7		132.4		124.8	
Net Income	**$ 140.7**		**$ 119.7**		**$ 248.5**		**$ 226.8**	

* Loss on debt extinguishment is considered a component of interest in calculating EBITDA
** The sum of the individual components may not equal the total due to rounding.

Appendix 3- Adjusted Net Income and EPS Reconciliation*

(in millions, except per share data)	QTD Q2 2016*	QTD Q2 2015*	YTD Q2 2016*	YTD Q2 2015*
Net Income	$140.7	$119.7	$248.5	$226.8
Adjustments:				
Restructuring and acquisition related expenses	9.1	1.7	23.9	8.2
Loss of debt extinguishment	—	—	26.7	—
Amortization of acquired intangibles	24.3	8.2	33.2	16.5
Inventory step-up adjustment- acquisition related	10.2	—	10.2	—
Change in fair value of contingent consideration liabilities	—	0.1	0.1	0.3
Gains on foreign exchange contracts- acquisition related	—	—	(18.3)	—
Tax effect of adjustments	(15.1)	(3.5)	(26.3)	(8.7)
Adjusted net income	$169.2	$126.3	$297.9	$243.1
Weighted average diluted common shares outstanding	308,898	307,247	308,634	307,105
Diluted earnings per share	$0.46	$0.39	$0.81	$0.74
Adjusted diluted earnings per share	$0.55	$0.41	$0.97	$0.79

*The sum of the individual components may not equal the total due to rounding.

Appendix 4- Adjusted Net Income and EPS Reconciliation*

(in millions, except per share data)	2015**	2014**	2013**	2012**	2011**
Net Income	$423.2	$381.5	$311.6	$261.2	$210.3
Adjustments:					
Restructuring and acquisition related expenses	19.5	14.8	10.2	2.8	7.6
Loss on debt extinguishment	—	0.3	2.8	—	5.3
Change in fair value of contingent consideration liabilities	0.5	(1.9)	2.5	1.6	(1.4)
Amortization of acquired intangibles	33.8	34.5	13.8	9.5	7.9
Tax effect of adjustments	(18.4)	(17.2)	(9.4)	(4.5)	(7.8)
Adjusted net income	$458.6	$412.0	$331.5	$270.7	$221.9
Weighted average diluted common shares outstanding	307,496	306,045	304,131	300,693	296,750
Diluted earnings per share	$1.38	$1.25	$1.02	$0.87	$0.71
Adjusted diluted earnings per share	$1.49	$1.35	$1.09	$0.90	$0.75

*Reflects the revision to Adjusted EPS to exclude amortization of acquired intangibles. Prior years information is presented for comparability.
**The sum of the individual components may not equal the total due to rounding.

Appendix 5- 2015 Quarterly Adjusted Net Income and EPS Reconciliation*

(in millions, except per share data)	Q4**	Q3**	Q2**	Q1**
Net Income	$95.1	$101.3	$119.7	$107.1
Adjustments:				
Restructuring and acquisition related expenses	6.8	4.6	1.7	6.5
Change in fair value of contingent consideration liabilities	0.1	0.1	0.1	0.2
Amortization of acquired intangibles	9.1	8.2	8.2	8.2
Tax effect of adjustments	(5.4)	(4.4)	(3.5)	(5.2)
Adjusted net income	$105.6	$109.9	$126.3	$116.8
Weighted average diluted common shares outstanding	308,028	307,728	307,247	306,691
Diluted earnings per share	$0.31	$0.33	$0.39	$0.35
Adjusted diluted earnings per share	$0.34	$0.36	$0.41	$0.38

*Reflects the revision to Adjusted EPS to exclude amortization of acquired intangibles.
**The sum of the individual components may not equal the total due to rounding.

Appendix 6- Forecasted EPS reconciliation*

(in millions, except per share data)	Minimum Guidance	Maximum Guidance
Net Income	$478.0	$503.0
Adjustments:		
Restructuring and acquisition related expenses	24.0	24.0
Loss of debt extinguishment	27.0	27.0
Amortization of acquired intangibles	75.0	75.0
Inventory step-up adjustment - acquisition related	10.0	10.0
Gains on foreign exchange contracts - acquisition related	(18.0)	(18.0)
Tax effect of adjustments	(41.0)	(41.0)
Adjusted net income	$555.0	$580.0
Weighted average diluted common shares outstanding	310	310
Diluted earnings per share	$1.54	$1.63
Adjusted diluted earnings per share	$1.79	$1.87

Refer to the discussion of Adjusted Net Income and Adjusted Diluted Earnings per Share for details on the calculation of these measures. With the exception of net income and amortization of acquired intangibles, we have not forecasted amounts for the 2016 fiscal year beyond what was incurred as of June 30, 2016.

*The sum of the individual components may not equal the total due to rounding.