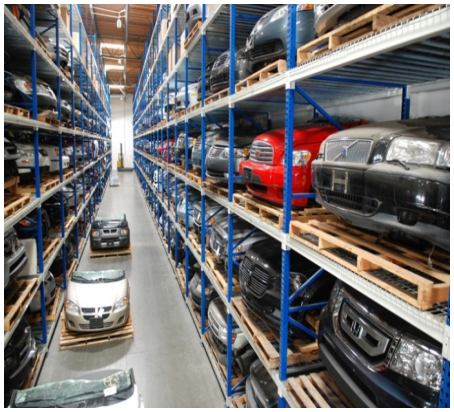
# Third Quarter 2017 Earnings Call

October 26, 2017


Nick Zarcone - *President & Chief Executive Officer*
Varun Laroyia- Executive Vice President & Chief Financial Officer
Michael Clark - *Vice President- Finance and Controller*
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, 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.

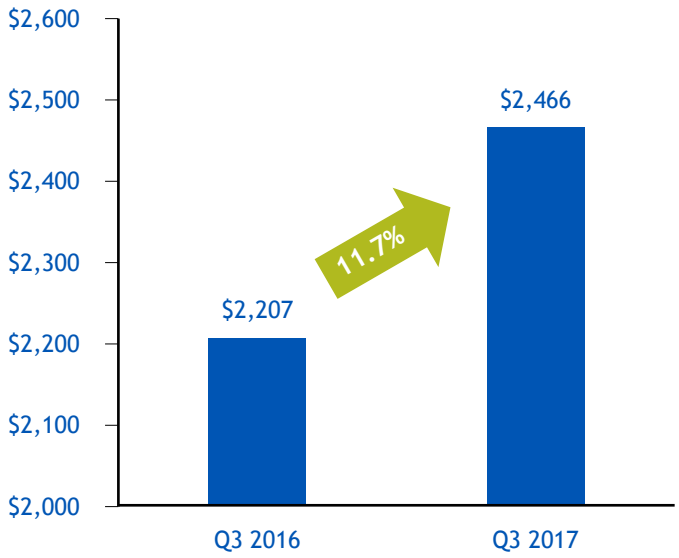
This presentation contains non-GAAP financial measures. Included with this presentation are reconciliations of each non-GAAP financial measure with the most directly comparable financial measure calculated in accordance with GAAP.

# 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**

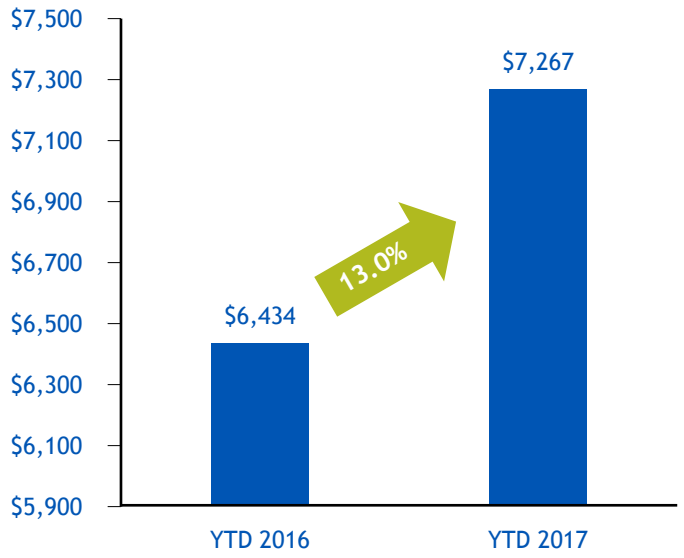
# Consolidated Results - Continuing operations

## Q3 2017 Revenue*




- Organic growth of parts and services revenue of 3.2% on a reported basis; 4.7% on a per day basis
- Income from continuing operations $122 million Q3 2017 vs. $110 million Q3 2016
- Segment EBITDA Margin** 10.8% Q3 2017 vs. 11.2% Q3 2016

## YTD 2017 Revenue*




- Organic growth of parts and services revenue of 3.8% on a reported basis; 4.3% on a per day basis
- Income from continuing operations $414 million YTD 2017 vs. $360 million YTD 2016
- Segment EBITDA Margin** 11.9% YTD 2017 vs. 12.2% YTD 2016

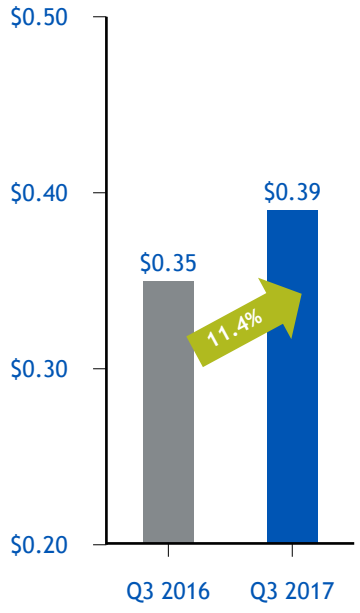
* Revenue in millions

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

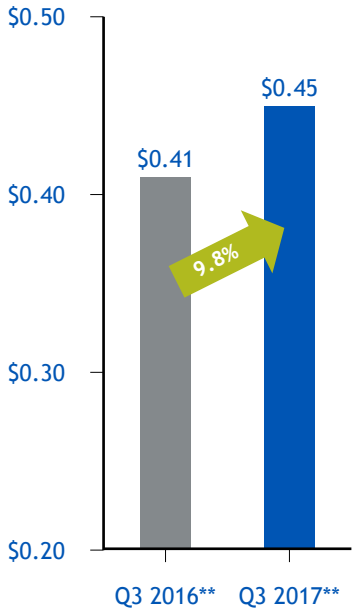
Note: On March 1, 2017, LKQ completed the sale of its automotive glass manufacturing business. Automotive glass manufacturing results are presented as discontinued operations for all periods

# Consolidated Results - Continuing operations

## Q3 2017 EPS*

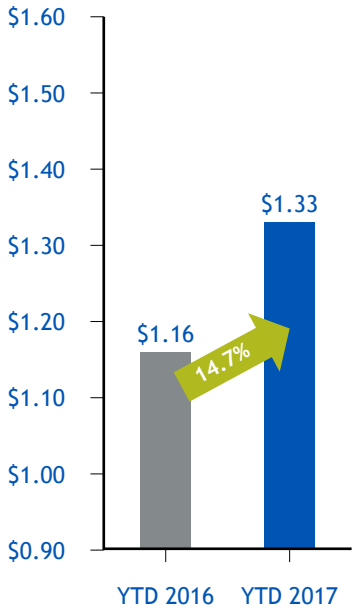



Diluted EPS

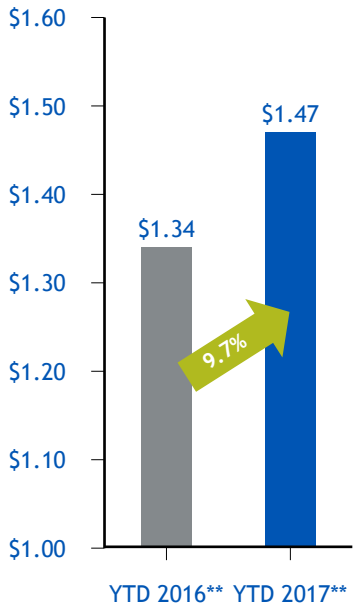



Adjusted Diluted EPS

## YTD 2017 EPS*




Diluted EPS




Adjusted Diluted EPS

* Earnings per share figures refer to income from continuing operations

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

# Q3 2017 Revenue Growth

| Revenue Changes by Source: | Organic | Acquisition | Foreign Exchange | Total[1] |
|---|---|---|---|---|
| North America | 2.5% | 1.6% | 0.2% | 4.3% |
| Europe | 4.4% | 16.5% | 3.0% | 23.8% |
| Specialty | 2.7% | 0.2% | 0.5% | 3.4% |
| Parts and Services | 3.2% | 6.8% | 1.3% | 11.4% |
| Other Revenue | 17.5% | 0.9% | 0.1% | 18.4% |
| Total | 4.0% | 6.5% | 1.2% | 11.7% |

- Organic revenue growth for our North America segment on a per day basis was 4.0% as there was one fewer selling day in the third quarter of 2017 compared to the prior year period
- Organic growth in North America parts and services revenue was largely attributable to increased sales volumes in our wholesale operations, primarily in our salvage operations
- Organic parts and services revenue growth for Europe on a per day basis was 5.6% as there was one fewer selling day in Q3 2017 compared to Q3 2016
- European organic growth was driven by both established and new branches (44 in Eastern Europe since Q3 2016).
- Collision parts revenue growth in the UK was 16%
- Favorable F/X impact on European revenue of $23 million; European constant currency parts and services revenue growth of 20.8%[2]
- Increase in Other Revenue was primarily attributable to higher scrap steel and other metals prices. Scrap steel prices were up 37% 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 31

# YTD 2017 Revenue Growth

| Revenue Changes by Source: | Organic | Acquisition | Foreign Exchange | Total[1] |
|---|---|---|---|---|
| North America | 2.4% | 4.2% | 0.1% | 6.7% |
| Europe | 5.3% | 22.9% | (3.8)% | 24.4% |
| Specialty | 5.0% | 0.1% | 0.1% | 5.2% |
| Parts and Services | 3.8% | 10.1% | (1.3)% | 12.7% |
| Other Revenue | 17.9% | 0.5% | (0.1)% | 18.3% |
| Total | 4.5% | 9.6% | (1.2)% | 13.0% |

- Organic revenue growth for our North America segment on a per day basis was 2.9% as there was one fewer selling day in the first nine months of 2017 compared to the prior year period
- Organic growth in North America parts and services revenue was largely attributable to increased sales volumes in our wholesale operations, primarily in our salvage operations
- Organic revenue growth for our Europe segment on a per day basis was 5.7%, as there was one fewer selling day in the first nine months of 2017 compared to the prior year period
- Europe organic growth was driven by both established and new branches (56 in Eastern Europe since the beginning of 2016).
- Collision parts revenue growth in the UK was 15%
- Unfavorable F/X impact on European revenue of $82 million; European constant currency parts and services revenue growth of 28.2%[2]
- European acquisition growth was $490 million, most of which relates to Rhiag-Inter Auto Parts Italia S.p.A. ("Rhiag") (acquired March 18, 2016) and Andrew Page Limited ("Andrew Page") (acquired October 4, 2016)
- PGW autoglass is reflected in North America organic revenue beginning April 21, 2017
- Increase in Other Revenue was primarily attributable to higher scrap steel and other metals prices. Scrap steel prices were up 30% year over year

(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 31

# Q3 2017 Operating Highlights

## North America

- Delivery route initiatives, including Roadnet, are ongoing
- Continued to expand acreage for car holding and increased production which should allow us longer hold times of cars to improve margins
- Consolidated 9 PGW autoglass locations into LKQ warehouses as of the end of Q3, we expect to consolidate 5 additional PGW autoglass warehouses in the fourth quarter of 2017

## Europe

- Rhiag opened 4 branches and acquired 49 branches in Q3 2017
- ECP's new national distribution center (T2) continues on plan and within budget. 158 branches currently being delivered out of T2, with the full branch network due to be serviced out of T2 in Q4 2017
- On September 14, 2017, the CMA issued its provisional findings that we may be required to divest up to 10 of the 99 Andrew Page locations acquired in October 2016. The CMA's review is ongoing, and a final decision is expected on or about November 6, 2017
- Procurement initiatives, including negotiating consolidated rebates and discount programs with suppliers, are ongoing

## Specialty

- Sales of light trucks and vehicles in Specialty Business “sweet spot” trended favorably, and RV new unit shipments continued to remain high
- Year over year improvement in operating expenses driven by maintaining focus on cost reduction initiatives and process improvements

# Inventory

| Inventory Procurement: | Q3 | | | YTD | | |
|---|---|---|---|---|---|---|
| ($ in millions, Vehicles purchased in 000s) | 2017 | 2016 | % Change | 2017 | 2016 | % Change |
| Total aftermarket procurement | $1,221 | $1,117 | 9.3% | $3,439 | $3,053 | 12.6% |
| Wholesale salvage cars and trucks | 74 | 70 | 5.7% | 226 | 214 | 5.6% |
| Europe wholesale salvage cars and trucks | 6 | 5 | 20.0% | 18 | 17 | 5.9% |
| Self service and "crush only" cars | 138 | 132 | 4.5% | 412 | 395 | 4.3% |

- We believe aftermarket inventory levels are sufficient to achieve our growth targets
- In North America, aftermarket purchases during the nine months ended September 30, 2017 increased primarily as a result of our acquisition of PGW autoglass in April 2016, which added incremental purchases of $72 million in the first nine months of 2017
- In Europe, the increase in aftermarket purchases during the nine months ended September 30, 2017 was primarily related to our acquisition of Rhiag in March 2016 and Andrew Page in October 2016. These acquisitions added incremental purchases of $145 million and $107 million in the first nine months of 2017 for Rhiag and Andrew Page, respectively
- Cost per vehicle in our self service operations increased 11.7% year over year due primarily to increases in scrap steel prices
- Average cost per vehicle in our full service salvage operations was up 2% year over year

# Acquisition Activity

| | Number of Q3 Acquisitions | TTM Revenue* | Number of YTD Acquisitions | TTM Revenue* |
|---|---|---|---|---|
| North America | 1 | $1 million | 4 | $71 million |
| Europe | 8 | $282 million | 14 | $336 million |
| Specialty | 2 | $3 million | 3 | $4 million |
| Total | 11 | $286 million | 21 | $411 million |

During the 3rd quarter of 2017, we acquired 11 businesses, including:

- Four aftermarket parts businesses in Belgium
- One aftermarket parts business in Poland
- Two operations in Sweden to complement our existing salvage operations
- One salvage operation in Kentucky
- One Specialty distributor in Germany
- Two service focused companies
  - Garage management software business in the Netherlands
  - Developer of management systems for RV dealers in the U.S.

* Approximate TTM Revenue as of acquisition date (unaudited)

# Financial Results

# Operating Results - Continuing Operations

| ($ in millions,except per share data) | Third Quarter | | | YTD | | |
|---|---|---|---|---|---|---|
| | 2017 | 2016 | Change | 2017 | 2016 | Change |
| Revenue | $2,466 | $2,207 | 11.7% | $7,267 | $6,434 | 13.0% |
| Gross Margin | 957 | 855 | 11.9% | 2,852 | 2,522 | 13.1% |
| Operating Income | 199 | 183 | 8.6% | 679 | 602 | 12.9% |
| Pre-tax Income | 178 | 160 | 11.4% | 616 | 534 | 15.5% |
| Income from continuing operations | 122 | 110 | 11.4% | 414 | 360 | 15.1% |
| Segment EBITDA* | 267 | 246 | 8.4% | 863 | 783 | 10.3% |
| Continuing operations EPS - Diluted | $0.39 | $0.35 | 11.4% | $1.33 | $1.16 | 14.7% |
| Continuing operations EPS - Adjusted** | $0.45 | $0.41 | 9.8% | $1.47 | $1.34 | 9.7% |

- Our effective income tax rates for the quarter and YTD were 32.7% and 33.5% respectively, compared to 31.2% and 32.5% for the comparable prior year periods. The effective tax rates reflect the impact of favorable discrete items related to excess tax benefits from stock-based payments.

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

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

# Q3 2017 Consolidated Margins - Continuing operations

| (as a % of Revenue) | Q3 2017 | Q3 2016 | Change F/(U) | QTD Commentary |
|---|---|---|---|---|
| Revenue | 100.0% | 100.0% | —% | |
| Gross Margin | 38.8% | 38.8% | —% | Cost of goods sold included a number of individually insignificant fluctuations as a percentage of revenue across all of our segments that netted to no year over year change. |
| Facility and Warehouse Expenses | 8.2% | 8.2% | —% | Facility and warehouse expenses included a number of individually insignificant fluctuations as a percentage of revenue across all of our segments that netted to no year over year change |
| Distribution Expenses | 8.2% | 7.8% | (0.4)% | Increase was primarily a result of our European operations |
| Selling, General and Administrative Expenses | 11.8% | 11.7% | (0.1)% | The increase in SG&A expenses primarily reflected a 0.2% unfavorable mix impact, as we generated a higher proportion of our revenue in our Europe segment partially offset by a 0.2% decrease attributable to our North America segment |
| Restructuring and Acquisition Related Expenses | 0.2% | 0.3% | 0.1% | Decrease was primarily due to higher Specialty restructuring costs and acquisition costs for PGW autoglass in the prior period |
| Depreciation and Amortization | 2.3% | 2.4% | 0.1% | Depreciation and amortization costs increased in dollar terms due to recent acquisitions but fell 10 bps as a percentage of revenue |
| Operating Income | 8.1% | 8.3% | (0.2)% | |
| Segment EBITDA* | 10.8% | 11.2% | (0.4)% | |

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.

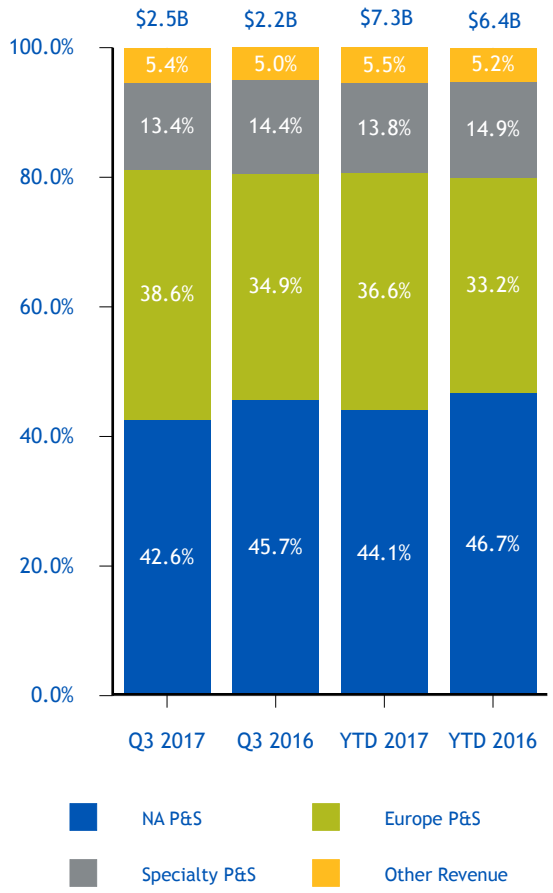
# YTD 2017 Consolidated Margins - Continuing operations

| (as a % of Revenue) | YTD 2017 | YTD 2016 | Change F/(U) | YTD Commentary |
|---|---|---|---|---|
| Revenue | 100.0% | 100.0% | —% | |
| Gross Margin | 39.2% | 39.2% | —% | Cost of goods sold decreased as a result of our North America segment, primarily related to our salvage operations. Offsetting this decrease were increases in cost of goods sold in our Specialty and Europe segments |
| Facility and Warehouse Expenses | 8.0% | 8.0% | —% | Facility and warehouse expenses included a number of individually insignificant fluctuations as a percentage of revenue across all of our segments that netted to no year over year change |
| Distribution Expenses | 8.0% | 7.9% | (0.1)% | Increase reflected a number of individually insignificant fluctuations in distribution expense as a percentage of revenue across all of our segments |
| Selling, General and Administrative Expenses | 11.5% | 11.3% | (0.2)% | Increase was primarily related to our Europe segment |
| Restructuring and Acquisition Related Expenses | 0.1% | 0.5% | 0.4% | Decrease was due to higher acquisition costs (primarily related to Rhiag and PGW autoglass) and Specialty restructuring costs in the prior period |
| Depreciation and Amortization | 2.2% | 2.1% | (0.1)% | Depreciation and amortization costs increased in dollar terms due to recent acquisitions and increased 10 bps as a percentage of revenue |
| Operating Income | 9.3% | 9.3% | —% | |
| Segment EBITDA* | 11.9% | 12.2% | (0.3)% | |

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



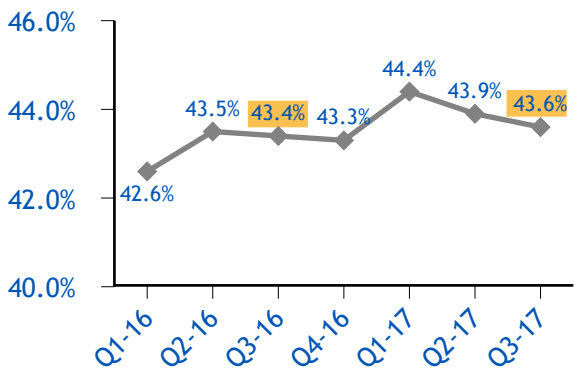

- A portion of the change in margins on a consolidated basis is attributable to change in revenue mix
- North America historically has highest gross margins and EBITDA margins
- Increase in YTD revenue as a percentage of consolidated revenue for our European businesses reflects the acquisitions of Rhiag and Andrew Page
- Other revenue continues to be a small percentage of the total revenue

# North America – Q3 2017 Results

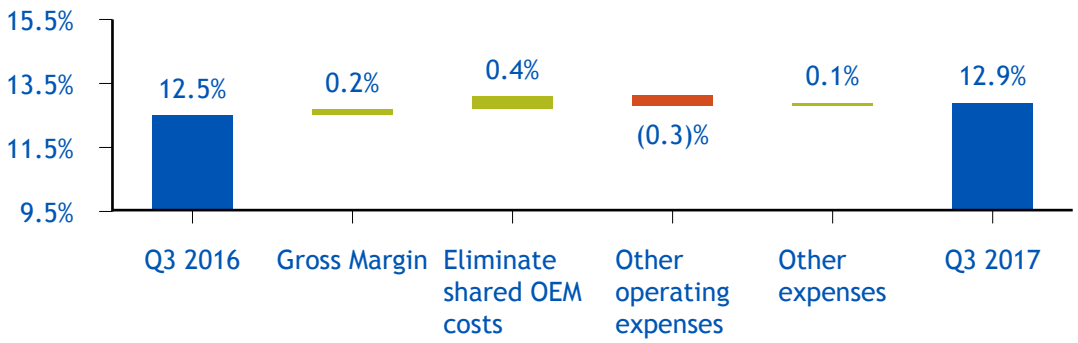
| ($ in millions) | 2017 | 2016 | Change | % of Revenue 2017 | % of Revenue 2016 |
|---|---|---|---|---|---|
| Total Revenue | $1,182 | $1,119 | 5.7% | | |
| Gross Margin | $515 | $485 | 6.1% | 43.6% | 43.4% |
| Operating Expenses | $367 | $348 | 5.4% | 31.0% | 31.1% |
| Segment EBITDA* | $153 | $140 | 9.2% | 12.9% | 12.5% |

*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 32

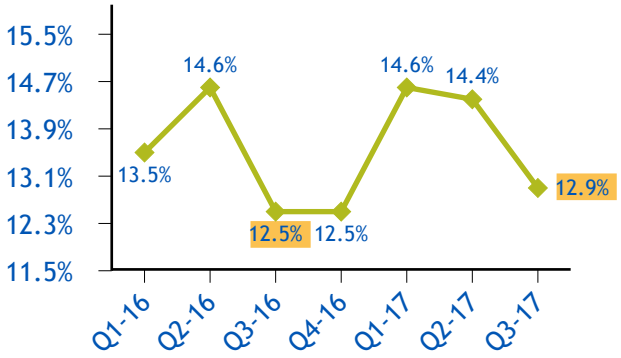
## Gross Margin




## North America Segment EBITDA Margin Bridge




## Segment EBITDA Margin

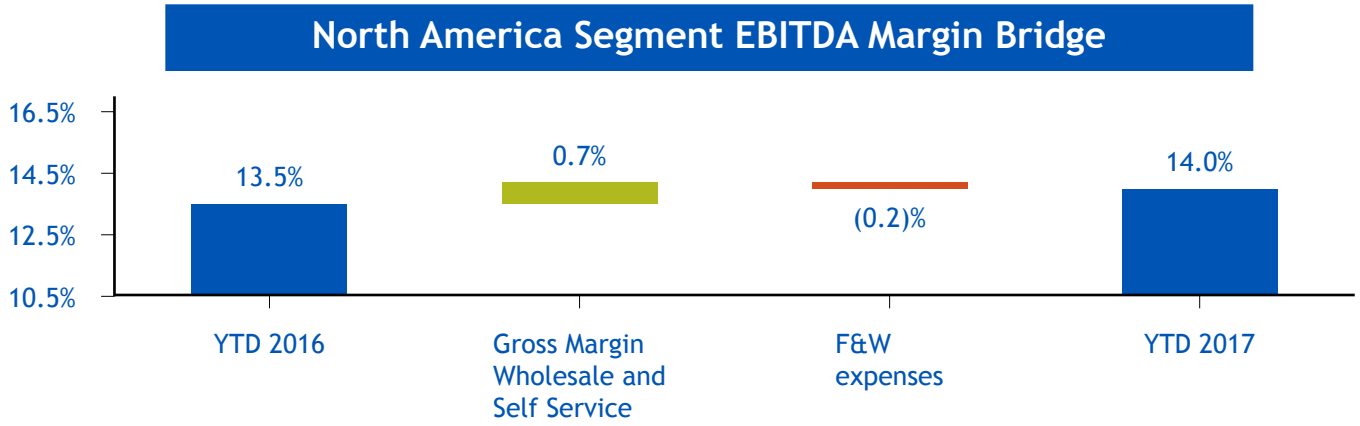



Note: In the table above, the sum of the individual percentages may not equal the total due to rounding

# North America - YTD 2017 Results

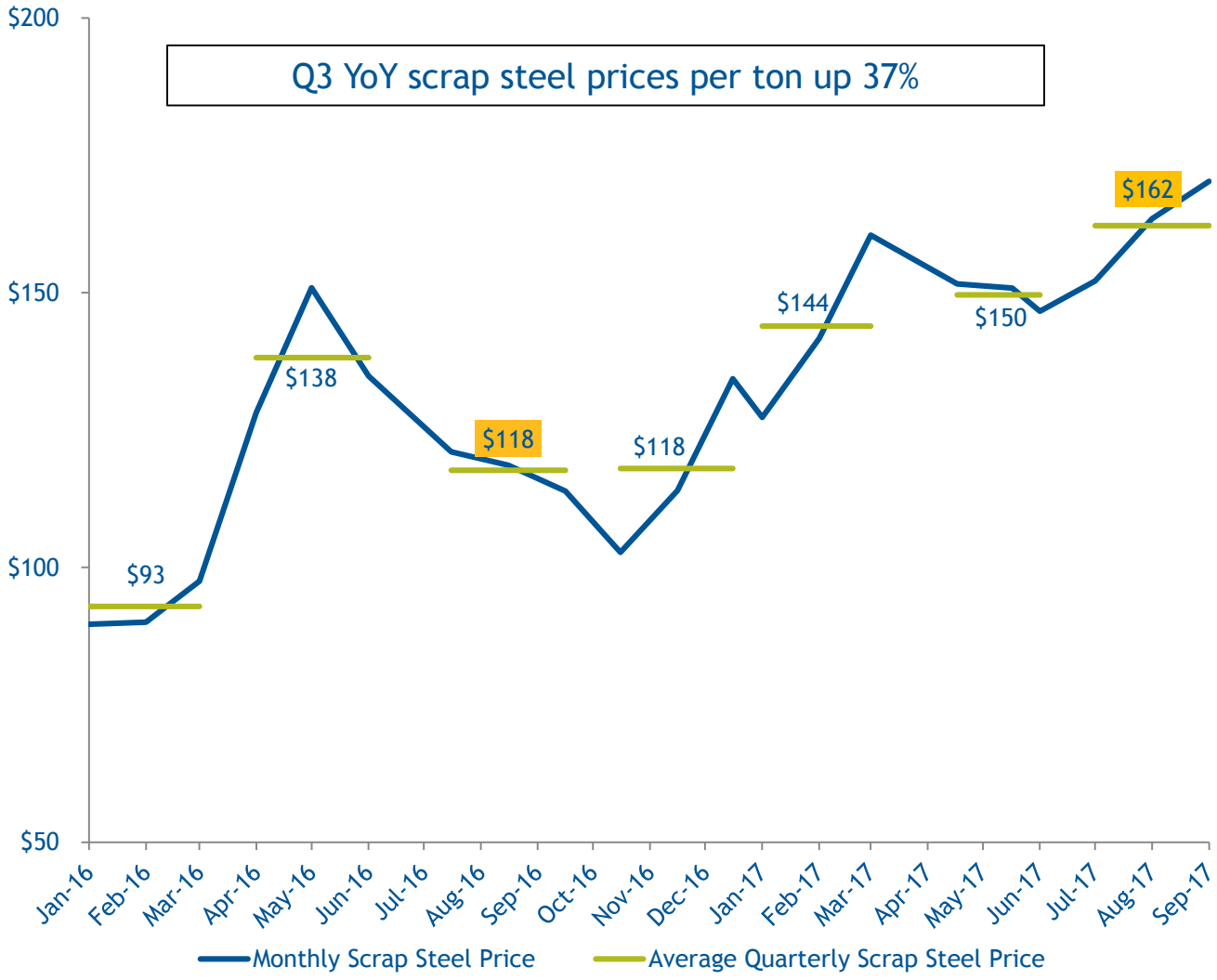
| ($ in millions) | 2017 | 2016 | Change | % of Revenue 2017 | % of Revenue 2016 |
|---|---|---|---|---|---|
| Total Revenue | $3,597 | $3,337 | 7.8% | | |
| Gross Margin | $1,581 | $1,441 | 9.7% | 43.9% | 43.2% |
| Operating Expenses | $1,087 | $999 | 8.8% | 30.2% | 29.9% |
| Segment EBITDA* | $502 | $452 | 11.3% | 14.0% | 13.5% |

*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 32




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

# Scrap Steel Prices



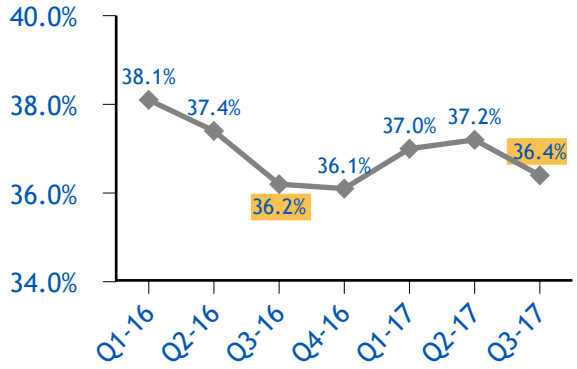

- Average price we received for scrap steel in Q3 increased by 37%, from $118 per ton in Q3 2016 to $162 per ton in Q3 2017 and YTD increased by 30% from $117 per ton in YTD 2016 to $152 per ton in YTD 2017
- Estimated positive EPS impact of a half a penny in Q3 and 3¢ YTD

# Europe - Q3 2017 Results

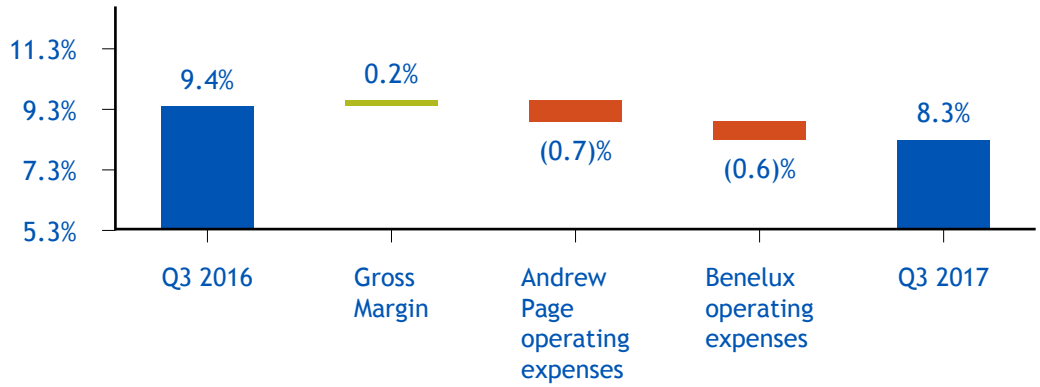
| ($ in millions) | 2017 | 2016 | Change | % of Revenue 2017 | % of Revenue 2016 |
|---|---|---|---|---|---|
| Total Revenue | $955 | $770 | 23.9% | | |
| Gross Margin | $347 | $279 | 24.5% | 36.4% | 36.2% |
| Operating Expenses | $270 | $207 | 30.7% | 28.3% | 26.9% |
| Segment EBITDA* | $79 | $73 | 9.2% | 8.3% | 9.4% |

*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 32.

## Gross Margin

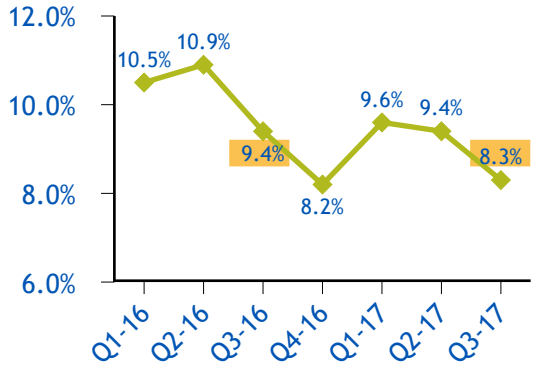



## Europe Segment EBITDA Margin Bridge




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

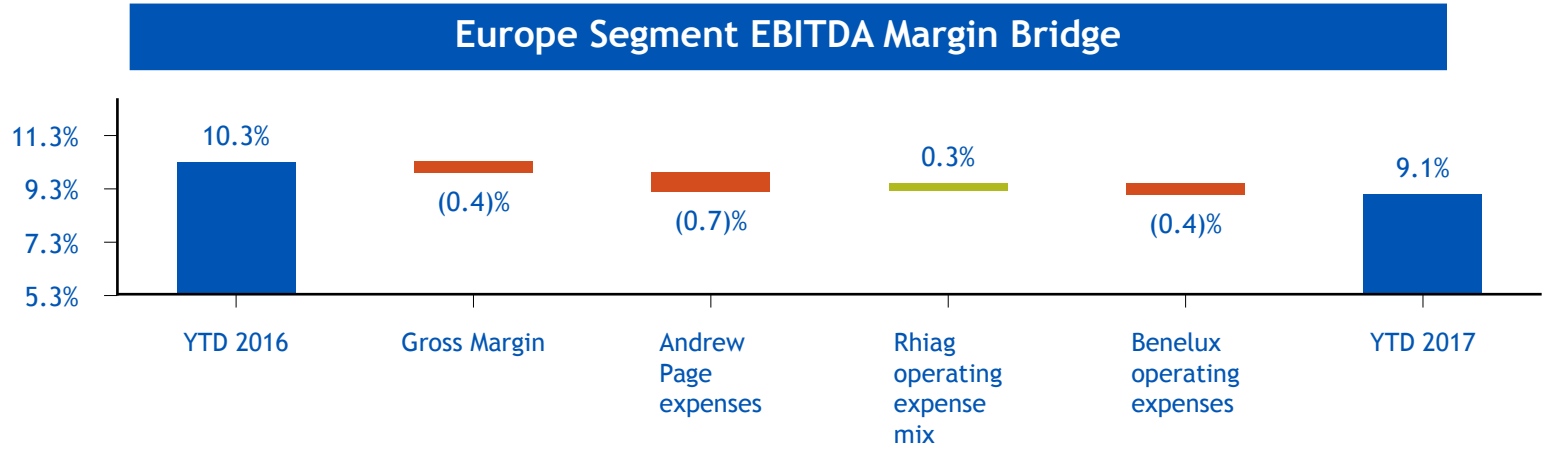
## Segment EBITDA Margin



# Europe - YTD 2017 Results

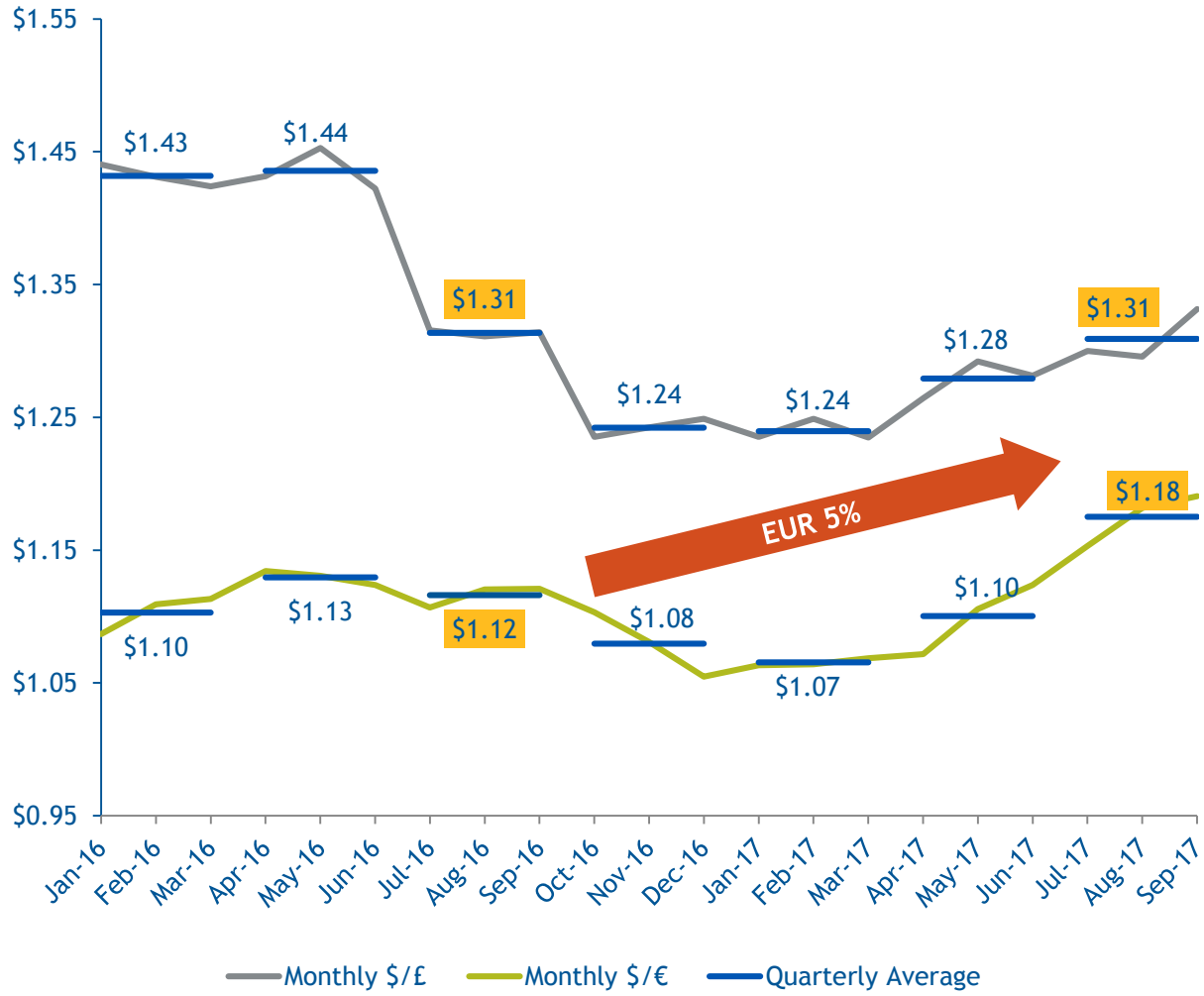
| ($ in millions) | 2017 | 2016 | Change | % of Revenue 2017 | % of Revenue 2016 |
|---|---|---|---|---|---|
| Total Revenue | $2,665 | $2,141 | 24.5% | | |
| Gross Margin | $982 | $796 | 23.4% | 36.8% | 37.2% |
| Operating Expenses | $745 | $577 | 29.0% | 28.0% | 27.0% |
| Segment EBITDA* | $242 | $220 | 9.8% | 9.1% | 10.3% |
| ECP Branches** | 248 | 210 | 38 | | |
| Rhiag Branches*** | 364 | 279 | 85 | | |
| 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 32.
** 2017 count includes 33 branches added as part of acquisitions after Q2 2016
*** 2017 count includes 49 branches added as part of an acquisition in Poland




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

# Foreign Exchange




- £ flat Q3 2017 vs. Q3 2016
- € up 5% Q3 2017 vs. Q3 2016
- Translation impact of weaker dollar on Europe revenue growth for QTD:
  - Q3: $23 million
- Translation impact of stronger dollar on Europe revenue growth for YTD:
  - YTD: $(82) million
- Europe constant currency parts and services revenue growth*:
  - Q3: 20.8%
  - YTD 28.2%
- Estimated currency impact on EPS growth**:
  - YTD: 2¢ negative impact

* Constant currency is a non-GAAP financial measure. Refer to constant current reconciliation on page 31

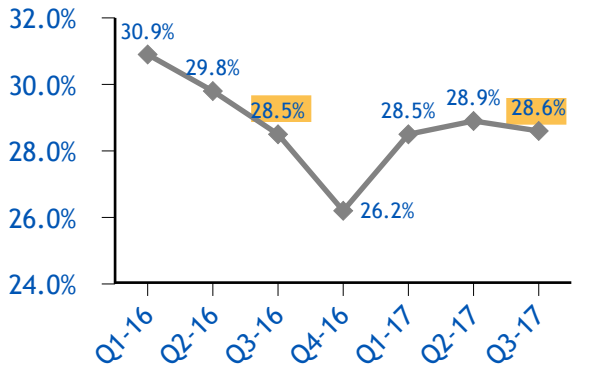
** Reflects the combined impact of all currencies on consolidated EPS growth (all segments); charts and revenue figures above reflect only GBP and EUR currencies related to Europe segment

# Specialty - Q3 2017 Results

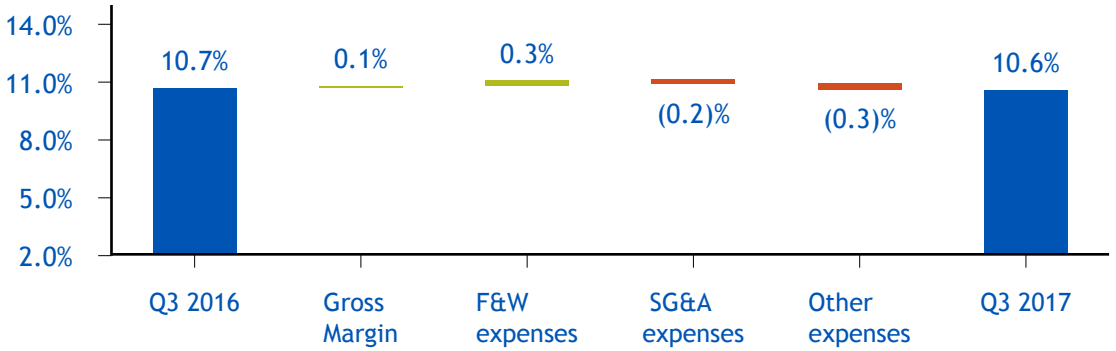
| ($ in millions) | 2017 | 2016 | Change | % of Revenue 2017 | % of Revenue 2016 |
|---|---|---|---|---|---|
| Total Revenue | $331 | $320 | 3.4% | | |
| Gross Margin | $95 | $91 | 3.8% | 28.6% | 28.5% |
| Operating Expenses | $59 | $58 | 2.5% | 17.9% | 18.0% |
| Segment EBITDA* | $35 | $34 | 2.9% | 10.6% | 10.7% |

*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 32.

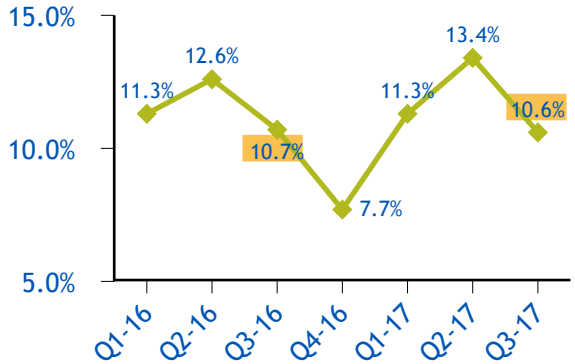
## Gross Margin




## Specialty Segment EBITDA Margin Bridge




## Segment EBITDA Margin

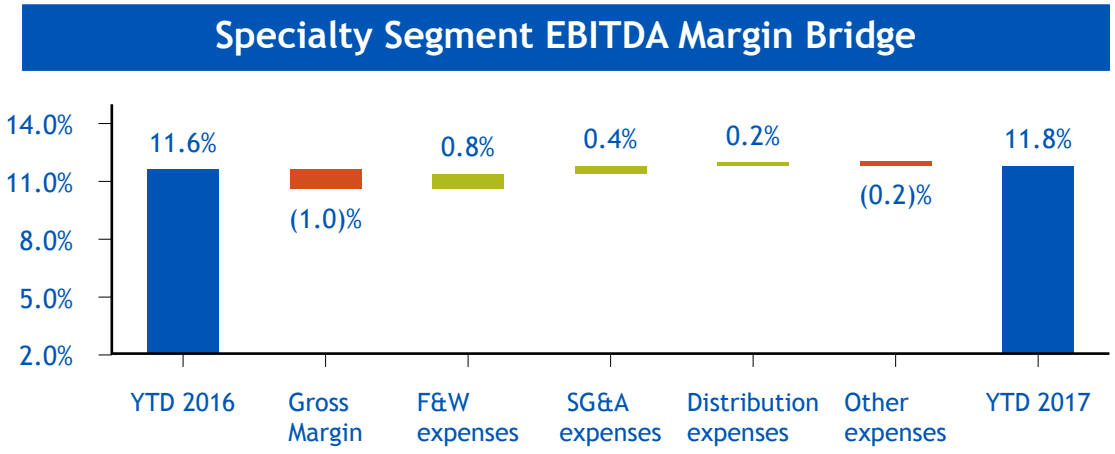



Note: In the table above, the sum of the individual percentages may not equal the total due to rounding

# Specialty - YTD 2017 Results

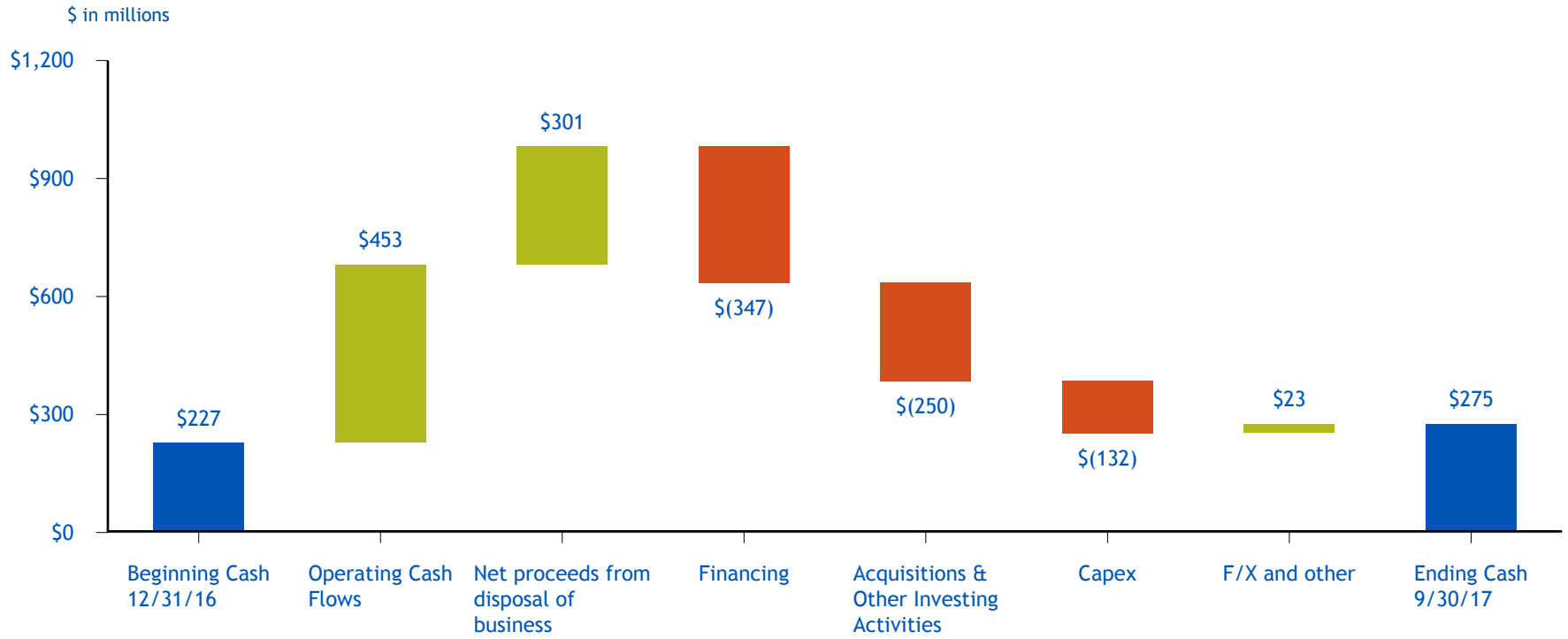
| ($ in millions) | 2017 | 2016 | Change | % of Revenue 2017 | % of Revenue 2016 |
|---|---|---|---|---|---|
| Total Revenue | $1,009 | $959 | 5.2% | | |
| Gross Margin | $289 | $285 | 1.7% | 28.7% | 29.7% |
| Operating Expenses | $171 | $176 | (2.8)% | 16.9% | 18.3% |
| Segment EBITDA* | $119 | $111 | 7.2% | 11.8% | 11.6% |

*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 32.



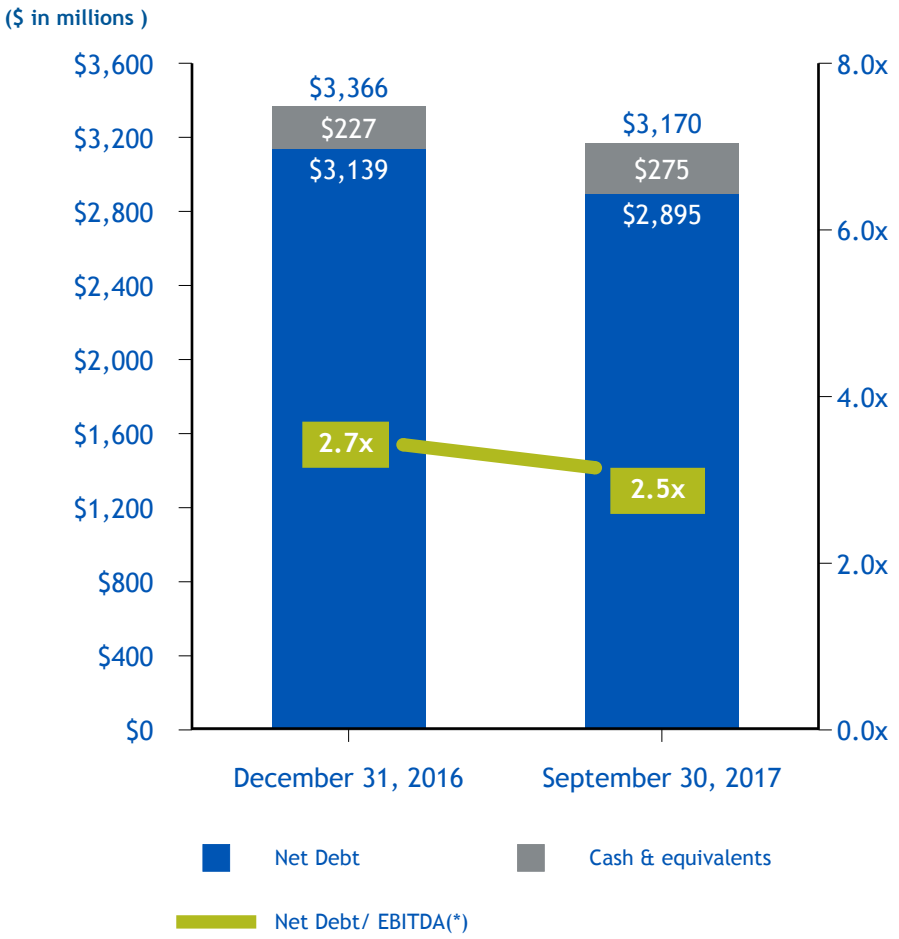

Note: In the table above, the sum of the individual percentages may not equal the total due to rounding

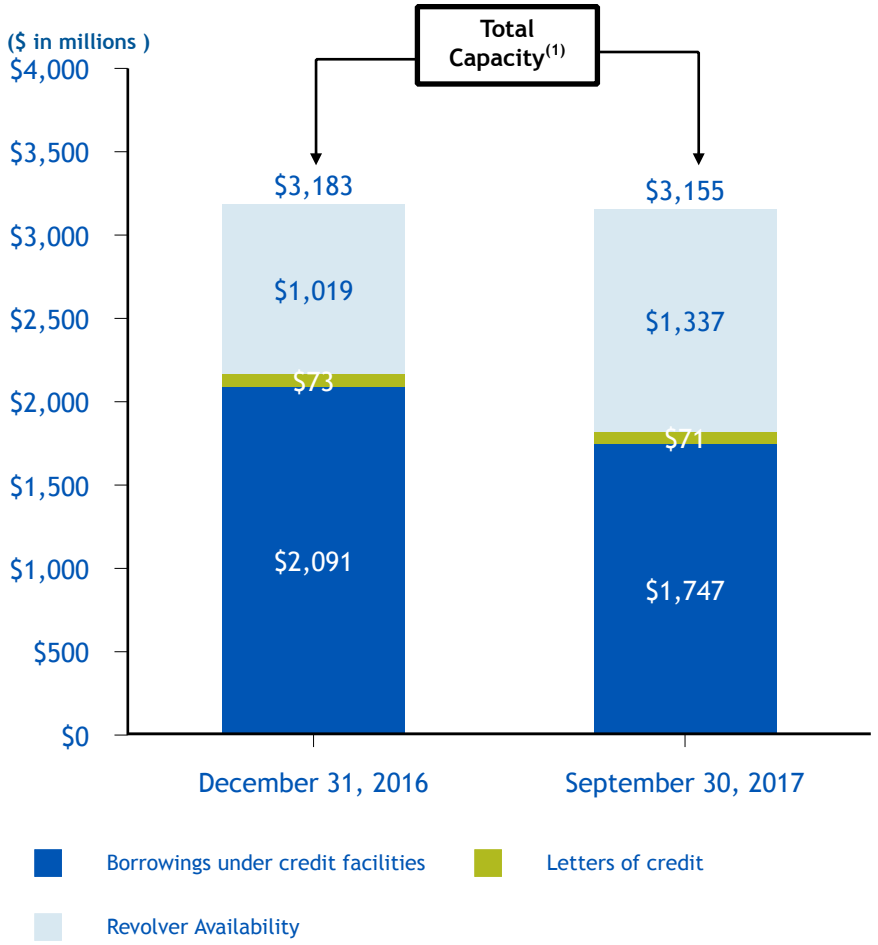
# 2017 Capital Allocation - Continuing operations




- Operating cash flows:
  - Year over year decrease driven primarily by higher investment in net working capital in YTD 2017
  - $141M net cash outflow from operating assets and liabilities due mainly to an increase of $75M of receivables and an increase of $98M of inventory partially offset by an increase of $42M in accounts payable
- Received net proceeds from the sale of the automotive glass business of $301M and invested $253M in acquisitions in YTD 2017
- Used $301 million of net cash proceeds from the sale of the automotive glass manufacturing business to repay revolver borrowings

# Leverage & Liquidity



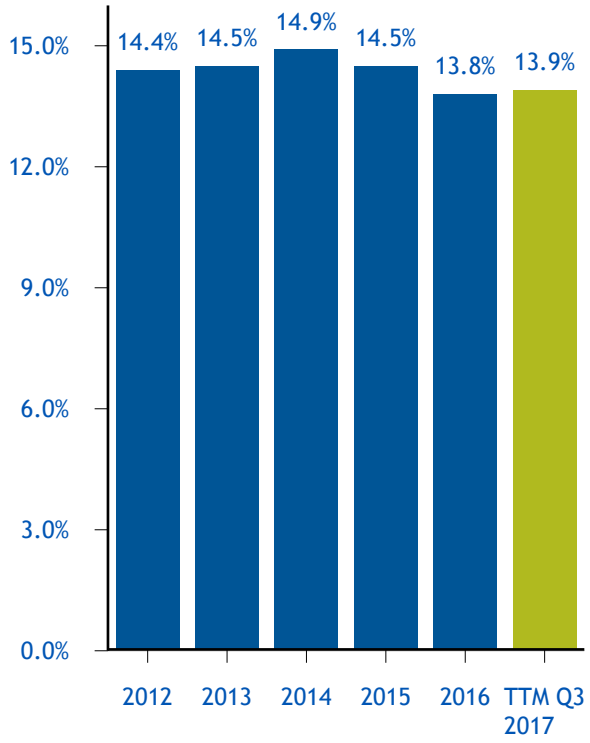




**Effective borrowing rate for Q3 2017 was 2.9%**

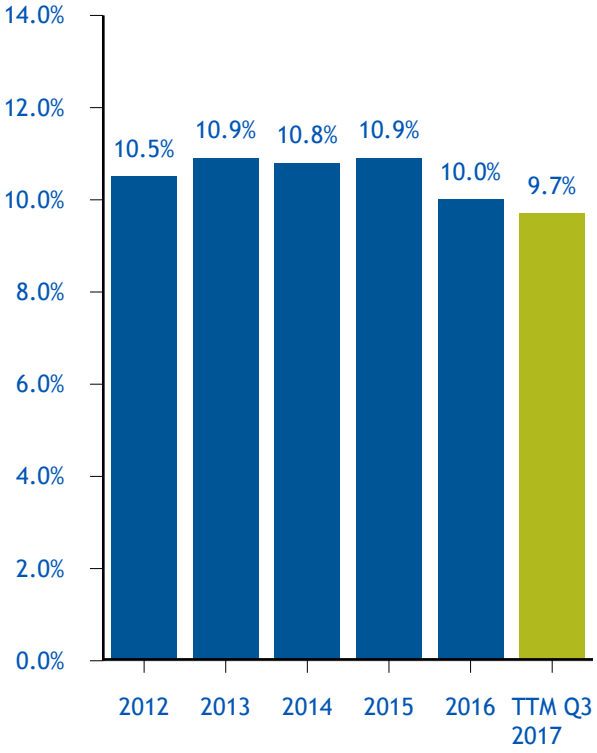
(1) Total capacity includes our term loans and revolving credit facilities
(*) Net leverage per bank covenants is defined as Net Debt/EBITDA. See the definitions of Net Debt and EBITDA in the credit agreement filed with the SEC for further details

# 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: October 26, 2017)

| ($ in millions excluding EPS) | Full Year 2016 Actual | Full Year 2017 Guidance[1] |
|---|---|---|
| Organic Growth, Parts and Services | 4.8% | 4.0% - 4.5% |
| Income- continuing operations | $456 | $517 - $537 |
| Adjusted Income- continuing operations[2] | $522 | $575 - $595 |
| Diluted EPS- continuing operations | $1.47 | $1.67 - $1.73 |
| Adjusted Diluted EPS- continuing operations[2] | $1.69 | $1.86 - $1.92 |
| Cash Flow from Operations - continuing operations | $571 | $600 - $625 |
| Capital Expenditures- continuing operations | $183 | $175 - $200 |

(1) Guidance for 2017 is based on current conditions (including acquisitions completed through October 26, 2017) and adjusted figures exclude (to the extent applicable) the impact of restructuring and acquisition related expenses; amortization expense related to acquired intangibles; excess tax benefits and deficiencies from stock-based payments; losses on debt extinguishment; and gains or losses related to acquisitions or divestitures (including changes in the fair value of contingent consideration liabilities). The guidance for 2017 is based on scrap prices remaining at current prices and exchange rates for the British pound, Euro and Canadian dollar holding near current levels. Changes in these figures may impact our ability to achieve the updated guidance

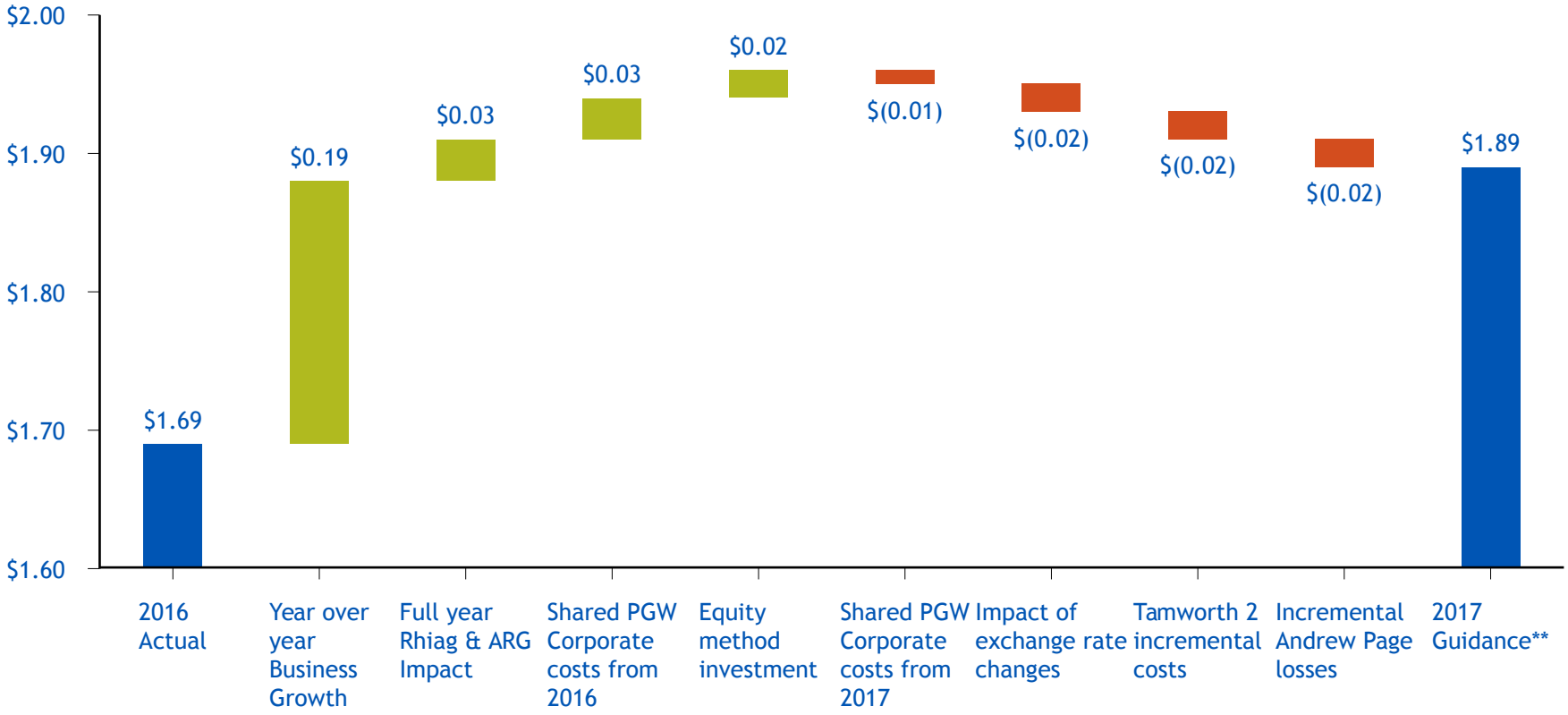
Full year 2016 actual figures for Adjusted Income from Continuing Operations an Adjusted Diluted EPS from Continuing Operations were calculated using the same methodology as the 2017 guidance. Organic revenue guidance refers only to parts and services revenue. LKQ updated its guidance on October 26, 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 except as required by law.

(2) Adjusted Income from Continuing Operations and Adjusted Diluted Earnings Per Share are non-GAAP measures. See page 37 for reconciliation of forecasted Adjusted Income from Continuing Operations and forecasted Adjusted Diluted Earnings Per Share from Continuing Operations



LKQ Corporation

# 2017 Adjusted Diluted EPS Guidance Bridge*




* Adjusted net income and adjusted diluted earnings per share are non-GAAP measures. See page 37 for reconciliation of forecasted adjusted net income from continuing operations and forecasted adjusted diluted earnings per share from continuing operations

** Reflects midpoint of Adjusted Diluted EPS guidance range

# Q3 2017 Key Takeaways

- Organic revenue growth of 3.2% and 3.8% for parts and services in Q3 and YTD, respectively
- Per day organic revenue growth of 4.7% and 4.3% for parts and services in Q3 and YTD, respectively
- Per day organic revenue growth in Q3 of 4.0%, 5.6% and 4.4% for our North America, Europe and Specialty segments, respectively
- Income from continuing operations improvement of 11.4% and 15.1% for Q3 and YTD, respectively
- Q3 Continuing operations Diluted EPS of $0.39 vs. $0.35, an 11.4% increase
- Q3 Continuing operations Adjusted Diluted EPS** of $0.45 vs. $0.41, a 9.8% increase

* Constant Currency is a non-GAAP measure. Refer to segment Constant Currency reconciliation on page 31
** Adjusted Diluted EPS is a non-GAAP measure. Refer to EPS reconciliation on page 35

# Consistent Business Model and Strategy



# 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 September 30, 2017 | | Nine Months Ended September 30, 2017 | |
|---|---|---|---|---|
| | **Consolidated** | **Europe** | **Consolidated** | **Europe** |
| **Parts & Services** | | | | |
| Revenue Growth as reported | 11.4% | 23.8% | 12.7% | 24.4% |
| Less: Currency impact | 1.3% | 3.0% | (1.3%) | (3.8%) |
| Revenue growth at constant currency | 10.1% | 20.8% | 14.0% | 28.2% |

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. 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 - Revenue and Segment EBITDA by segment

| (in millions) | Three Months Ended September 30* | | | | Nine Months Ended September 30* | | | |
|---|---|---|---|---|---|---|---|---|
| | 2017 | % of revenue | 2016 | % of revenue | 2017 | % of revenue | 2016 | % of revenue |
| **Revenue** | | | | | | | | |
| North America | $1,181.9 | | $1,118.6 | | $3,596.7 | | $3,336.8 | |
| Europe | 954.5 | | 770.2 | | 2,665.2 | | 2,141.2 | |
| Specialty | 330.6 | | 319.7 | | 1,009.0 | | 959.2 | |
| Eliminations | (1.3) | | (1.2) | | (3.8) | | (3.6) | |
| Total Revenue | $2,465.8 | | $2,207.3 | | $7,267.1 | | $6,433.6 | |
| **Segment EBITDA** | | | | | | | | |
| North America | $152.6 | 12.9% | $139.7 | 12.5% | $502.5 | 14.0% | $451.5 | 13.5% |
| Europe | 79.3 | 8.3% | 72.6 | 9.4% | 241.5 | 9.1% | 220.1 | 10.3% |
| Specialty | 35.1 | 10.6% | 34.1 | 10.7% | 119.1 | 11.8% | 111.1 | 11.6% |
| Total Segment EBITDA | $267.0 | 10.8% | $246.4 | 11.2% | $863.2 | 11.9% | $782.7 | 12.2% |

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

# Appendix 3 - Reconciliation of Net Income to EBITDA and Segment EBITDA

| (in millions) | Three Months Ended September 30** | | Nine Months Ended September 30** | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| Net income | $122.4 | $122.7 | $409.6 | $377.6 |
| Subtract: | | | | |
| Income (Loss) from discontinued operations, net of tax | — | 12.8 | (4.5) | 17.8 |
| Income from continuing operations | $122.4 | $109.8 | $414.1 | $359.8 |
| Add: | | | | |
| Depreciation and amortization | 59.9 | 55.0 | 166.5 | 142.2 |
| Interest expense, net | 25.2 | 24.8 | 73.8 | 64.0 |
| Loss on debt extinguishment* | — | — | — | 26.7 |
| Provision for income taxes | 58.2 | 49.8 | 206.2 | 173.2 |
| EBITDA | $265.7 | $239.5 | $860.6 | $765.9 |
| **Subtract:** | | | | |
| Equity in earnings (loss) of unconsolidated subsidiaries | 2.7 | — | 3.9 | (0.5) |
| Gains on foreign exchange contracts - acquisition related | — | — | — | 18.3 |
| Gains on bargain purchases | 0.9 | — | 4.0 | — |
| **Add:** | | | | |
| Restructuring and acquisition related expenses | 4.9 | 6.9 | 10.4 | 30.8 |
| Inventory step-up adjustment - acquisition related | — | — | — | 3.6 |
| Change in fair value of contingent consideration liabilities | — | 0.1 | — | 0.2 |
| Segment EBITDA | $267.0 | $246.4 | $863.2 | $782.7 |
| | | | | |
| EBITDA as a percentage of revenue | 10.8% | 10.8% | 11.8% | 11.9% |
| Segment EBITDA as a percentage of revenue | 10.8% | 11.2% | 11.9% | 12.2% |

* 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- Reconciliation of Net Income to EBITDA and Segment EBITDA

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 and underlying trends in our ongoing operations. 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. 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 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 appropriate measures for performance relative to other companies.

# Appendix 4 - Reconciliation of Net Income and EPS to Adjusted Net Income and Adjusted EPS from continuing operations

| (in millions, except per share data) | Three Months Ended September 30* | | Nine Months Ended September 30* | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| Net income | $122.4 | $122.7 | $409.6 | $377.6 |
| Subtract: | | | | |
| Income (Loss) from discontinued operations, net of tax | — | 12.8 | (4.5) | 17.8 |
| Income from continuing operations | $122.4 | $109.8 | $414.1 | $359.8 |
| Adjustments: | | | | |
| Amortization of acquired intangibles | 25.1 | 25.0 | 71.2 | 58.2 |
| Restructuring and acquisition related expenses | 4.9 | 6.9 | 10.4 | 30.8 |
| Loss on debt extinguishment | — | — | — | 26.7 |
| Inventory step-up adjustment – acquisition related | — | — | — | 3.6 |
| Change in fair value of contingent consideration liabilities | — | 0.1 | — | 0.2 |
| Gains on foreign exchange contracts - acquisition related | — | — | — | (18.3) |
| Gains on bargain purchases | (0.9) | — | (4.0) | — |
| Excess tax benefit from stock-based payments | (1.5) | (5.0) | (7.1) | (11.5) |
| Tax effect of adjustments | (10.2) | (11.1) | (28.3) | (35.1) |
| Adjusted income from continuing operations | $139.7 | $125.8 | $456.3 | $414.4 |
| | | | | |
| Weighted average diluted common shares outstanding | 310.8 | 310.0 | 310.5 | 309.7 |
| Diluted earnings per share - continuing operations | $0.39 | $0.35 | $1.33 | $1.16 |
| Adjusted diluted earnings per share - continuing operations | $0.45 | $0.41 | $1.47 | $1.34 |

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

# Appendix 4 - Reconciliation of Net Income and EPS to Adjusted Net Income and Adjusted EPS from continuing operations

We have presented Adjusted Net Income and Adjusted Diluted Earnings per Share from Continuing Operations as we believe these measures are useful for evaluating the core operating performance of our continuing business across reporting periods and in analyzing the company's historical operating results. We define Adjusted Net Income and Adjusted Diluted Earnings per Share from Continuing Operations as Net Income and Diluted Earnings per Share adjusted to eliminate the impact of discontinued operations, 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, 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 from Continuing Operations 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 from Continuing Operations 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 5 - Forecasted EPS reconciliation*

| (in millions, except per share data) | For the year ending December 31, 2017 Minimum Guidance | Maximum Guidance |
|---|---|---|
| Income from continuing operations | $517 | $537 |
| Adjustments: | | |
| Amortization of acquired intangibles | 95 | 95 |
| Restructuring and acquisition related expenses | 10 | 10 |
| Gain on bargain purchase | (4) | (4) |
| Excess tax benefit from stock-based payments | (7) | (7) |
| Tax effect of adjustments | (36) | (36) |
| **Adjusted income from continuing operations** | $575 | $595 |
| Weighted average diluted common shares outstanding | 311 | 311 |
| Diluted earnings per share - continuing operations | $1.67 | $1.73 |
| Adjusted diluted earnings per share - continuing operations | $1.86 | $1.92 |

In the calculation of forecasted Adjusted Income from Continuing Operations and forecasted Adjusted Diluted Earnings Per Share from Continuing Operations, we included estimates of income from continuing operations and amortization of acquired intangibles for the full fiscal year 2017 and the related tax effect; we included for all other components the amounts incurred as of September 30, 2017.

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