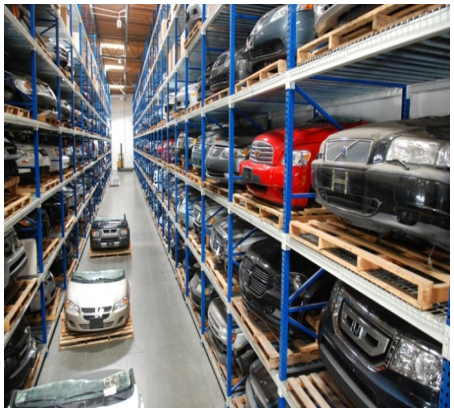
Fourth Quarter & Full Year 2016 Earnings Call

February 23, 2017

Rob Wagman - *President & Chief Executive Officer*
Nick Zarcone - *Executive Vice President & Chief Financial Officer*
Joe Boutross - *Director, Investor Relations*






Forward Looking Statements and Non-GAAP Financial Measures

Statements and information in this presentation that are not 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 outlook, guidance, expectations, beliefs, hopes, intentions and strategies. These statements are subject to a number of risks, uncertainties, assumptions and other factors including those identified below. All forward-looking statements are based on information available to us at the time the statements are made. We undertake no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

You should not place undue reliance on our forward-looking statements. Actual events or results may differ materially from those expressed or implied in the forward-looking statements. The risks, uncertainties, assumptions and other factors that could cause actual results to differ from the results predicted or implied by our forward-looking statements include the factors disclosed 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, as well as our future filings, including our Annual Report on Form 10-K for the year ended December 31, 2016 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.

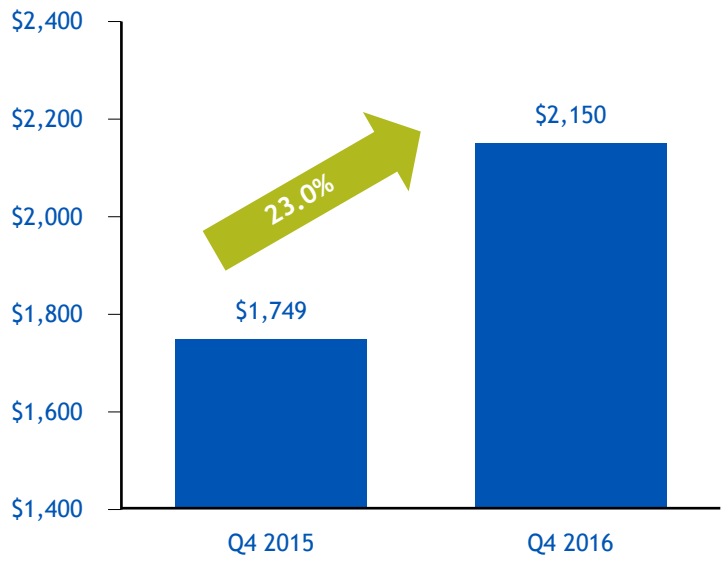
This presentation contains non-GAAP financial measures. Included with this presentation are reconciliations of each non-GAAP financial measure with the most directly comparable financial measure calculated in accordance with GAAP.

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

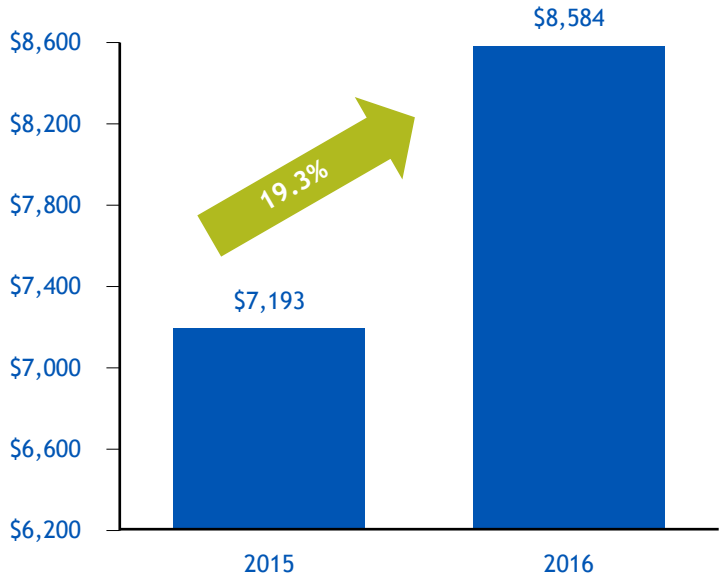
Consolidated Results- Continuing operations

Q4 2016 Revenue*



- Organic growth of parts and services revenue of 3.8%
- Income from continuing operations $96.3 million Q4 2016 vs. $95.1 million Q4 2015
- Segment EBITDA Margin** 10.3% Q4 2016 vs. 11.0% Q4 2015

2016 Revenue*



- Organic growth of parts and services revenue of 4.8%
- Income from continuing operations $456.1 million 2016 vs. $423.2 million 2015
- Segment EBITDA Margin** 11.7% 2016 vs. 11.9% 2015

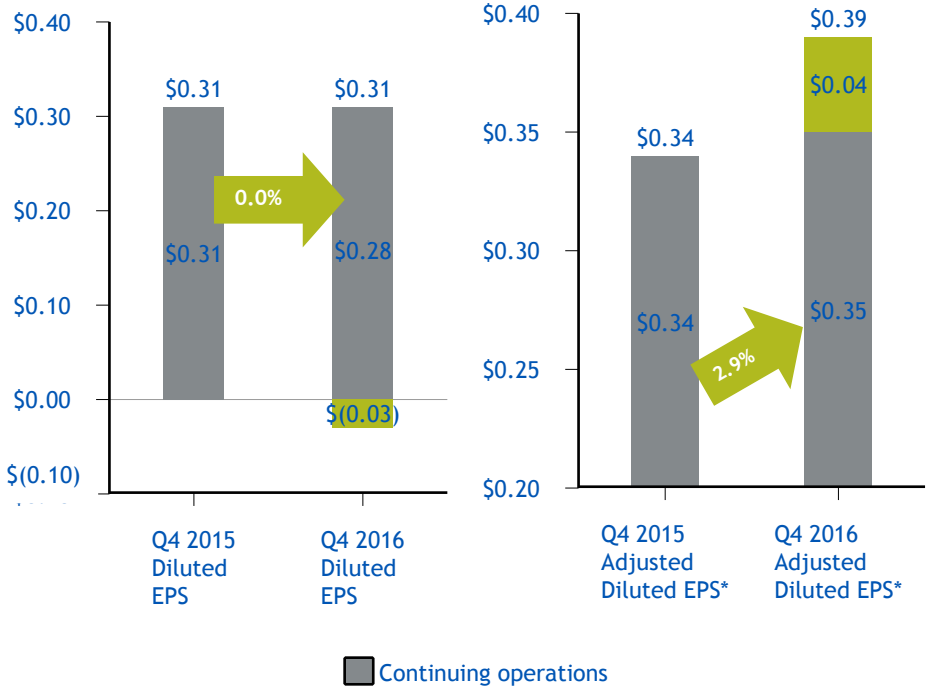
* Revenue in millions

** Segment EBITDA is a non-GAAP financial measure. Refer to Segment EBITDA reconciliation on page 33

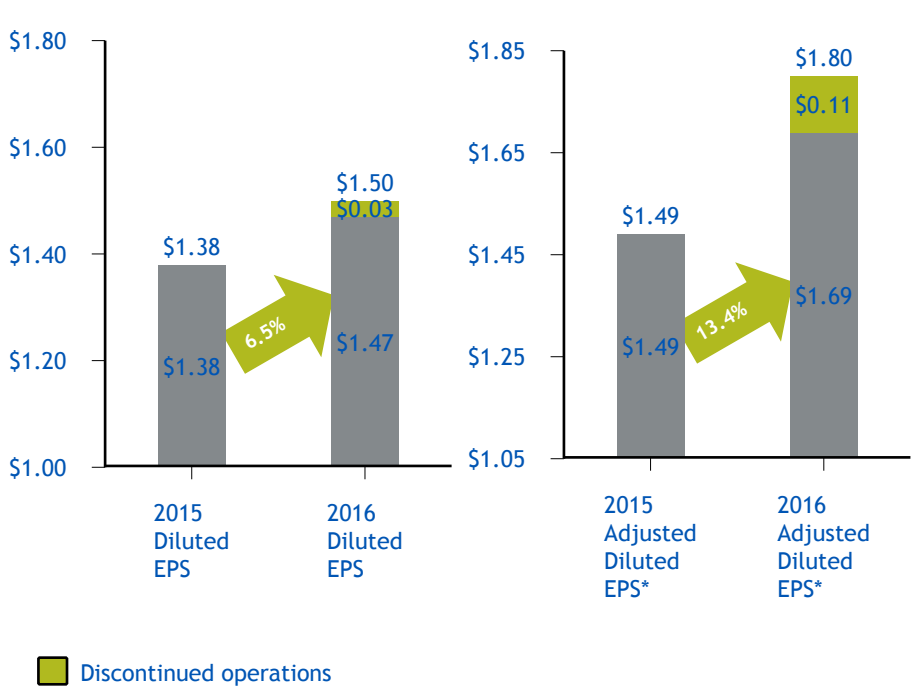
Note: On December 18, 2016, LKQ entered into a definitive agreement to sell its OEM glass manufacturing business. For 2016 reporting, OEM results are presented as discontinued operations

Consolidated Results

Q4 2016



2016



Continuing operations

Discontinued operations

Note: Percentage growth is calculated based on continuing operations

* Adjusted Diluted EPS is a non-GAAP measure. Refer to page 35 and page 36 for reconciliation

Q4 2016 Revenue Growth

Revenue Changes by Source:	Organic	Acquisition	Foreign Exchange	Total[1]
North America	1.5%	7.4%	—%	8.9%
Europe	7.2%	65.8%	(12.9)%	60.0%
Specialty	5.7%	—%	—%	5.7%
Parts and Services	3.8%	23.5%	(3.8)%	23.5%
Other Revenue	14.1%	0.3%	(0.2)%	14.1%
Total	4.3%	22.2%	(3.6)%	23.0%

- North America had one fewer selling day in Q4 2016 than the prior year. Organic growth on a same day basis was 3.0%
- ECP organic revenue growth for parts and services was 8.4%. Revenue growth for branches open more than 12 months was 7.4% and collision parts revenue growth was 14.8%
- Sator organic revenue growth for parts and services was 2.6%
- Unfavorable F/X impact on European revenue of $63 million; European constant currency parts and services revenue growth of 72.9%[2]
- European acquisition growth was $320 million, of which $264 million was generated by Rhiag-Inter Auto Parts Italia S.p.A. ("Rhiag") (acquired March 18, 2016)
- On December 18, 2016, LKQ entered into a definitive agreement to sell its OEM glass manufacturing business. The aftermarket replacement glass ("ARG") business of PGW that is part of continuing operations generated $65 million of revenue in Q4, which is reflected in North America acquisition revenue
- Increase in Other Revenue primarily attributable to higher prices. Scrap steel prices were up 44% quarter over quarter

(1) The sum of the individual revenue change components may not equal the total percentage due to rounding
(2) Constant Currency is a non-GAAP financial measure. Refer to constant currency reconciliation on page 32

2016 Revenue Growth

Revenue Changes by Source:	Organic	Acquisition	Foreign Exchange	Total[1]
North America	2.9%	7.3%	(0.2)%	9.9%
Europe	7.2%	47.1%	(7.9)%	46.4%
Specialty	6.9%	6.8%	(0.3)%	13.5%
Parts and Services	4.8%	19.0%	(2.5)%	21.3%
Other Revenue	(11.2)%	3.1%	(0.2)%	(8.2)%
Total	3.7%	18.0%	(2.4)%	19.3%

- ECP organic revenue growth for parts and services was 8.1%. Revenue growth for branches open more than 12 months was 6.6% and collision parts revenue growth was 15.4%
- Sator organic revenue growth for parts and services was 4.5%
- Unfavorable F/X impact on European revenue of $158 million; European constant currency parts and services revenue growth of 54.3%[2]
- European acquisition growth was $939 million, of which $848 million was generated by Rhiag (acquired March 18, 2016)
- On December 18, 2016, LKQ entered into a definitive agreement to sell its OEM glass manufacturing business. The ARG business of PGW that is part of continuing operations generated $209 million of revenue YTD 2016, which is reflected in North America acquisition revenue
- Decreases in Other Revenue primarily attributable to decrease in the price of scrap steel and other metals. Scrap steel prices were 3.3% lower YOY in YTD 2016. Additionally there was a decrease in volume attributable to the sale of our precious metals business late in the second quarter of 2015

(1) The sum of the individual revenue change components may not equal the total percentage due to rounding
(2) Constant Currency is a non-GAAP measure. Refer to constant currency reconciliation on page 32

Q4 2016 Operating Highlights

North America

- Since the inception of Roadnet, we have been able to increase miles per route from 101 to 129, allowing us to cover eight miles per stop versus a previous average of six, without any significant increase in headcount. At the end of Q4, Roadnet was operating at 319 locations across North America with 3,900 vehicles traveling 9.6 million miles per month across a network of 74,000 routes and making 1.1 million stops per month
- In Q1 2017, we will close on the sale of the OEM glass manufacturing business of PGW to a subsidiary of Vitro S.A.B., a glass manufacturer based in Mexico. This divestiture allows our team to focus on the existing aftermarket glass distribution business and the potential synergies that exist within our core North American network and customer base
- Productivity initiatives provided $9.3 million QTD cost savings

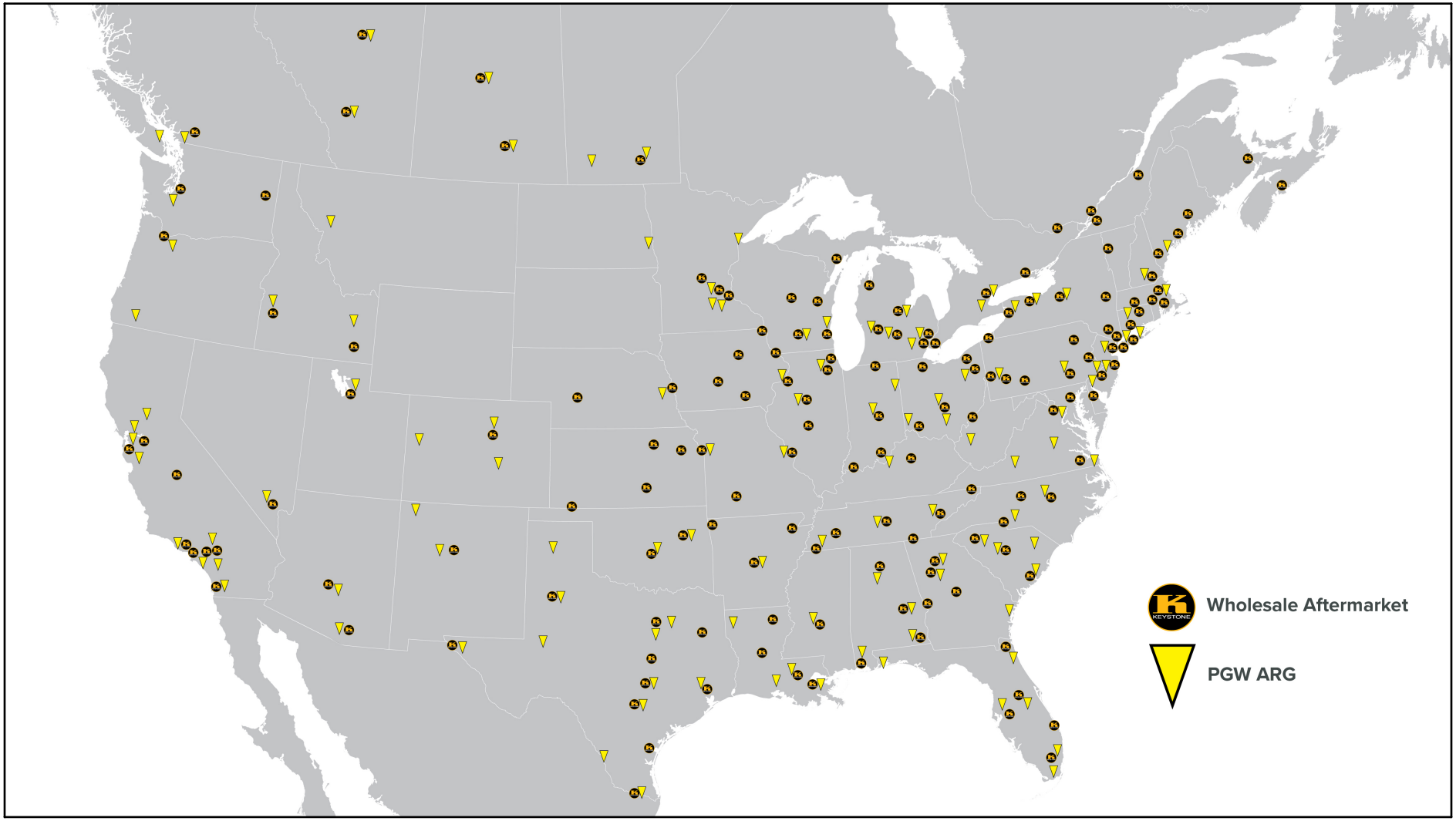
Europe

- ECP opened 2 new branches and closed 6 existing paint locations in the UK during Q4. Additionally, we added 102 wholesale branches from our acquisition of Andrew Page
- Rhiag opened 8 branches in Q4 including 3 in Bulgaria, and 1 each in the Czech Republic, Poland, Hungary, Ukraine and Slovenia
- ECP's new national distribution center (Tamworth 2) is on budget. We expect to test the automation in Q2 2017 and start deliveries in Q3 2017, with the full facility going live Q1 2018

Specialty

- Continued focus on streamlining fulfillment process, optimizing routes, ensuring best in class inventory availability, and expanding product and service offerings including dealer-friendly online solutions
- Inbound receiving volume in warehouses ramping up in anticipation of Q1 “show season”
- RV new unit sales up 19% YOY during Q4

ARG Synergy Opportunities



Inventory

Inventory Procurement: ($ in millions, Vehicles purchased in 000s)	2016	2015	% Change
Total aftermarket procurement	$4,155	$2,944	41.1%
Wholesale salvage cars and trucks	291	290	0.3%
Europe wholesale salvage cars and trucks	23	20	15.0%
Self service and "crush only" cars	524	471	11.3%

- We believe aftermarket inventory levels are sufficient to achieve our growth targets
- Inventory purchases for Rhiag totaled $206M and $705M for Q4 and YTD periods
- Total aftermarket procurement reflects $141 million of glass aftermarket purchases made between April 21 and December 31, 2016 as a result of our acquisition of PGW
- 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 $2,009, which is a 1.8% increase YOY

Acquisition Activity

	Number of Q4 Acquisitions	TTM Revenue*	Number of YTD Acquisitions	TTM Revenue*
North America**	4	$20 million	6	$274 million
Europe	3	$274 million	9	$1.3 billion
Specialty	—	—	—	—
Total	7	$294 million	15	$1.6 billion

North America

- In Q4, we acquired 3 small heavy truck parts distributors and a small auto paint distributor. YTD includes the PGW acquisition from Q2

Europe

- In Q4, we acquired an aftermarket parts distributor in the UK (Andrew Page), a distributor in the Netherlands and a salvage business in Sweden.The majority of the acquired TTM revenue in Europe relates to the Rhiag acquisition in Q1

Other

- LKQ signed a definitive agreement to sell the PGW OEM business on December 18, 2016. The continuing portion of the PGW business (ARG) is reported in our North America segment

* Approximate TTM Revenue as of acquisition date
** Includes the TTM impact of the revenue related to the ARG business. The TTM revenue related to the OEM portion of the business has been excluded

Financial Results

Operating Results- Continuing Operations

($ in millions,except per share data)	Fourth Quarter 2016	Fourth Quarter 2015	Fourth Quarter Change	YTD 2016	YTD 2015	YTD Change
Revenue	$2,150	$1,749	23.0%	$8,584	$7,193	19.3%
Gross Margin	830	697	19.0%	3,352	2,834	18.3%
Operating Income	162	152	6.7%	763	705	8.3%
Pre-tax Income	144	139	3.1%	677	649	4.4%
Income from continuing operations	96	95	1.3%	456	423	7.8%
Segment EBITDA*	222	193	15.3%	1,005	855	17.6%
Continuing operations EPS - Diluted	$0.31	$0.31	—%	$1.47	$1.38	6.5%
Continuing operations EPS - Adjusted**	$0.35	$0.34	2.9%	$1.69	$1.49	13.4%

- Our quarter to date tax rate was 32.9%, up from 30.4% in the prior year quarter. The YTD tax rate was 32.6% which is down from 33.9% in the prior year year to date period. The lower effective income tax rate for the year ended December 31, 2016 included a favorable discrete item for the excess tax benefits from stock-based payments related to the adoption of ASU 2016-09

* Segment EBITDA is a non-GAAP measure. Refer to Segment EBITDA reconciliation on page 33
** Refer to the EPS reconciliation on page 35

Q4 2016 Consolidated Margins-Continuing operations

(as a % of Revenue)	Q4 2016	Q4 2015	Change F/(U)	QTD Commentary
Revenue	100.0%	100.0%	—%	
Gross Margin	38.6%	39.9%	(1.3)%	Reflects a negative effect of 0.9% and 0.2% from our Rhiag and PGW acquisitions, respectively. Additionally, reflects a 0.3% negative effect related to Specialty due to increased customer volume rebates and decreased advertising credits and a 0.3% negative impact in Europe. These negative impacts were partially offset by higher margins of 0.4% related to our non-glass related North America operations
Facility and Warehouse Expenses	8.0%	8.2%	0.2%	The change in facilities and warehouse expense reflects a decrease of 0.5% from our acquisition of Rhiag partially offset by an increase in North America
Distribution Expenses	8.1%	8.7%	0.6%	The change in distribution expense reflects a decrease of 0.6% from our acquisition of Rhiag
Selling, General and Administrative Expenses	12.1%	12.1%	—%	The change in SG&A expense reflects an increase of 0.4% due to Rhiag which has higher SG&A than our prior year consolidated SG&A offset by a 0.4% decrease in North America due to a decline in SG&A personnel expenses
Restructuring and Acquisition Related Expenses	0.3%	0.4%	0.1%	Restructuring costs primarily related to integration activities in Specialty and North America segments; acquisition costs mostly related to the acquisition of Andrew Page and other potential acquisitions
Depreciation and Amortization	2.5%	1.8%	(0.7)%	The increase in depreciation expense and amortization expense reflects depreciation of fixed assets and amortization of intangibles recorded for the Rhiag and PGW acquisitions
Operating Income	7.5%	8.7%	(1.2)%	
Segment EBITDA*	10.3%	11.0%	(0.7)%	

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

* Segment EBITDA is a non-GAAP measure. Refer to segment EBITDA reconciliation on page 33. Segment EBITDA is a measure of segment profitability. Refer to individual segment slides for drivers of Segment EBITDA.

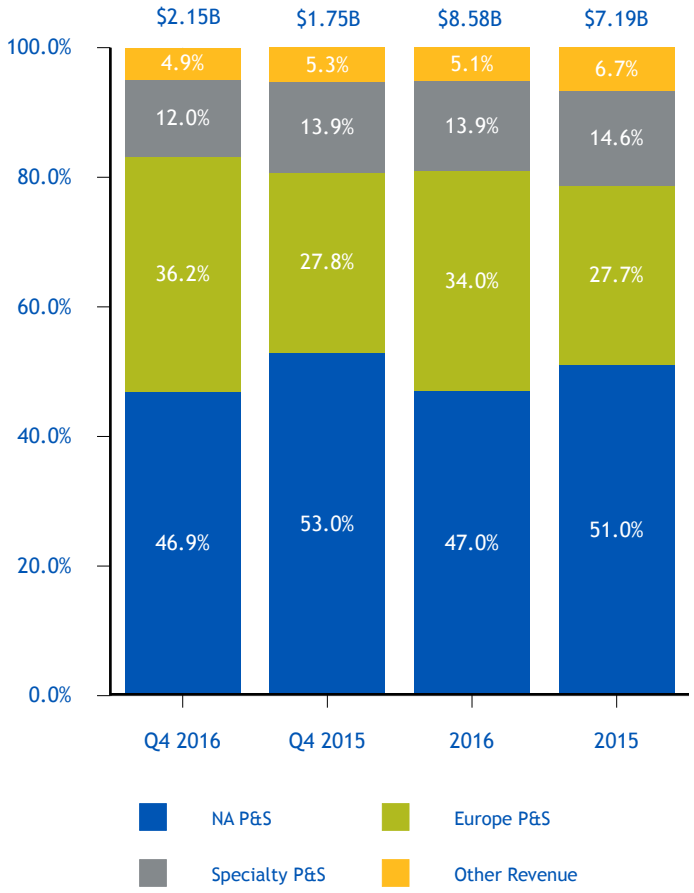
2016 Consolidated Margins- Continuing operations

(as a % of Revenue)	2016	2015	Change F/(U)	YTD Commentary
Revenue	100.0%	100.0%	—%	
Gross Margin	39.0%	39.4%	(0.4)%	The increase in cost of goods sold reflects a negative effect of 0.6% from our Rhiag acquisition and a 0.2% increase as a result of mix, as we generated a greater proportion of our revenue in our Specialty operations, which has lower gross margins than our prior year consolidated gross margin. These negative impacts were partially offset by a 0.5% increase primarily related to our wholesale and self service operations in our North America segment
Facility and Warehouse Expenses	8.0%	7.7%	(0.3)%	The change in facility and warehouse expense reflects a 0.3% increase in our North America operations and a 0.2% increase in our UK operations associated with branch openings and the addition of facility costs for the Tamworth, England distribution center, partially offset by a decrease of 0.3% from our acquisition of Rhiag, which has lower facility and warehouse expenses as a percentage of revenue than our prior year consolidated facility and warehouse expenses
Distribution Expenses	8.0%	8.4%	0.4%	The decrease in distribution expense reflects a positive impact of 0.4% from our Rhiag acquisition
Selling, General and Administrative Expenses	11.5%	11.5%	—%	SG&A increased 0.2% as a result of our Rhiag acquisition, which has higher SG&A than our prior year consolidated SG&A. Offsetting this increase was a 0.2% favorable impact from our Specialty operations as a result of acquisition related synergies and a decline in bad debt expense.
Restructuring and Acquisition Related Expenses	0.4%	0.3%	(0.1)%	Restructuring costs primarily related to integration activities in Specialty and North America segments; acquisition costs mostly related to the acquisitions of Rhiag and PGW
Depreciation and Amortization	2.2%	1.7%	(0.5)%	The increase in depreciation expense and amortization expense reflects depreciation of fixed assets and amortization of intangibles recorded for the Rhiag and PGW acquisitions
Operating Income	8.9%	9.8%	(0.9)%	
Segment EBITDA*	11.7%	11.9%	(0.2)%	

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

* Segment EBITDA is a non-GAAP measure. Refer to segment EBITDA reconciliation on page 33. Segment EBITDA is a measure of segment profitability. Refer to individual segment slides for drivers of Segment EBITDA

Components of Quarterly Revenue



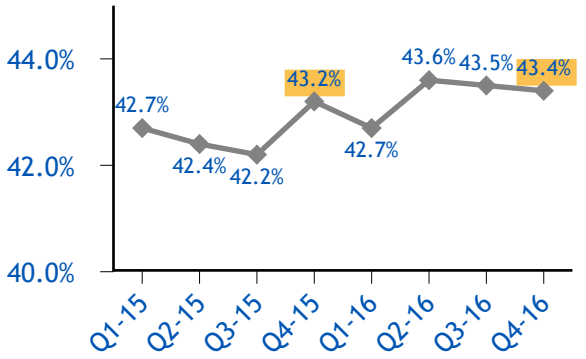
- A large portion of change in margins on a consolidated basis is attributable to change in revenue mix
- North America historically has highest Gross margins and EBITDA margins
- Increase in YTD revenue as a % of consolidated revenue for our European businesses reflects the acquisition of Rhiag
- Other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

North America - Q4 2016 Results

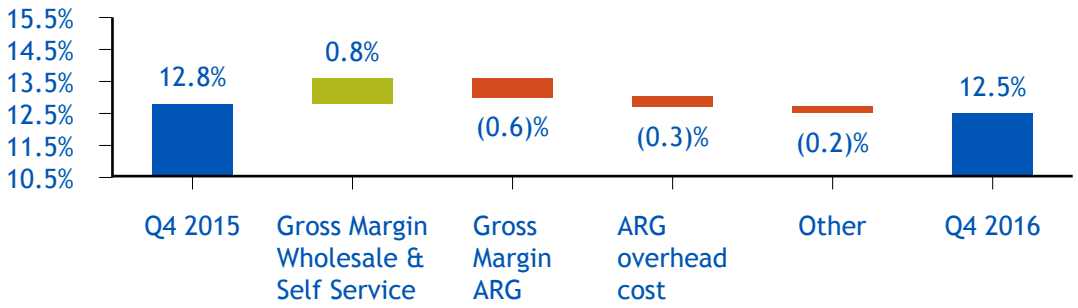
($ in millions)	2016	2015	Change	% of Revenue 2016	% of Revenue 2015
Total Revenue	$1,114	$1,018	9.4%		
Gross Margin	$483	$440	9.7%	43.4%	43.2%
Operating Expenses	$343	$310	10.6%	30.8%	30.5%
Segment EBITDA*	$140	$131	7.0%	12.5%	12.8%

*Segment EBITDA is a non-GAAP measure. Refer to total segment EBITDA reconciliation on page 33 and the breakout of Segment EBITDA by each respective segment on page 40

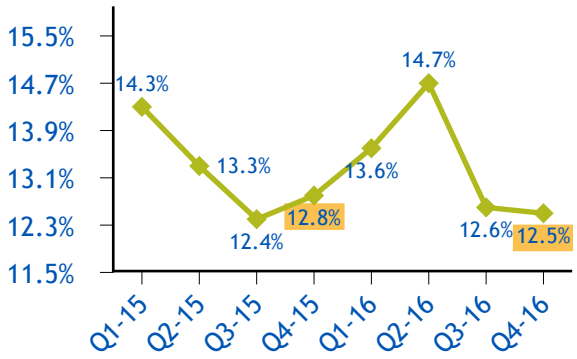
Gross Margin



North America Segment EBITDA Margin Bridge



Segment EBITDA Margin



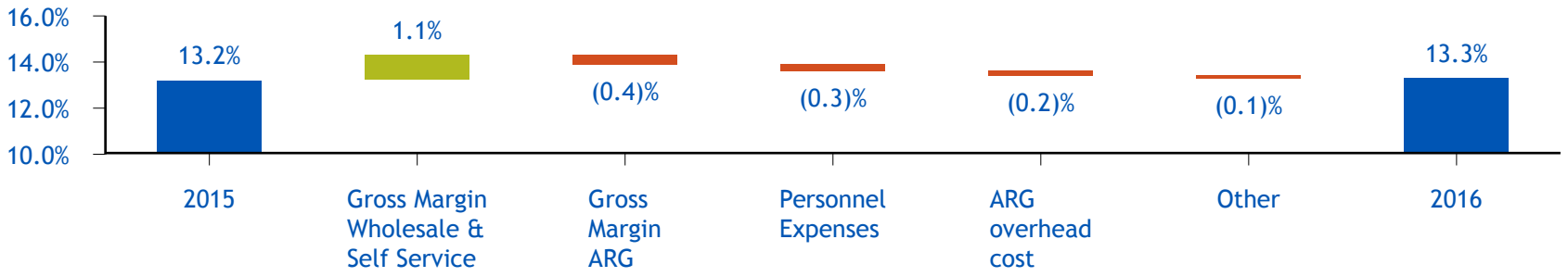
Note: In the table above, the sum of the individual percentages may not equal the total due to rounding

North America - 2016 Results

($ in millions)	2016	2015	Change	% of Revenue 2016	% of Revenue 2015
Total Revenue	$4,472	$4,147	7.8%		
Gross Margin	$1,936	$1,768	9.5%	43.3%	42.6%
Operating Expenses	$1,349	$1,227	10.0%	30.2%	29.6%
Segment EBITDA*	$596	$547	8.9%	13.3%	13.2%

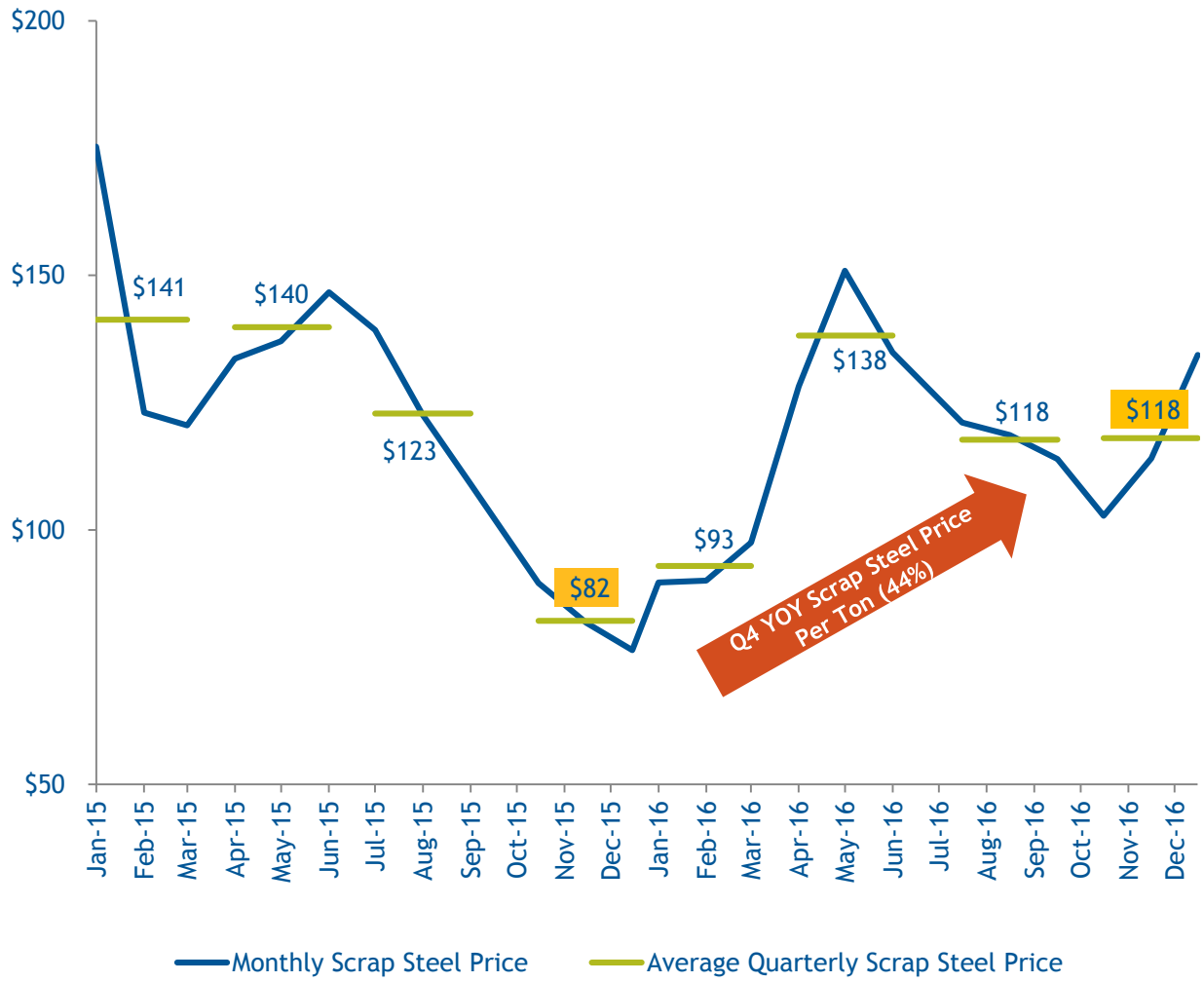
*Segment EBITDA is a non-GAAP measure. Refer to total segment EBITDA reconciliation on page 33 and the breakout of Segment EBITDA by each respective segment on page 40

North America Segment EBITDA Margin Bridge



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

Scrap Steel Prices



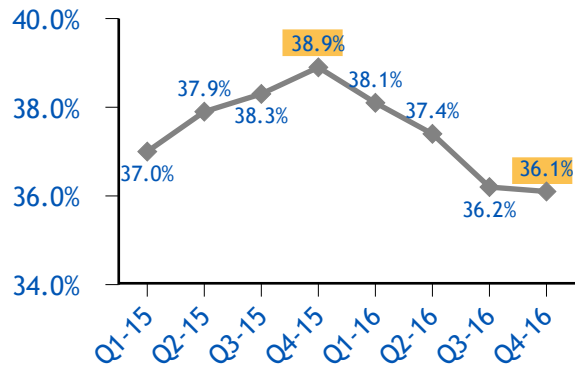
- Average price we received for scrap steel in Q4 increased by 44%, from $82 per ton in Q4 2015 to $118 per ton in Q4 2016
- Estimated positive EPS impact of half a penny in Q4 and 2¢ YTD due to improved margins as cost to purchase cars has decreased
- Scrap steel has become smaller portion of global revenue mix

Europe - Q4 2016 Results

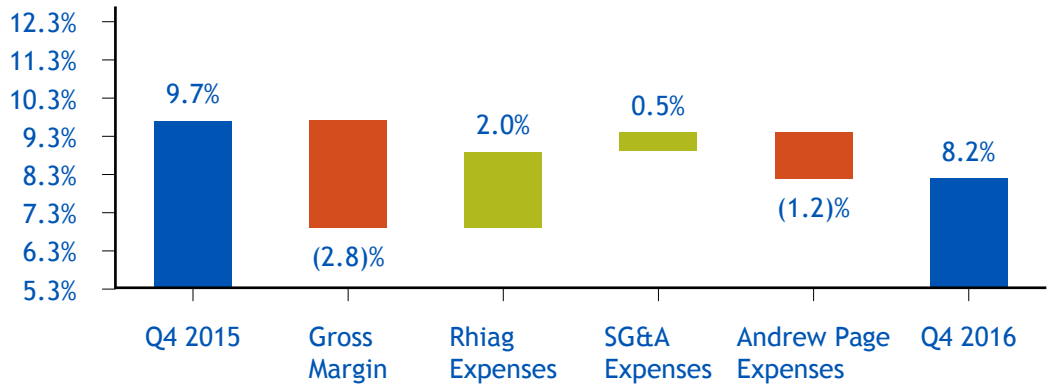
($ in millions)	2016	2015	Change	% of Revenue 2016	% of Revenue 2015
Total Revenue	$779	$487	60.0%		
Gross Margin	$281	$189	48.4%	36.1%	38.9%
Operating Expenses	$216	$143	51.2%	27.7%	29.4%
Segment EBITDA*	$64	$47	34.2%	8.2%	9.7%
ECP Branches	212	199	13		
Sator Branches	94	86	8		
Rhiag Branches	290	—	290		
Andrew Page Branches	99	—	99		

*Segment EBITDA is a non-GAAP measure. Refer to total segment EBITDA reconciliation on page 33 and the breakout of Segment EBITDA by each respective segment on page 40

Gross Margin

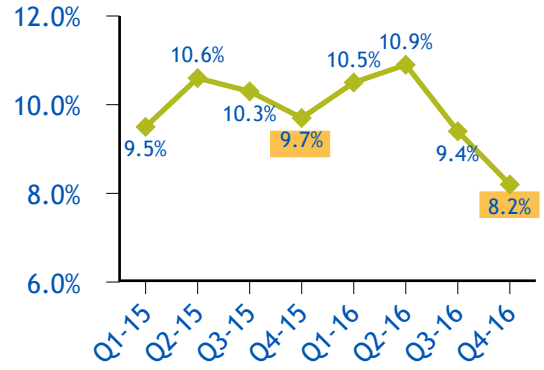


Europe Segment EBITDA Margin Bridge



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

Segment EBITDA Margin

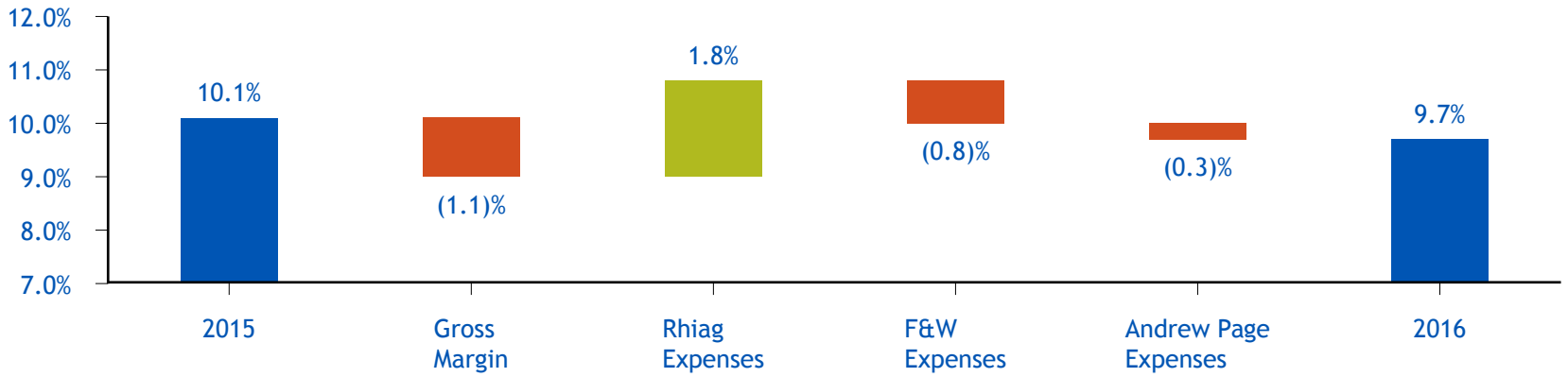


Europe – 2016 Results

($ in millions)	2016	2015	Change	% of Revenue 2016	% of Revenue 2015
Total Revenue	$2,920	$1,995	46.4%		
Gross Margin	$1,077	$759	41.9%	36.9%	38.0%
Operating Expenses	$794	$559	41.9%	27.2%	28.0%
Segment EBITDA*	$284	$201	41.4%	9.7%	10.1%
ECP Branches	212	199	13		
Sator Branches	94	86	8		
Rhiag Branches	290	—	290		
Andrew Page Branches	99	—	99		

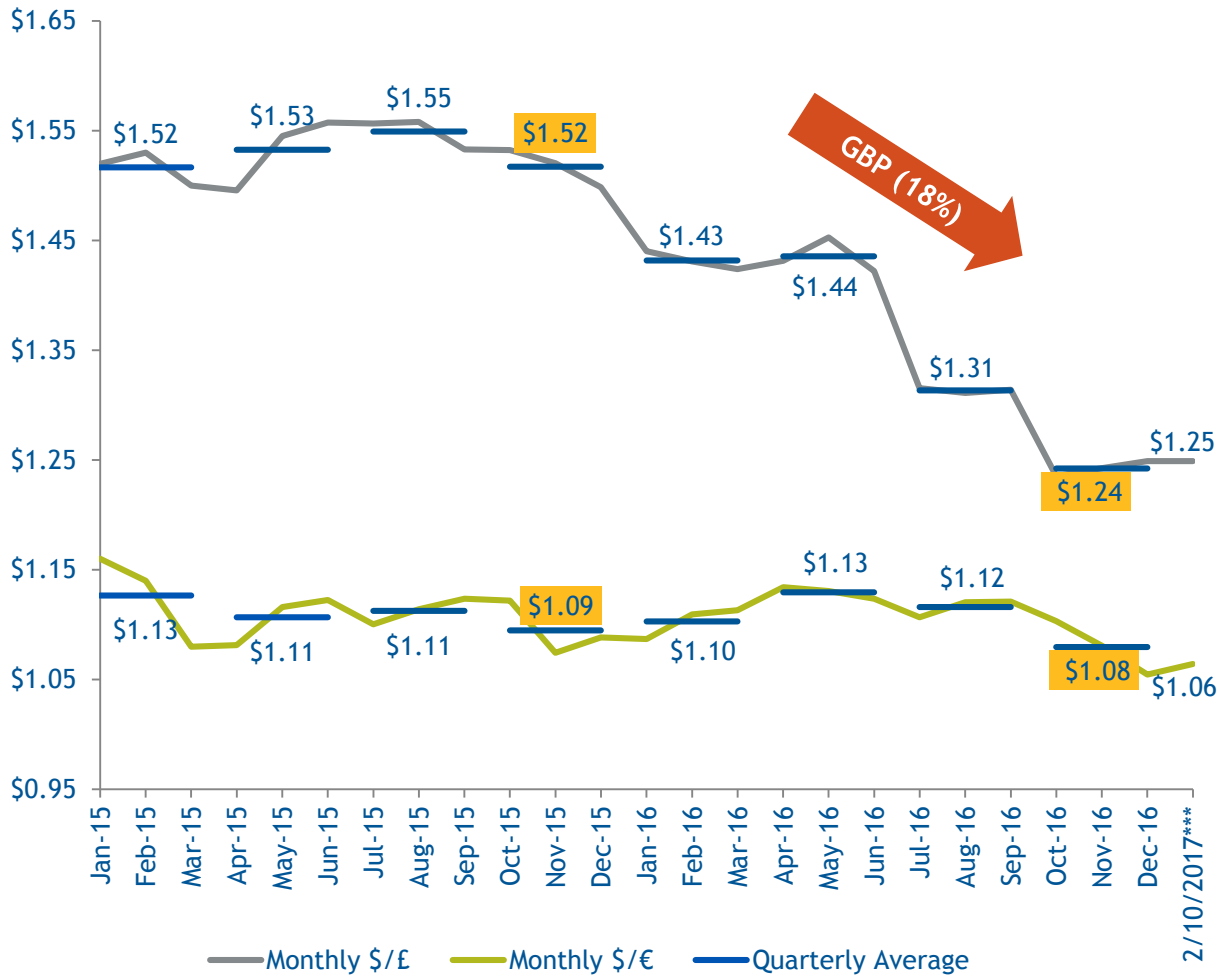
*Segment EBITDA is a non-GAAP measure. Refer to total segment EBITDA reconciliation on page 33 and the breakout of Segment EBITDA by each respective segment on page 40

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



- UK referendum to leave the EU had an impact on Q4 2016 average rate
- £ down 18% Q4 2016 vs. Q4 2015
- € relatively flat Q4 2016 vs. Q4 2015
- Translation impact of stronger dollar on Europe revenue growth:
  - Q4: $(63) million
  - YTD: $(158) million
- Europe constant currency parts and services revenue growth**:
  - Q4: 72.9%
  - YTD: 54.3%
- Estimated currency impact on EPS growth*:
  - Q4: 2¢ negative impact
  - YTD: 5¢ negative impact

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

** Refer to constant current reconciliation on page 30

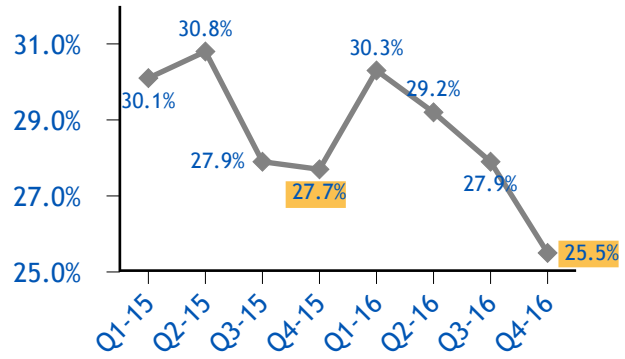
*** The spot rate on 2/10/17 was used for the £ and the €

Specialty - Q4 2016 Results

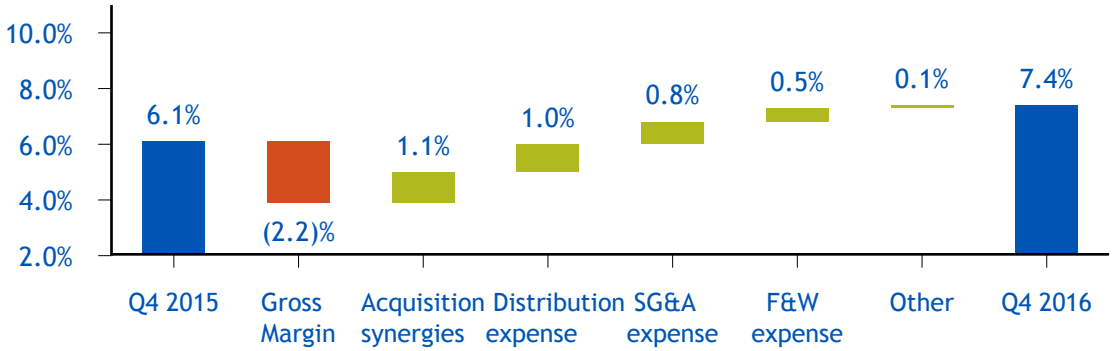
($ in millions)	2016	2015	Change	% of Revenue 2016	% of Revenue 2015
Total Revenue	$259	$245	5.7%		
Gross Margin	$66	$68	(2.4)%	25.5%	27.7%
Operating Expenses	$47	$53	(11.1)%	18.4%	21.8%
Segment EBITDA*	$19	$15	28.1%	7.4%	6.1%

*Segment EBITDA is a non-GAAP measure. Refer to total segment EBITDA reconciliation on page 33 and the breakout of Segment EBITDA by each respective segment on page 40

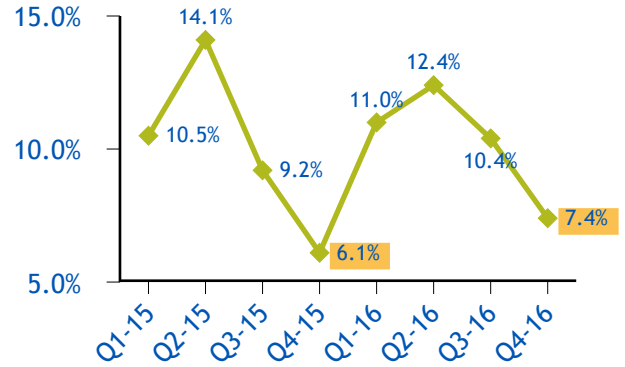
Gross Margin



Specialty Segment EBITDA Margin Bridge



Segment EBITDA Margin



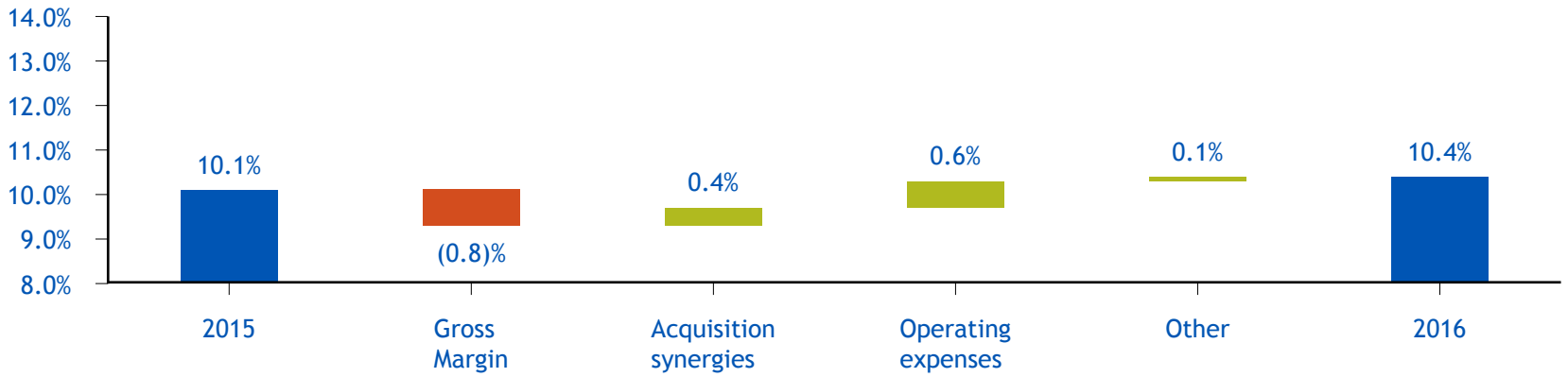
Note: In the table above, the sum of the individual percentages may not equal the total due to rounding

Specialty - 2016 Results

($ in millions)	2016	2015	Change	% of Revenue 2016	% of Revenue 2015
Total Revenue	$1,197	$1,055	13.5%		
Gross Margin	$339	$307	10.4%	28.3%	29.1%
Operating Expenses	$216	$201	7.4%	18.1%	19.1%
Segment EBITDA*	$125	$107	17.3%	10.4%	10.1%

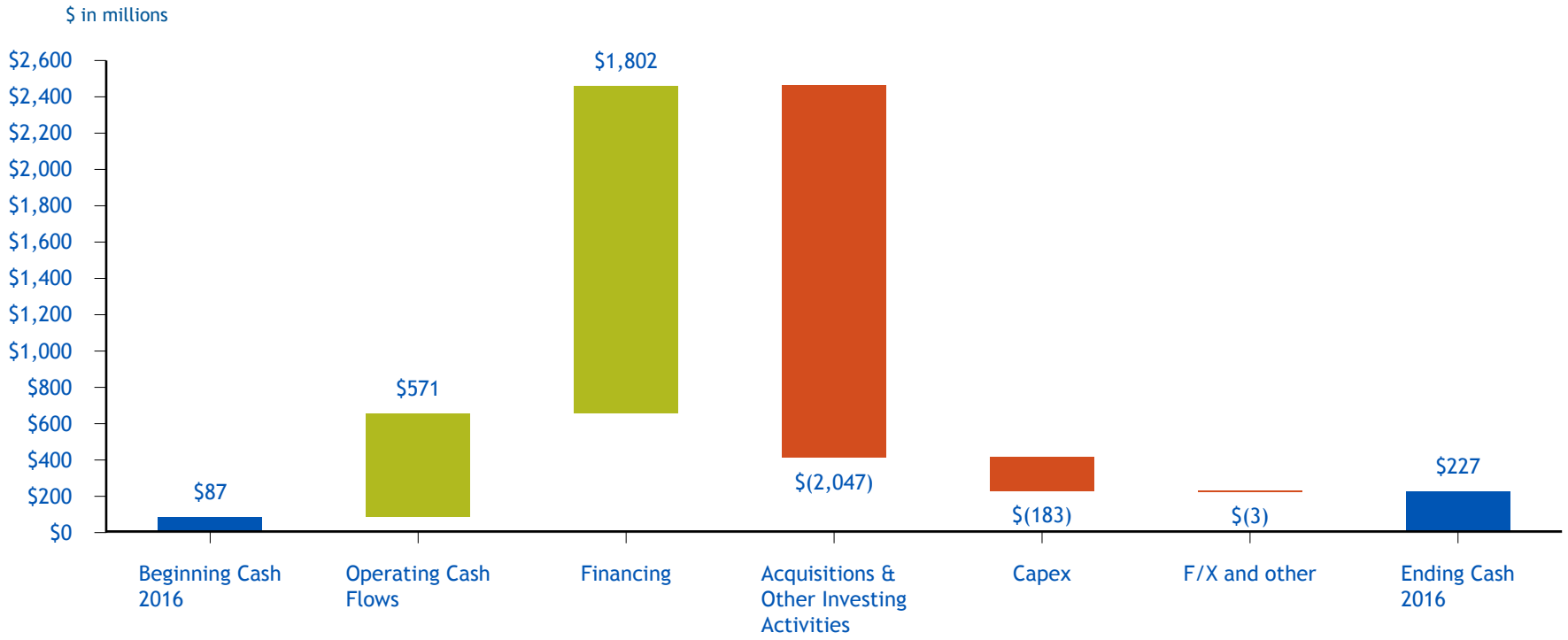
*Segment EBITDA is a non-GAAP measure. Refer to total segment EBITDA reconciliation on page 33 and the breakout of Segment EBITDA by each respective segment on page 40

Specialty Segment EBITDA Margin Bridge



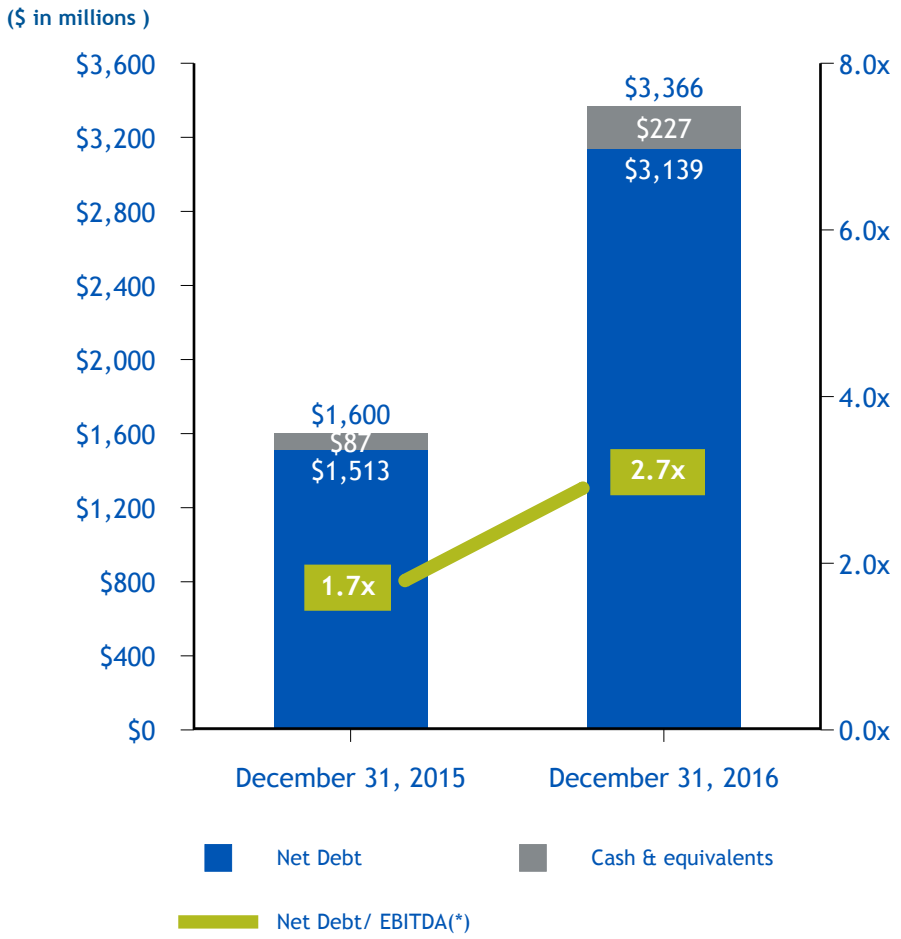
Note: In the table above, the sum of the individual percentages may not equal the total due to rounding

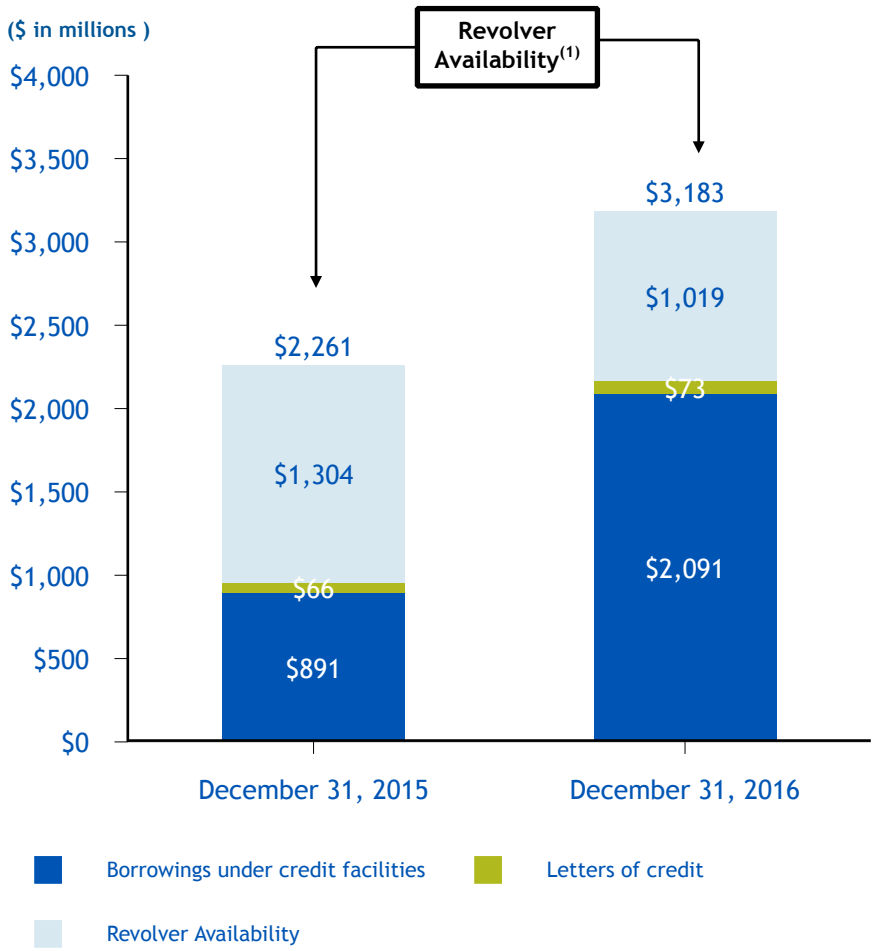
2016 Capital Allocation- Continuing operations



- Operating cash flows:
  - Increase driven primarily by higher cash earnings in 2016
  - $88M net cash outflow from operating assets and liabilities due mainly to an increase of $51M of receivables and a $64M increase in inventory partially offset by an increase of $19M in payables
- Acquisitions and other investing activities include $2.0B of cash used to acquire Rhiag and PGW, including $0.5B of Rhiag debt paid off after closing and a $181M investment in the Mekonomen Group. Also invested $183M related to purchases of property and equipment
- Financing activities include borrowings on our revolving credit facility to fund acquisitions and proceeds from the issuance of our senior notes. We expect to use $310 million of cash proceeds from the sale of the OEM business to repay revolver borrowings

Leverage & Liquidity



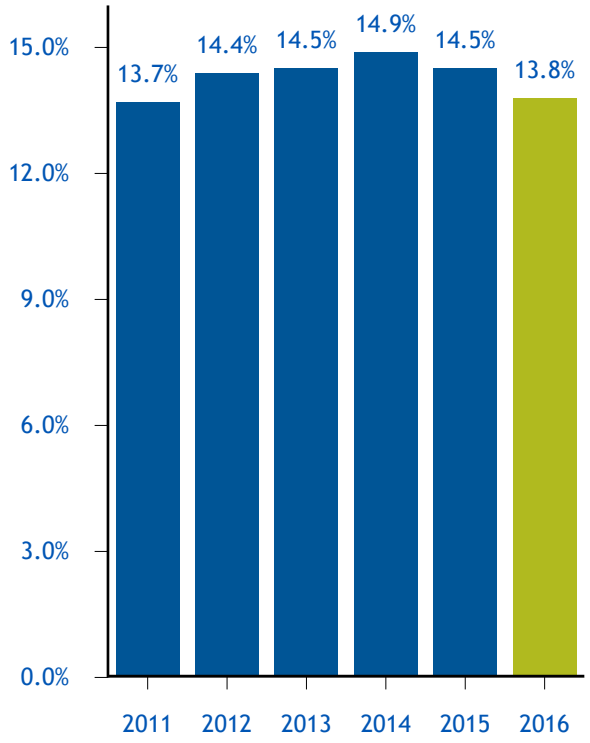


Effective borrowing rate for Q4 2016 was 2.8%

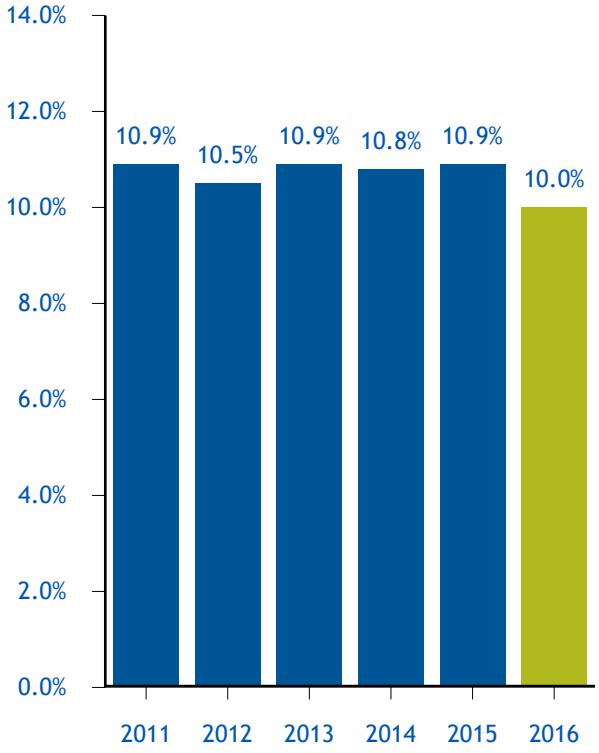
(1) Revolver availability includes our term loans and revolving credit facilities
(*) Net leverage per bank covenants is defined as Net Debt/EBITDA. See the definitions of Net Debt and EBITDA in the credit agreement filed with the SEC for further details

Key Return Metrics

Return on Equity



Return on Invested Capital*



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

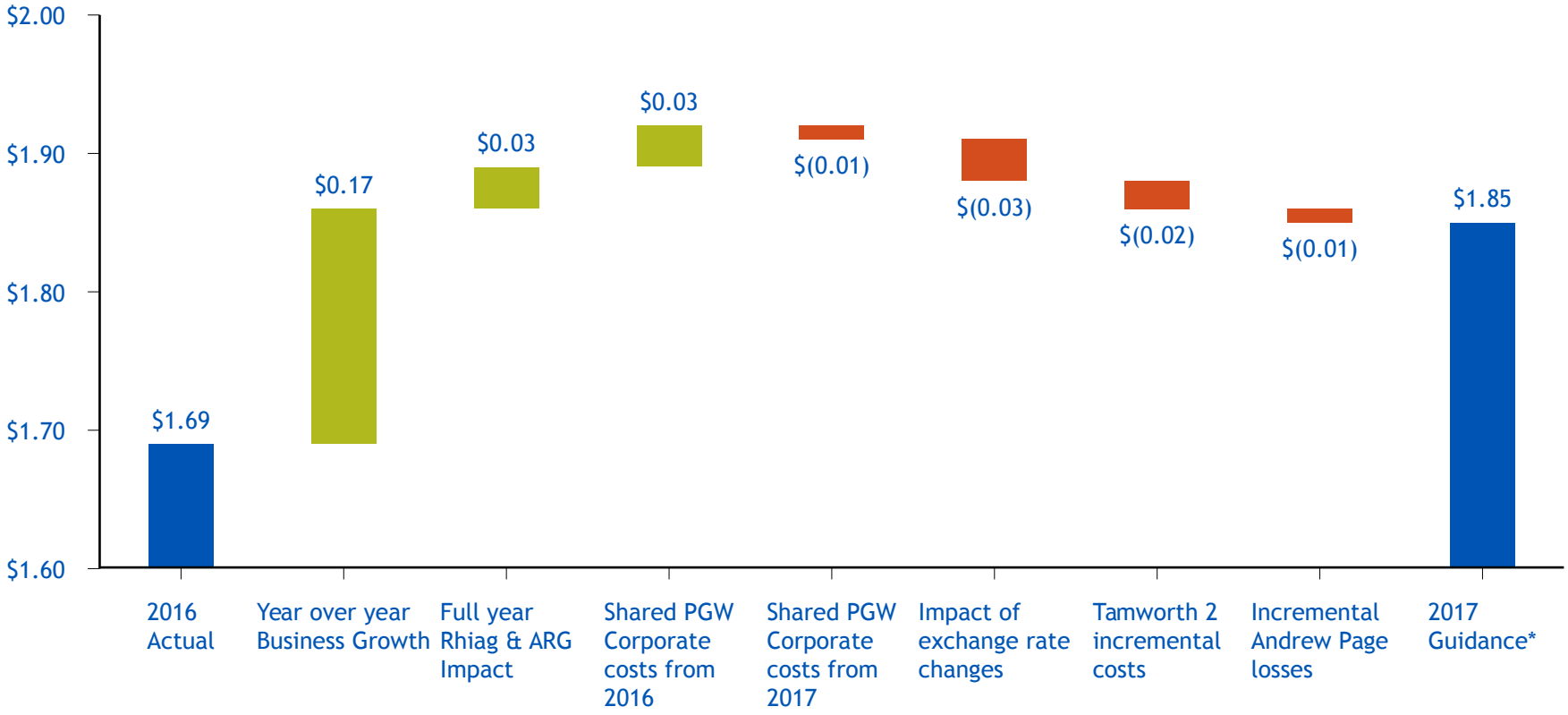
Guidance 2017
(effective only on the date issued: February 23, 2017)

($ in millions excluding EPS)	Full Year 2016 Actual	Full Year 2017 Guidance[1]
Organic Growth, Parts and Services	4.8%	4.0%-6.0%
Adjusted Net Income- continuing operations[2]	$522	$560-$590
Adjusted Diluted EPS- continuing operations[2]	$1.69	$1.80-$1.90
Capital Expenditures- continuing operations	$183	$200-$225
Cash Flow from Operations - continuing operations	$571	$610-$640

(1) Guidance for 2017 is based on current conditions and excludes the impact of restructuring and acquisition related expenses, excess tax benefits and deficiencies from stock based payments, 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 2016 actual figures for Adjusted Net Income and Adjusted Diluted EPS were calculated using the same methodology as the 2017 guidance. Organic revenue guidance refers only to parts and services revenue. LKQ updated its guidance on February 23, 2017, 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.

(2) See page 38 for reconciliation of forecasted adjusted net income and forecasted adjusted diluted earnings per share

2017 Adjusted Diluted EPS Guidance Bridge



* Reflects midpoint of Adjusted Diluted EPS guidance range

Q4 2016 Key Takeaways

- Organic revenue growth of 3.8% and 4.8% for parts and services in Q4 and YTD, respectively
- Constant currency* revenue growth of 27.3% and 23.8% for parts and services in Q4 and YTD, respectively
- Income from continuing operations improvement of 1.3% and 7.8% for Q4 and YTD, respectively
- Segment EBITDA** margin negatively affected in Q4 by losses at Andrew Page and allocation of shared PGW corporate costs to the continuing ARG business. Both effects are expected to be temporary
- Q4 Continuing Diluted EPS of $0.31 vs. $0.31, flat year over year
- Q4 Continuing Adjusted Diluted EPS*** of $0.35 vs. $0.34, a 2.9% increase

(*) Constant Currency is a non-GAAP measure. Refer to segment Constant Currency reconciliation on page 32
(**) Segment EBITDA is a non-GAAP measure. Refer to segment Segment EBITDA reconciliation on page 33
(***) Adjusted Diluted EPS is a non-GAAP measure. Refer to EPS reconciliation on page 35 and page 36

Consistent Business Model and Strategy



Appendix - Non-GAAP Financial Measures

This presentation contains non-GAAP financial measures. Included with this presentation are reconciliations of each non-GAAP financial measure with the most directly comparable financial measure calculated in accordance with GAAP.

Appendix 1- Constant Currency Reconciliation

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

	Three Months Ended December 31, 2016		Year Ended December 31, 2016	
	Consolidated	Europe	Consolidated	Europe
Parts & Services				
Revenue Growth as reported	23.5%	60.0%	21.3%	46.4%
Less: Currency impact	(3.8%)	(12.9%)	(2.5%)	(7.9%)
Revenue growth at constant currency	27.3%	72.9%	23.8%	54.3%

- We have presented the growth of our revenue on both an as reported and a constant currency basis. The constant currency presentation, which is a non-GAAP financial measure, excludes the impact of fluctuations in foreign currency exchange rates. We believe providing constant currency revenue information provides valuable supplemental information regarding our growth, consistent with how we evaluate our performance, as this statistic removes the translation impact of exchange rate fluctuations, which are outside of our control and do not reflect our operational 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 financial 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. In addition, not all companies that report revenue growth on a constant currency basis calculate such measure 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 2- Reconciliation of Net Income to EBITDA and Segment EBITDA

(in millions)	Three Months Ended December 31**		Year Ended December 31**	
	2016	2015	2016	2015
Net income	$86.3	$95.1	$464.0	$423.2
Subtract:				
(Loss) income from discontinued operations, net of tax	(10.0)	—	7.9	—
Income from continuing operations	$96.3	$95.1	$456.1	$423.2
Depreciation and Amortization	56.2	33.5	198.3	128.2
Interest Expense, Net	23.7	13.1	87.7	57.3
Loss on debt extinguishment*	—	—	26.7	—
Provision for Income Taxes	47.3	42.4	220.6	219.7
EBITDA	$223.5	$184.1	$989.4	$828.5
Subtract:				
Gain on bargain purchase	8.2	—	8.2	—
Equity in earnings of unconsolidated subsidiaries	(0.1)	(1.9)	(0.6)	(6.1)
Gains on foreign exchange contracts - acquisition related	—	—	18.3	—
Deduct:				
Restructuring and acquisition related expenses	6.9	6.8	37.8	19.5
Inventory step-up adjustment - acquisition related	—	—	3.6	—
Change in fair value of contingent consideration liabilities	—	0.1	0.2	0.5
Total Segment EBITDA	$222.3	192.9	$1,005.0	854.5
EBITDA as a percentage of revenue	10.4%	10.5%	11.5%	11.5%
Segment EBITDA as a percentage of revenue	10.3%	11.0%	11.7%	11.9%

* 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 2- EBITDA and Segment EBITDA Reconciliation

We have presented EBITDA solely as a supplemental disclosure that offers investors, securities analysts and other interested parties useful information to evaluate our operating performance and the value of our business. We calculate EBITDA as net income excluding discontinued operations, depreciation, amortization, interest (which includes loss on debt extinguishment) and income tax expense. EBITDA provides insight into our profitability trends and allows management and investors to analyze our operating results with and without the impact of discontinued operations, depreciation, amortization, interest (which includes loss on debt extinguishment) and income tax expense. We believe EBITDA is used by investors, securities analysts and other interested parties in evaluating the operating performance and the value of other companies, many of which present EBITDA when reporting their results.

We have presented Segment EBITDA solely as a supplemental disclosure that offers investors, securities analysts and other interested parties useful information to evaluate our segment profit and loss. We calculate Segment EBITDA as EBITDA excluding restructuring and acquisition related expenses, change in fair value of contingent consideration liabilities, other acquisition related gains and losses and equity in earnings of unconsolidated subsidiaries. Our chief operating decision maker, who is our Chief Executive Officer, uses Segment EBITDA as the key measure of our segment profit or loss. We use Segment EBITDA to compare profitability among our segments and evaluate business strategies. We also consider Segment EBITDA to be a useful financial measure in evaluating our operating performance, as it provides investors, securities analysts and other interested parties with supplemental information regarding the underlying trends in our ongoing operations. Segment EBITDA includes revenue and expenses that are controllable by the segment. Corporate and administrative expenses are allocated to the segments based on usage, with shared expenses apportioned based on the segment's percentage of consolidated revenue.

EBITDA and Segment EBITDA should not be construed as an alternatives 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. In addition, not all companies that report EBITDA or Segment EBITDA information calculate EBITDA or Segment EBITDA 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 an appropriate measure for performance relative to other companies.

Appendix 3- Reconciliation of Net Income and EPS to Adjusted Net Income and Adjusted EPS

(in millions, except per share data)	Three Months Ended December 31*		Year Ended December 31*	
	2016	2015	2016*	2015
Net income	$86.3	$95.1	$464.0	$423.2
Subtract:				
(Loss) income from discontinued operations, net of tax	(10.0)	—	7.9	—
Income from continuing operations	$96.3	$95.1	$456.1	$423.2
Adjustments:				
Restructuring and acquisition related expenses	6.9	6.8	37.8	19.5
Loss on debt extinguishment	—	—	26.7	—
Amortization of acquired intangibles	23.6	9.1	81.7	33.8
Inventory step-up adjustment - acquisition related	—	—	3.6	—
Change in fair value of contingent consideration liabilities	—	0.1	0.2	0.5
Gains on foreign exchange contracts - acquisition related	—	—	(18.3)	—
Gain on bargain purchase	(8.2)	—	(8.2)	—
Excess tax benefit from stock-based payments	—	—	(11.4)	—
Tax effect of adjustments	(10.6)	(5.4)	(45.6)	(18.4)
Adjusted net income from continuing operations**	$108.1	$105.6	$522.5	$458.6

*The sum of the individual components may not equal the total due to rounding.
** Shown as first line on following page to complete reconciliation

Appendix 3- Reconciliation of Net Income and EPS to Adjusted Net Income and Adjusted EPS cont.

(in millions, except per share data)	Three Months Ended December 31* 2016	Three Months Ended December 31* 2015	Year Ended December 31* 2016*	Year Ended December 31* 2015
Adjusted net income from continuing operations	$108.1	$105.6	$522.5	$458.6
(Loss) income from discontinued operations, net of tax	(10.0)	—	7.9	—
Adjustments - discontinued operations:				
Restructuring and acquisition related expenses	3.1	—	4.6	—
Impairment loss	26.7	—	26.7	—
Inventory step-up adjustment – acquisition related	—	—	6.2	—
Tax effect of adjustments	(8.0)	—	(10.7)	—
Adjusted net income	$119.9	$105.6	$557.2	$458.6
Weighted average diluted common shares outstanding	310,120	308,028	309,784	307,496
Diluted earnings per share:				
Continuing operations	$0.31	$0.31	$1.47	$1.38
Discontinued operations	(0.03)	—	0.03	—
Net income	$0.28	$0.31	$1.50	$1.38
Adjusted diluted earnings per share:				
Continuing operations	$0.35	$0.34	$1.69	$1.49
Discontinued operations	0.04	—	0.11	—
Net income	$0.39	$0.34	$1.80	$1.49

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

Appendix 3- Adjusted Net Income and EPS Reconciliation

We have presented Adjusted Net Income and its components and Adjusted Diluted Earnings per Share as we believe these measures are useful for evaluating the core operating performance of our business across reporting periods and in analyzing the company's historical operating results. We define Adjusted Net Income and Adjusted Diluted Earnings per Share as Net Income and Diluted Earnings per Share 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, excess tax benefits and deficiencies from stock-based payments, impairment losses, and any tax effect of these adjustments. The tax effect of these adjustments is calculated using the effective tax rate for the applicable period or for certain discrete items the specific tax expense or benefit for the adjustment. These financial measures are used by management in its decision making and overall evaluation of operating performance of the company and are included in the metrics used to determine incentive compensation for our senior management. Adjusted Net Income and Adjusted Diluted Earnings per Share should not be construed as alternatives to Net Income or Diluted Earnings per Share as determined in accordance with accounting principles generally accepted in the United States. In addition, not all companies that report Adjusted Net Income and Adjusted Diluted Earnings per Share calculate such 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 4- Forecasted EPS reconciliation*

(in millions, except per share data)	For the year ending December 31, 2017 Minimum Guidance	Maximum Guidance
Income from continuing operations	$505	$535
Adjustments:		
Amortization of acquired intangibles	85	85
Tax effect of adjustments	(30)	(30)
Adjusted net income- continuing operations	$560	$590
Weighted average diluted common shares outstanding	311	311
Diluted earnings per share - continuing operations	$1.63	$1.72
Adjusted diluted earnings per share - continuing operations	$1.80	$1.90

We have presented forecasted Adjusted Net Income and forecasted Adjusted Diluted Earnings per Share from Continuing Operations in our financial guidance. Refer to the discussion of Adjusted Net Income and Adjusted Diluted Earnings per Share for details on the calculation of these non-GAAP financial measures. In the calculation of forecasted Adjusted Net Income and forecasted Adjusted Diluted Earnings per Share from Continuing Operations, we included estimates of income from continuing operations, amortization of acquired intangibles for the full fiscal year 2017 and the related tax effect; we did not estimate amounts for any other components of the calculation for the year ending December 31, 2017.

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

Appendix 5- Adjusted Net Income and EPS Reconciliation for Quarterly Continuing Operations

(in millions, except per share data)	Q4 2016*	Q3 2016*	Q2 2016*	Q1 2016*
Revenue	$2,150.4	$2,207.3	$2,304.8	$1,921.5
Gross margin	$830.0	$855.4	$905.8	$760.4
Operating income	$161.9	$183.4	$232.4	$185.7
Income from continuing operations	$96.3	$109.8	$137.8	$112.2
Adjustments:				
Restructuring and acquisition related expenses	6.9	6.9	9.1	14.8
Loss of debt extinguishment	—	—	—	26.7
Amortization of acquired intangibles	23.6	25.0	24.3	8.9
Inventory step-up adjustment - acquisition related	—	—	3.6	—
Change in fair value of contingent consideration liabilities	—	0.1	—	0.1
Gains on foreign exchange contracts - acquisition related	—	—	—	(18.3)
Gain on Bargain Purchase	(8.2)	—	—	—
Excess tax benefit from stock-based payments	—	(5.0)	(2.0)	(4.4)
Tax effect of adjustments	(10.6)	(11.1)	(12.8)	(11.1)
Adjusted net income from continuing operations	$108.1	$125.8	$159.9	$128.7
Weighted average diluted common shares outstanding	310,120	310,036	309,778	309,193
Diluted earnings per share - continuing operations	$0.31	$0.35	$0.45	$0.36
Adjusted diluted earnings per share - continuing operations	$0.35	$0.41	$0.52	$0.42

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

Appendix 6- Revenue and Segment EBITDA by segment

(in millions)	Three Months Ended December 31* 2016	% of revenue	2015	% of revenue	Year Ended December 31* 2016	% of revenue	2015	% of revenue
Revenue								
North America	$1,113.5		$1,018.2		$4,471.6		$4,146.8	
Europe	779.3		487.1		2,920.5		1,995.5	
Specialty	258.7		244.7		1,196.7		1,054.6	
Eliminations	(1.2)		(1.1)		(4.8)		(4.2)	
Total Revenue	$2,150.4		$1,748.9		$8,584.0		$7,192.6	
Segment EBITDA								
North America	$139.7	12.5%	$130.6	12.8%	$596.3	13.3%	$547.4	13.2%
Europe	63.5	8.2%	47.4	9.7%	283.6	9.7%	200.6	10.1%
Specialty	19.1	7.4%	14.9	6.1%	125.0	10.4%	106.6	10.1%
Total Segment EBITDA	$222.3	10.3%	$192.9	11.0%	$1,005.0	11.7%	$854.5	11.9%

We have presented Segment EBITDA solely as a supplemental disclosure that offers investors, securities analysts and other interested parties useful information to evaluate our segment profit and loss. We calculate Segment EBITDA as EBITDA excluding restructuring and acquisition related expenses, change in fair value of contingent consideration liabilities, other acquisition related gains and losses and equity in earnings of unconsolidated subsidiaries. EBITDA, which is the basis for Segment EBITDA, is calculated as net income excluding discontinued operations, depreciation, amortization, interest (which includes loss on debt extinguishment) and income tax expense. Our chief operating decision maker, who is our Chief Executive Officer, uses Segment EBITDA as the key measure of our segment profit or loss. We use Segment EBITDA to compare profitability among our segments and evaluate business strategies. We also consider Segment EBITDA to be a useful financial measure in evaluating our operating performance, as it provides investors, securities analysts and other interested parties with supplemental information regarding the underlying trends in our ongoing operations. Segment EBITDA includes revenue and expenses that are controllable by the segment. Corporate and administrative expenses are allocated to the segments based on usage, with shared expenses apportioned based on the segment's percentage of consolidated revenue.

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