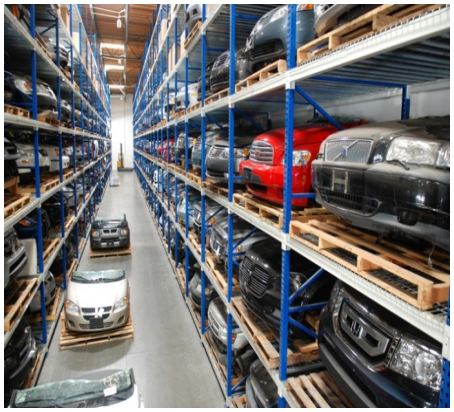
Fourth Quarter & Full Year 2017 Earnings Call

February 22, 2018

Nick Zarcone - *President & Chief Executive Officer*
Varun Laroyia - *Executive Vice President & Chief Financial Officer*
Joe Boutross - *Vice President of 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, as well as our future filings, including our Annual Report on Form 10-K for the year ended December 31, 2017. These reports are available on our investor relations website at lkqcorp.com and on the SEC website at sec.gov.

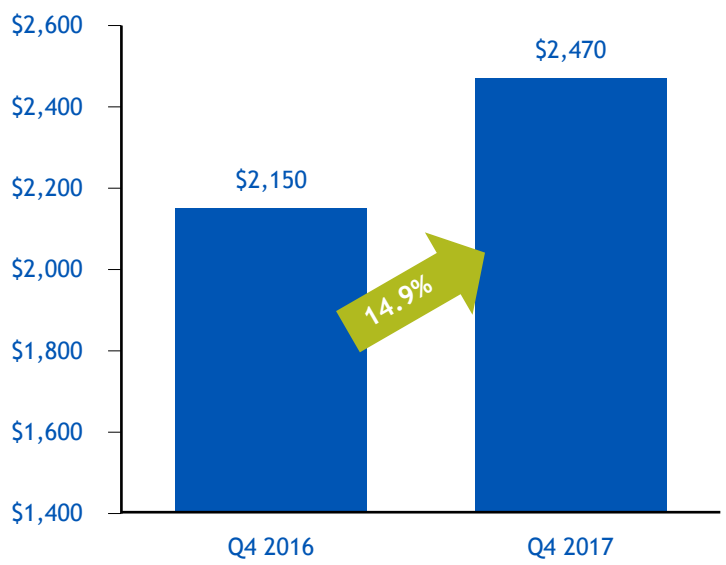
This presentation contains non-GAAP financial measures. Included with this presentation are reconciliations of each non-GAAP financial measure with the most directly comparable financial measure calculated in accordance with GAAP.

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

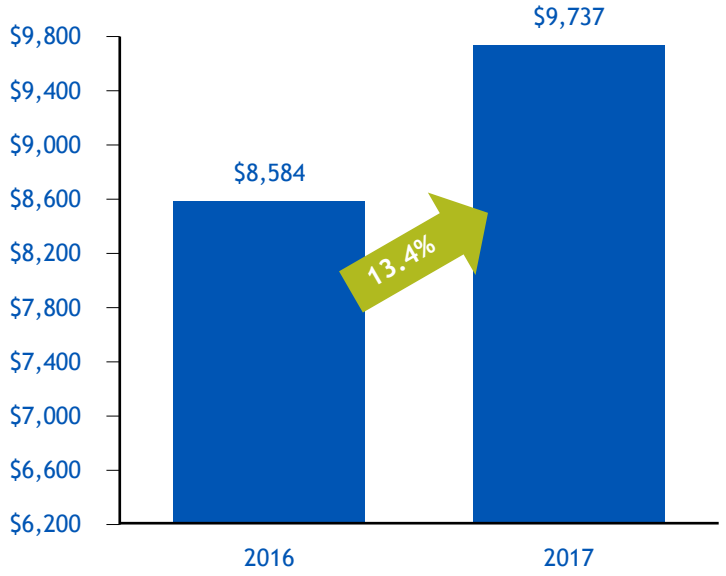
Consolidated Results - Continuing operations

Q4 2017 Revenue*



- Organic growth of parts and services revenue of 4.8% on a reported basis
- Net income from continuing operations attributable to LKQ stockholders $126 million Q4 2017 vs. $96 million Q4 2016
- Segment EBITDA Margin** 10.3% Q4 2017 vs. 10.3% Q4 2016

2017 Revenue*



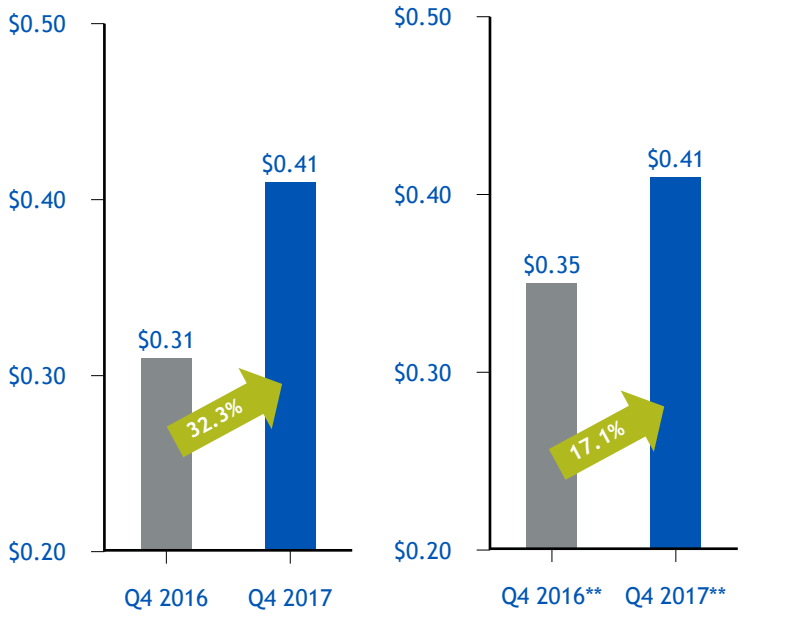
- Organic growth of parts and services revenue of 4.1% on a reported basis; 4.5% on a per day basis
- Net income from continuing operations attributable to LKQ stockholders $540 million 2017 vs. $456 million 2016
- Segment EBITDA Margin** 11.5% 2017 vs. 11.7% 2016

* Revenue in millions

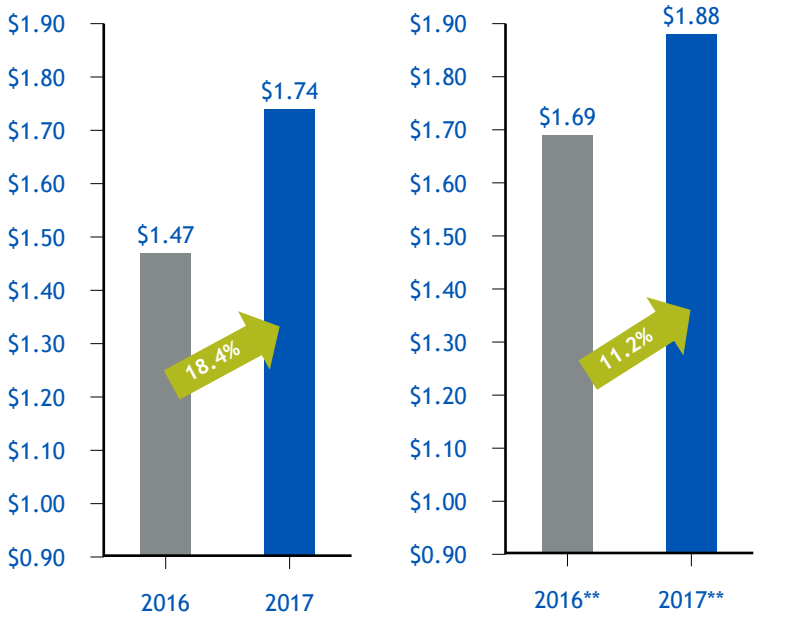
** Segment EBITDA is a non-GAAP financial measure. Refer to Segment EBITDA reconciliation on page 33

Consolidated Results - Continuing operations

Q4 2017 EPS*



2017 EPS*



* Earnings per share figures refer to income from continuing operations attributable to LKQ stockholders

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

*** The Tax Cuts and Jobs Act (the "Tax Act") generated a net $22 million reduction to the tax provision, or $0.07 per diluted share. The impact was excluded in determining Adjusted Diluted EPS.

Q4 2017 Revenue Growth

Revenue Changes by Source:	Organic	Acquisition	Foreign Exchange	Total[1]
North America	5.0%	1.5%	0.3%	6.8%
Europe	5.0%	11.3%	8.2%	24.6%
Specialty	3.6%	8.1%	0.5%	12.1%
Parts and Services	4.8%	6.1%	3.3%	14.3%
Other Revenue	24.9%	1.2%	0.2%	26.2%
Total	5.8%	5.8%	3.2%	14.9%

- Organic revenue growth for parts and services in North America was largely attributable to increased sales volumes in our wholesale operations
- European organic growth was driven by both established and new branches (45 in Eastern Europe since Q4 2016)
- Collision parts organic revenue growth in the UK was 10.9%
- Favorable F/X impact on European revenue of $64 million; European constant currency parts and services revenue growth of 16.4% [2]
- Specialty acquisition growth was $21 million, most of which relates to Warn Industries, Inc. (acquired November 1, 2017)
- Increase in Other Revenue was primarily attributable to higher scrap steel and other metal prices. Scrap steel prices were up 38% versus Q4 2016

(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	3.0%	3.6%	0.1%	6.7%
Europe	5.3%	19.8%	(0.6)%	24.5%
Specialty	4.7%	1.9%	0.1%	6.7%
Parts and Services	4.1%	9.1%	(0.1)%	13.1%
Other Revenue	19.6%	0.7%	0.0%	20.2%
Total	4.9%	8.7%	(0.1)%	13.4%

- Organic revenue growth for parts and service on a per day basis in North America, Europe and Specialty was 3.4%, 5.7% and 5.1%, respectively, as there was one fewer selling day in 2017 compared to the prior year period
- Organic revenue growth for parts and service in North America was largely attributable to increased sales volumes, primarily in our salvage operations and, to a lesser extent, our aftermarket operations
- PGW autoglass is reflected in North America organic revenue as of April 21, 2017
- Organic growth for parts and service in Europe was driven by both established and new branches (65 in Eastern Europe and 23 in Western Europe since the beginning of 2016)
- Collision parts organic revenue growth in the UK was 14%
- European constant currency parts and services revenue growth of 25.1%[2]
- European acquisition growth was $578 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)
- Increase in Other Revenue was primarily attributable to higher scrap steel and other metals prices. Scrap steel prices were up 32% 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 measure. Refer to constant currency reconciliation on page 31

Q4 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 4 PGW autoglass locations into LKQ warehouses in the fourth quarter
- PGW was awarded an exclusive agreement with Mopar, the parts division of Fiat Chrysler Automotive, for the distribution of Mopar batteries to their dealer network. PGW is now the exclusive OE supplier of glass and batteries to all Mopar dealerships

Europe

- On October 31, 2017, the CMA concluded its review and determined that we must divest less than 10% of the Andrew Page acquired locations. Following the announcement, we began the integration with ECP, which will continue into 2018
- ECP's new national distribution center (T2) continues on plan. All ECP branches in the UK are now being delivered out of T2
- Expanded our UK presence in the heavy truck market by entering into a joint venture
- Rhiag opened 9 branches and acquired 19 branches in Q4 2017
- Procurement initiatives, including consolidated rebates and discount programs with suppliers, are ongoing
- Entered into an agreement to acquire Stahlgruber GmbH ("Stahlgruber"), the largest aftermarket automotive parts distributor in Germany, with operations in several other adjacent countries

Specialty

- Sales of light trucks and vehicles in Specialty Business "sweet spot" trended favorably
- Established a small footprint and salesforce in Europe, improving our ability to export accessories for US manufactured automobiles
- Acquired Warn Industries, Inc., a leading designer, manufacturer and marketer of high performance vehicle equipment and accessories
- We began the build out of a new 450,000 square foot facility in Southern California that will allow us to offer improved service levels and better inventory availability for our customers in certain key geographic markets. The target opening is Q2 2018

Inventory

Inventory Procurement:	Q4			YTD		
($ in millions, Vehicles purchased in 000s)	2017	2016	% Change	2017	2016	% Change
Total aftermarket procurement	$1,291	$1,092	19.7%	$4,730	$4,145	14.1%
Wholesale salvage cars and trucks	84	77	9.1%	310	291	6.5%
Europe wholesale salvage cars and trucks	7	6	16.7%	25	23	8.7%
Self service and "crush only" cars	130	129	0.8%	542	524	3.4%

- We believe aftermarket inventory levels are sufficient to achieve our growth targets
- In North America, aftermarket purchases during the year ended December 31, 2017 increased primarily due to stocking up on inventory to support the growth of our business, favorable buying conditions in Q4 and the acquisition of PGW
- In Europe, the increase in aftermarket purchases during the year ended December 31, 2017 was primarily related to our acquisitions of Rhiag in March 2016 and Andrew Page in October 2016. These acquisitions added incremental purchases of $181 million and $107 million in 2017 for Rhiag and Andrew Page, respectively
- Cost per vehicle in our self service operations increased 13% year over year due primarily to increases in scrap steel prices
- Average cost per vehicle in our full service salvage operations was up 1% year over year

Acquisition Activity

	Number of Q4 Acquisitions	TTM Revenue*	Number of YTD Acquisitions	TTM Revenue*
North America	2	$21 million	6	$92 million
Europe	2	$16 million	16	$344 million**
Specialty	1	$138 million	4	$142 million
Total	5	$175 million	26	$578 million

- During the 4th quarter of 2017,we acquired 5 businesses, including:
  - Two aftermarket parts businesses in the U.S.
  - One aftermarket parts business in Bosnia and Herzegovina
  - One aftermarket parts business in the Netherlands
  - One specialty aftermarket parts business in the U.S. (Warn Industries)
- On December 11, 2017, we announced the acquisition of Stahlgruber. The transaction is expected to be completed in the first half of 2018 and is subject to regulatory approvals

* Approximate TTM Revenue as of acquisition date (unaudited)
** Adjusted for updated information regarding acquisitions prior to Q4

Financial Results

Operating Results - Continuing Operations

($ in millions,except per share data)	Fourth Quarter 2017	Fourth Quarter 2016	Fourth Quarter Change	YTD 2017	YTD 2016	YTD Change
Revenue	$2,470	$2,150	14.9%	$9,737	$8,584	13.4%
Gross Margin	948	830	14.2%	3,800	3,352	13.4%
Operating Income	168	162	3.8%	847	763	11.0%
Pre-tax Income	150	144	4.5%	767	677	13.2%
Net income from continuing operations attributable to LKQ stockholders	126	96	31.2%	540	456	18.5%
Segment EBITDA*	253	222	14.0%	1,117	1,005	11.1%
Diluted EPS from continuing operations attributable to LKQ stockholders:						
Reported	$0.41	$0.31	32.3%	$1.74	$1.47	18.4%
Adjusted**	$0.41	$0.35	17.1%	$1.88	$1.69	11.2%

- Our effective income tax rates for the quarter and YTD were 19.5% and 30.7%, respectively, compared to 32.9% and 32.6% for the comparable prior year periods. The Q4 and YTD 2017 income tax rates reflect a net $22 million tax benefit related to changes resulting from the Tax Act, which was enacted in December 2017. The benefit is included in the reported figures but is excluded from the adjusted results.

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

Q4 2017 Consolidated Margins - Continuing operations

(as a % of Revenue)	Q4 2017	Q4 2016	Change F/(U)	Q4 2017 Commentary
Revenue	100.0%	100.0%	—%	
Gross Margin	38.4%	38.6%	(0.2)%	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 Europe and Specialty segments
Facility and Warehouse Expenses	8.7%	8.0%	(0.7)%	Facilities and warehouse expense increased primarily due to an increase of 0.4% in our Europe segment and 0.3% in our North America segment mainly related to personnel costs
Distribution Expenses	8.2%	8.1%	(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	11.9%	12.1%	0.2%	The decrease in SG&A is primarily related to our North America segment
Restructuring and Acquisition Related Expenses	0.4%	0.3%	(0.1)%	Increase is primarily related to restructuring costs in our North America segment and increased acquisition costs in our Europe segment related to Stahlgruber
Depreciation and Amortization	2.4%	2.5%	0.1%	Depreciation and amortization costs increased in dollar terms due to recent acquisitions
Operating Income	6.8%	7.5%	(0.7)%	
Segment EBITDA*	10.3%	10.3%	—%	

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.

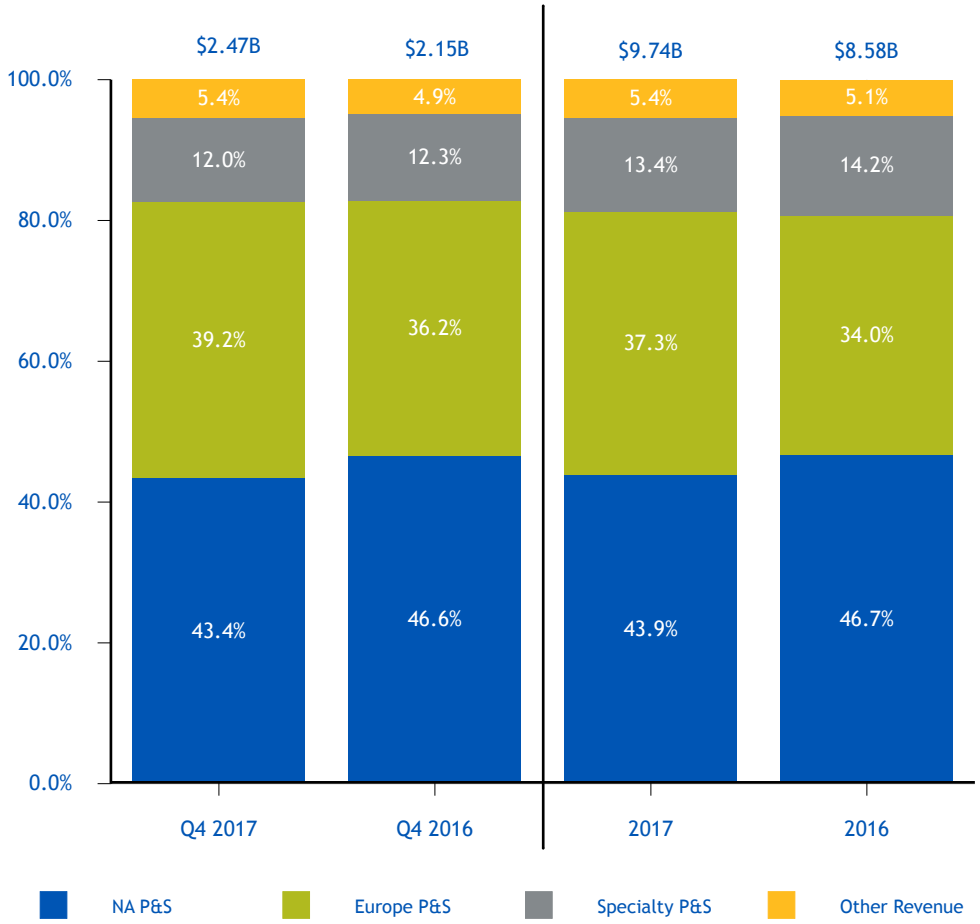
2017 Consolidated Margins - Continuing operations

(as a % of Revenue)	2017	2016	Change F/(U)	YTD Commentary
Revenue	100.0%	100.0%	—%	
Gross Margin	39.0%	39.0%	—%	Cost of goods sold decreased 0.3% as a result of our North America segment, primarily related to our salvage operations. Offsetting this decrease were roughly equal increases in cost of goods sold in our Europe and Specialty segments
Facility and Warehouse Expenses	8.2%	8.0%	(0.2)%	The change in facility and warehouse expense reflects a 0.2% increase which was primarily due to increased personnel costs in our North America segment
Distribution Expenses	8.1%	8.0%	(0.1)%	The increase reflects a number of individually insignificant fluctuations in distribution expense as a percentage of revenue across all of our segments
Selling, General and Administrative Expenses	11.6%	11.5%	(0.1)%	SG&A increased as a result of a 0.3% increase in our Europe segment, partially offset by decreases in our North America segment and, to a lesser extent, our Specialty segment
Restructuring and Acquisition Related Expenses	0.2%	0.4%	0.2%	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	2.3%	2.2%	(0.1)%	Depreciation and amortization costs increased in dollar terms due to recent acquisitions
Operating Income	8.7%	8.9%	(0.2)%	
Segment EBITDA*	11.5%	11.7%	(0.2)%	

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

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Components of Revenue



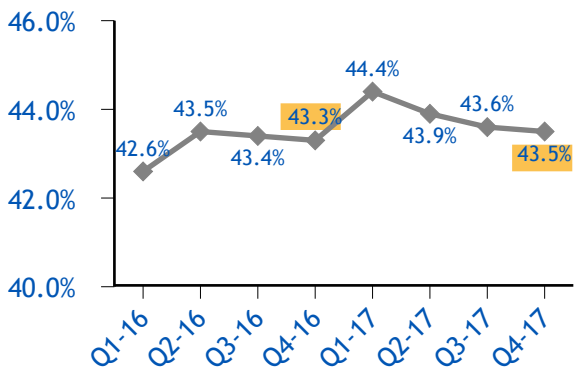
- A portion of change in margins on a consolidated basis is attributable to change in revenue mix
- North America historically has the highest Gross margins and EBITDA margins relative to the other segments
- Increase in YTD revenue as a percentage of consolidated revenue for our European businesses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

North America - Q4 2017 Results

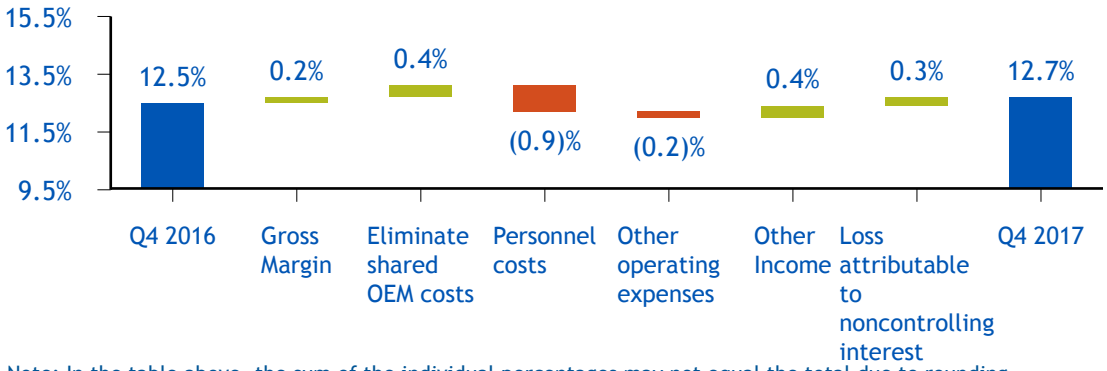
($ in millions)	2017	2016	Change	% of Revenue 2017	% of Revenue 2016
Total Revenue	$1,203	$1,108	8.6%		
Gross Margin	$523	$480	9.1%	43.5%	43.3%
Operating Expenses	$378	$341	10.9%	31.5%	30.8%
Segment EBITDA*	$153	$138	10.4%	12.7%	12.5%

*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

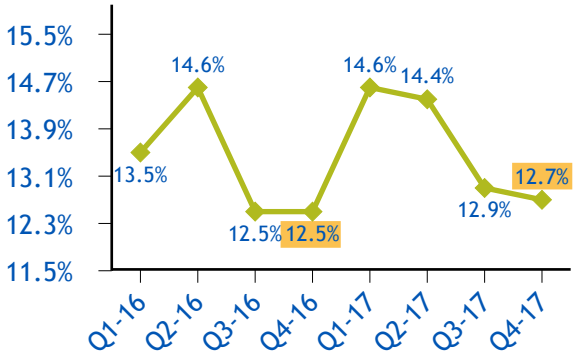


North America Segment EBITDA Margin Bridge



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

Segment EBITDA Margin

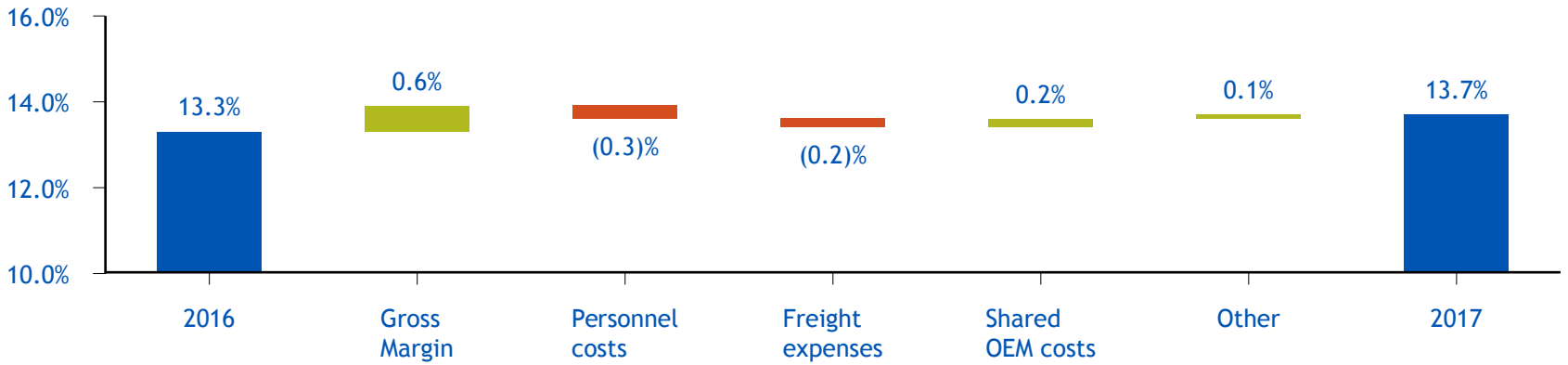


North America - 2017 Results

($ in millions)	2017	2016	Change	% of Revenue 2017	% of Revenue 2016
Total Revenue	$4,800	$4,445	8.0%		
Gross Margin	$2,104	$1,921	9.5%	43.8%	43.2%
Operating Expenses	$1,466	$1,340	9.3%	30.5%	30.2%
Segment EBITDA*	$655	$590	11.1%	13.7%	13.3%

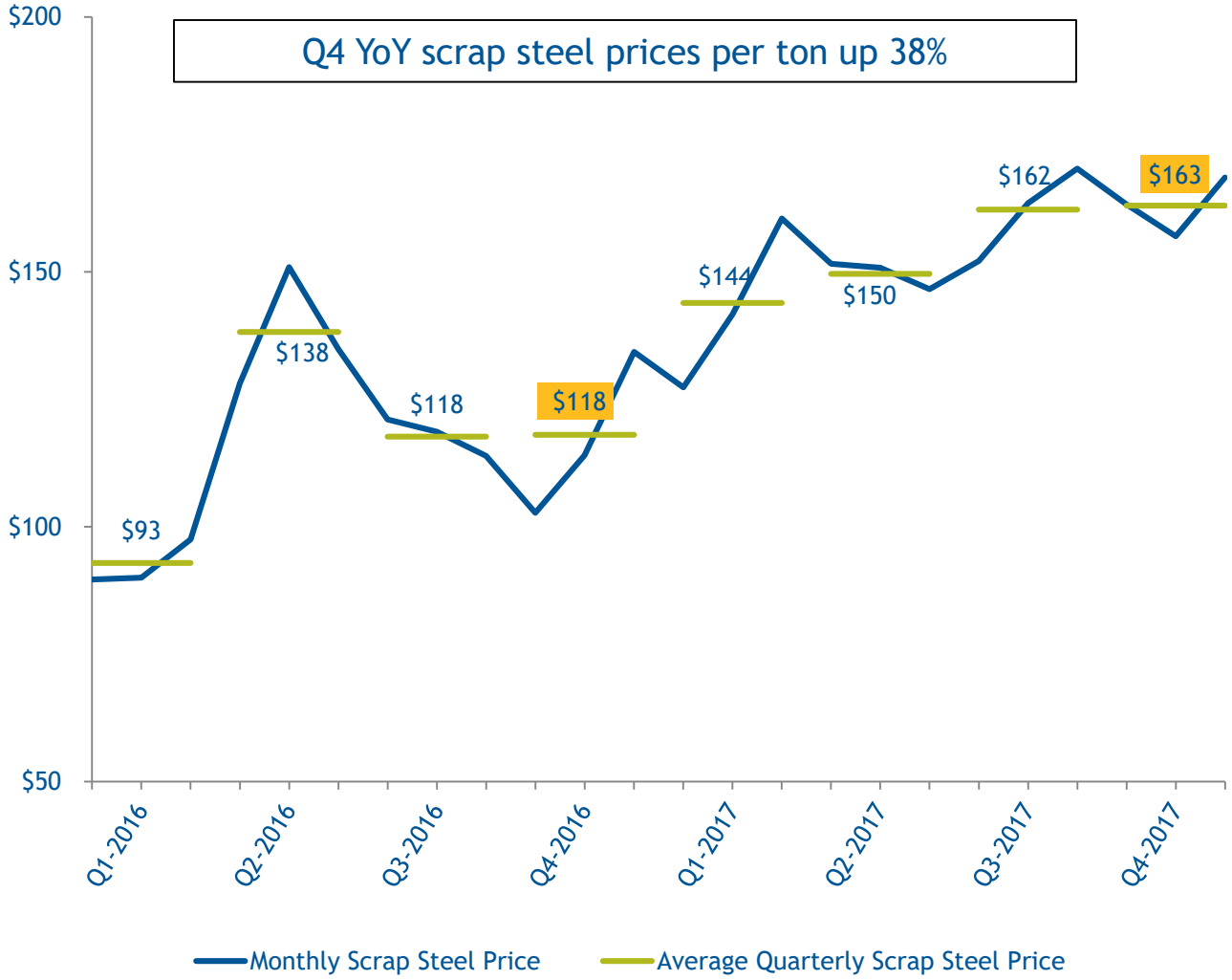
*Segment EBITDA is a non-GAAP measure. Refer to total segment EBITDA reconciliation on page 33 and the breakout of Segment EBITDA by each respective segment on page 32

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



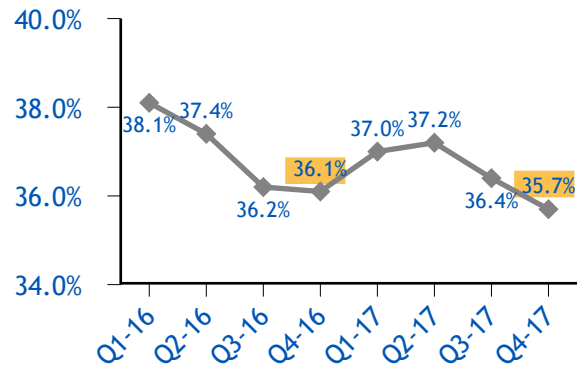
- Average price we received for scrap steel in Q4 2017 increased by 38%, from $118 per ton in Q4 2016 to $163 per ton in Q4 2017
- Average price we received for scrap steel YTD increased by 32% from $117 per ton in 2016 to $154 per ton in 2017
- Flat impact on EPS in Q4 and positive EPS impact of 3¢ YTD

Europe - Q4 2017 Results

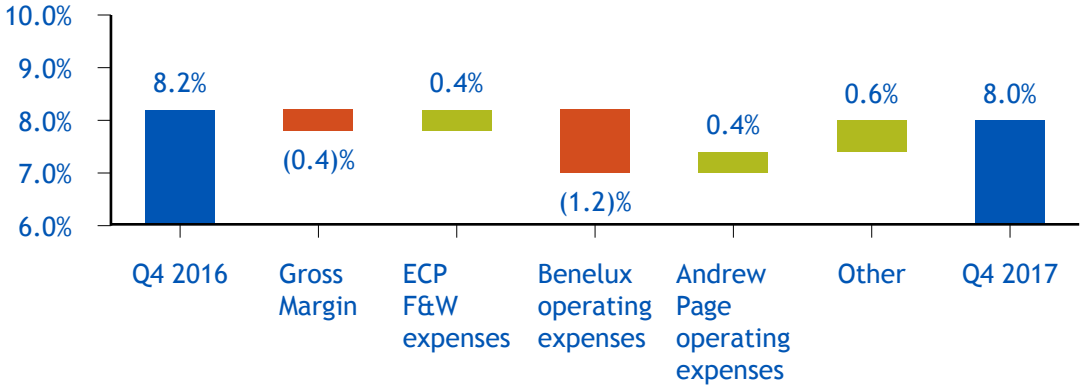
($ in millions)	2017	2016	Change	% of Revenue 2017	% of Revenue 2016
Total Revenue	$972	$779	24.7%		
Gross Margin	$347	$281	23.3%	35.7%	36.1%
Operating Expenses	$272	$216	25.8%	28.0%	27.7%
Segment EBITDA*	$78	$64	22.2%	8.0%	8.2%

* 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 32

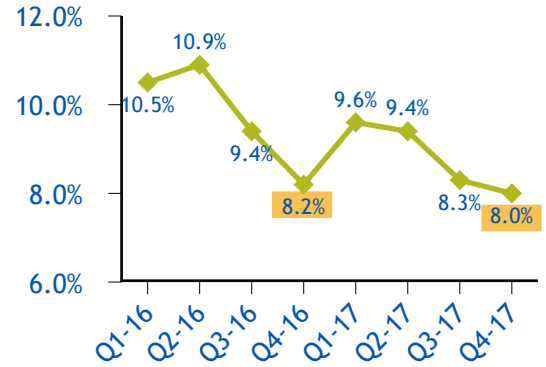
Gross Margin



Europe Segment EBITDA Margin Bridge



Segment EBITDA Margin



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

Europe – 2017 Results

($ in millions)	2017	2016	Change	% of Revenue 2017	% of Revenue 2016
Total Revenue	$3,637	$2,920	24.5%		
Gross Margin	$1,329	$1,077	23.4%	36.5%	36.9%
Operating Expenses	$1,017	$794	28.2%	28.0%	27.2%
Segment EBITDA*	$319	$284	12.5%	8.8%	9.7%
ECP Branches**	253	245	8		
Sator Branches***	116	94	22		
Rhiag Branches****	392	290	102		
Andrew Page Branches	99	99	—		

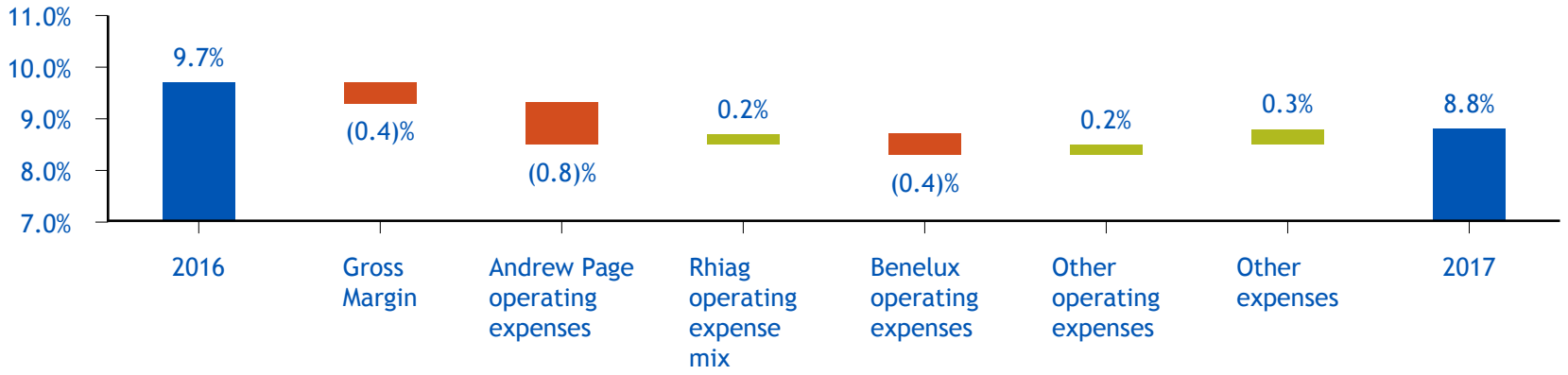
* Segment EBITDA is a non-GAAP measure. Refer to total segment EBITDA reconciliation on page 33 and the breakout of Segment EBITDA by each respective segment on page 32

** 2017 count includes 33 branches added as a part of acquisitions

*** 2017 count includes 22 branches added as part of acquisitions in Belgium

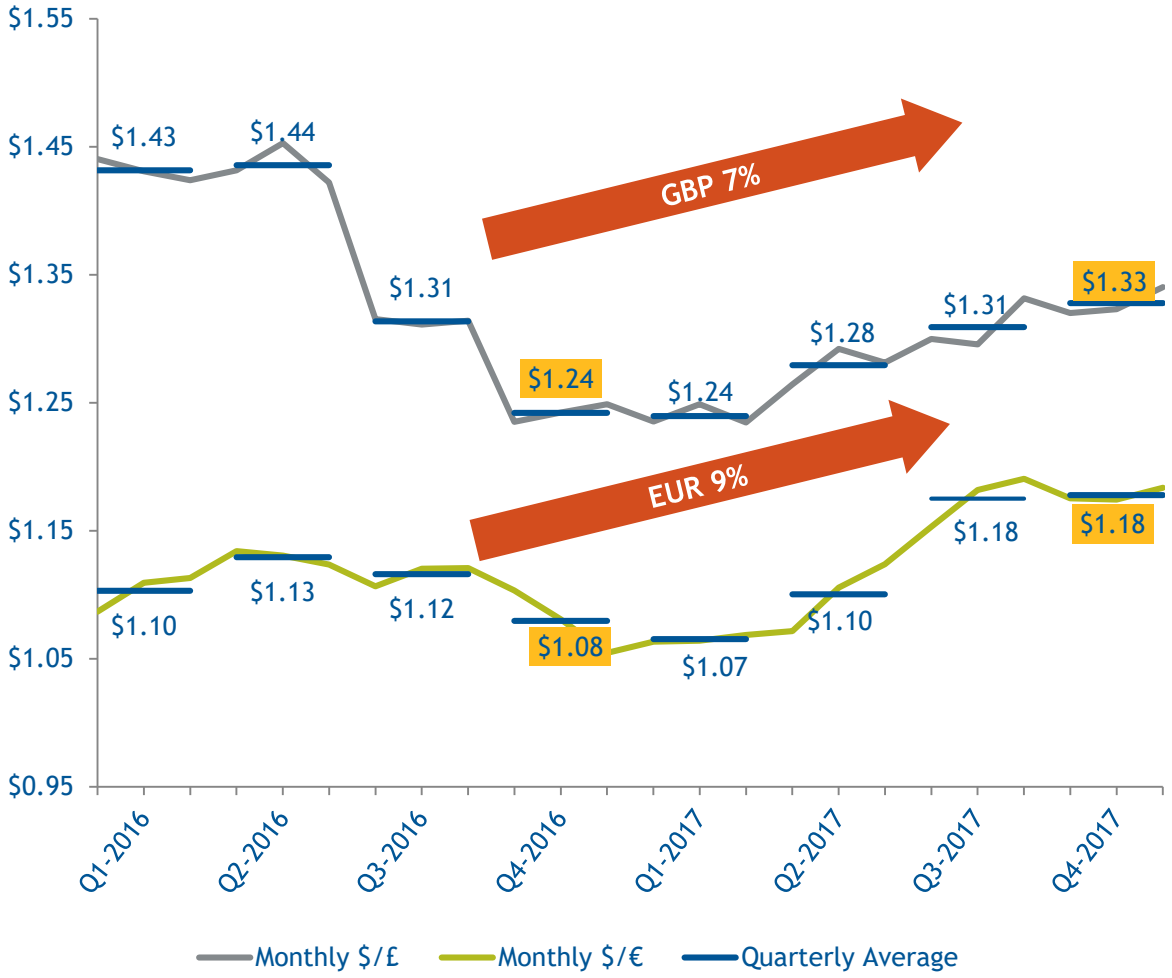
**** 2017 count includes 50 branches added as part of an acquisition in Poland and 19 branches from an acquisition in Bosnia and Herzegovina

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



- £ up 7% Q4 2017 vs. Q4 2016
- € up 5% Q4 2017 vs. Q4 2016
- Translation impact of weaker dollar on Europe revenue growth:
  - Q4: +$64 million
- Translation impact of stronger dollar on Europe revenue growth for YTD:
  - YTD: $(18) million
- Europe constant currency* parts and services revenue growth:
  - Q4: up 16.4%
  - YTD: up 25.1%
- Currency impact on EPS growth**:
  - YTD: 1¢ negative impact

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

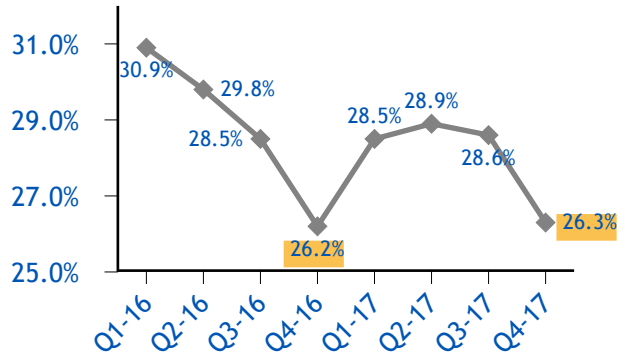
** Reflects the combined impact of all currencies on consolidated EPS growth (all segments); charts and revenue figures above reflect only GBP and EUR currencies related to Europe segment

Specialty - Q4 2017 Results

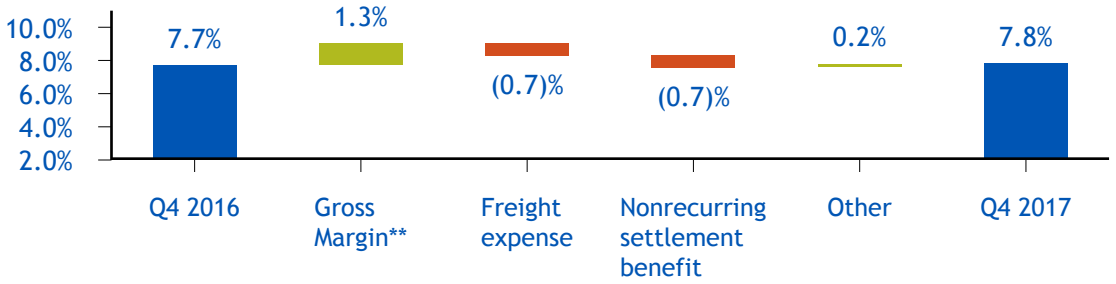
($ in millions)	2017	2016	Change	% of Revenue 2017	% of Revenue 2016
Total Revenue	$297	$265	12.1%		
Gross Margin	$78	$69	12.3%	26.3%	26.2%
Operating Expenses	$60	$49	20.4%	20.1%	18.7%
Segment EBITDA*	$23	$20	13.1%	7.8%	7.7%

*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

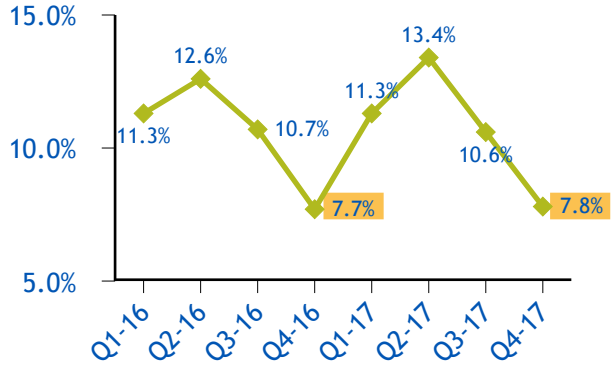


Specialty Segment EBITDA Margin Bridge



** Reported Gross Margin % is negatively impacted by an inventory step-up adjustment of 1.2%, which is excluded from the calculation of Segment EBITDA

Segment EBITDA Margin



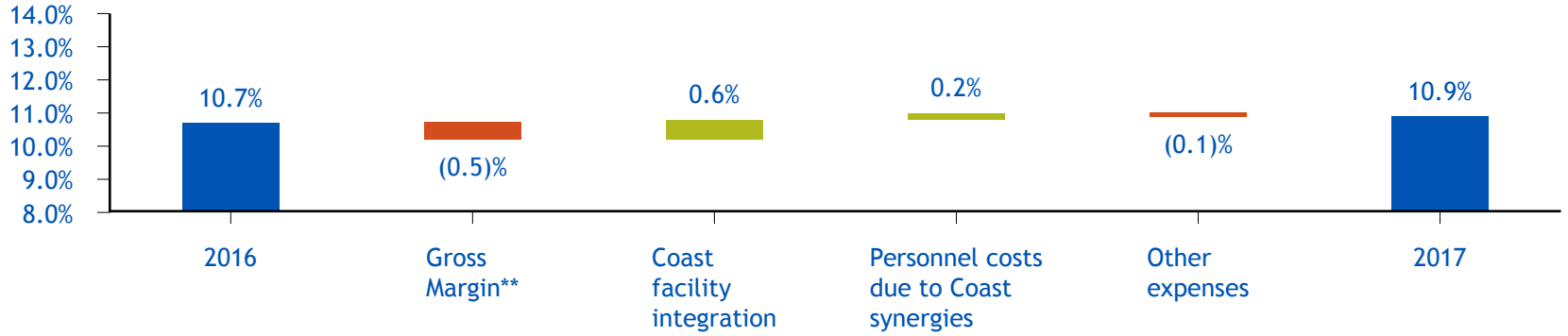
Note: In the table above, the sum of the individual percentages may not equal the total due to rounding

Specialty - 2017 Results

($ in millions)	2017	2016	Change	% of Revenue 2017	% of Revenue 2016
Total Revenue	$1,306	$1,224	6.7%		
Gross Margin	$367	$354	3.7%	28.1%	28.9%
Operating Expenses	$230	$225	2.3%	17.6%	18.4%
Segment EBITDA*	$142	$131	8.1%	10.9%	10.7%

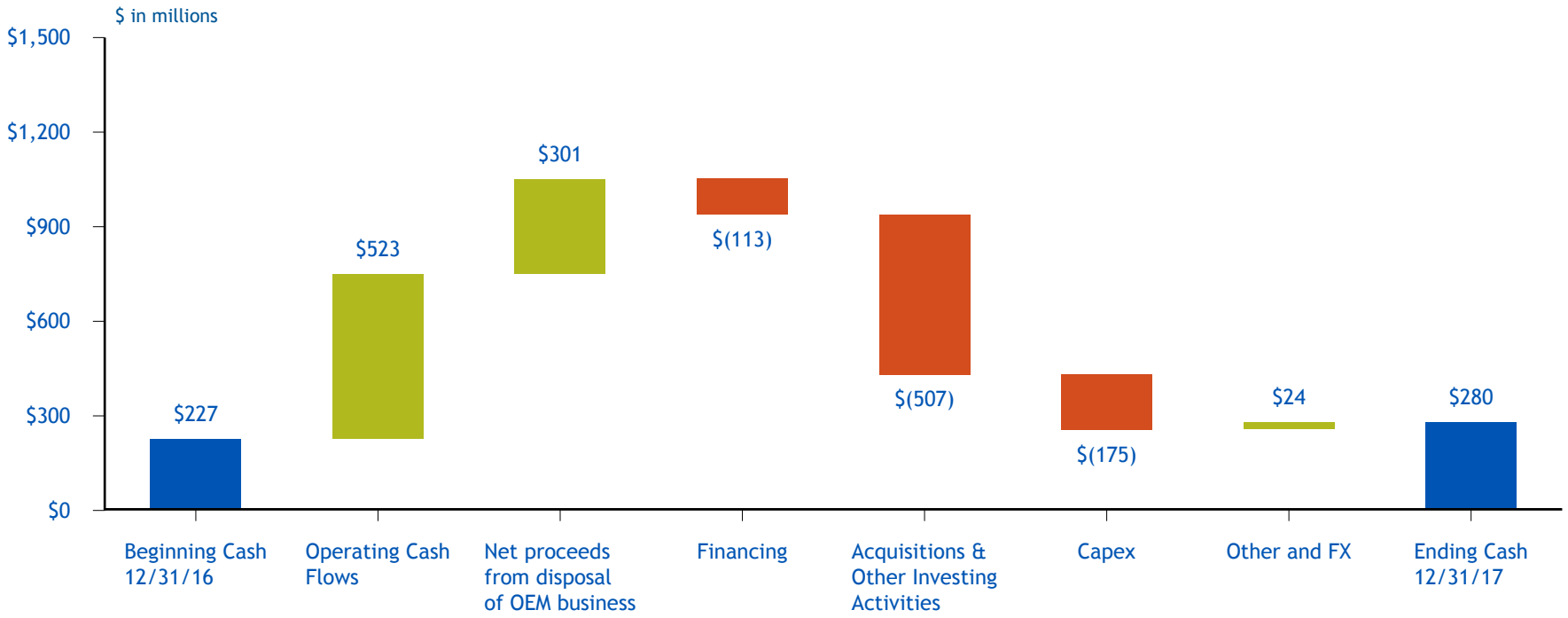
*Segment EBITDA is a non-GAAP measure. Refer to total segment EBITDA reconciliation on page 33 and the breakout of Segment EBITDA by each respective segment on page 32

Specialty Segment EBITDA Margin Bridge



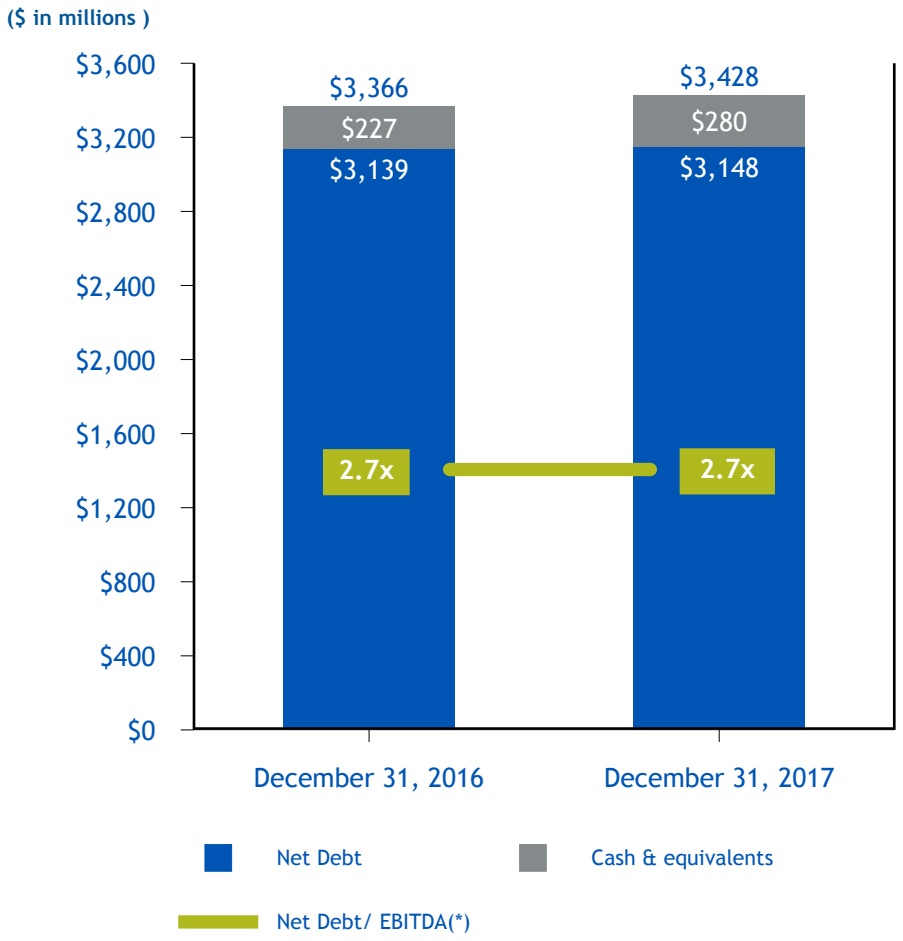
Note: In the table above, the sum of the individual percentages may not equal the total due to rounding
** Reported Gross Margin % is negatively impacted by an inventory step-up adjustment of 0.3%

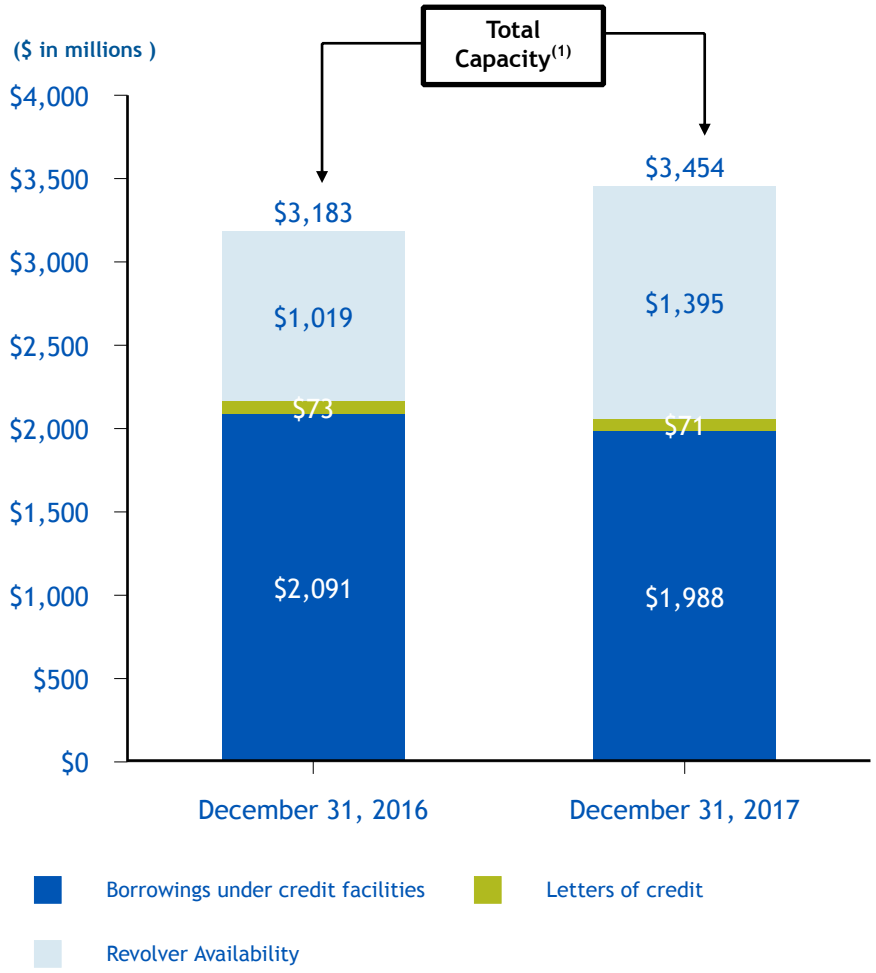
2017 Capital Allocation - Continuing operations



- Operating cash flows:
  - Year over year decrease driven primarily by higher investment in inventory of $133 million in our continuing operations as a result of favorable buying conditions in salvage and procurement initiatives to support growth
  - Increased tax payments by $43 million over 2016 due to higher pretax income
- Received net proceeds from the sale of the OEM automotive glass business of $301 million
- Used free cash flows, along with the proceeds from the asset sale, to invest $513 million in acquisitions and repay revolver borrowings

Leverage & Liquidity





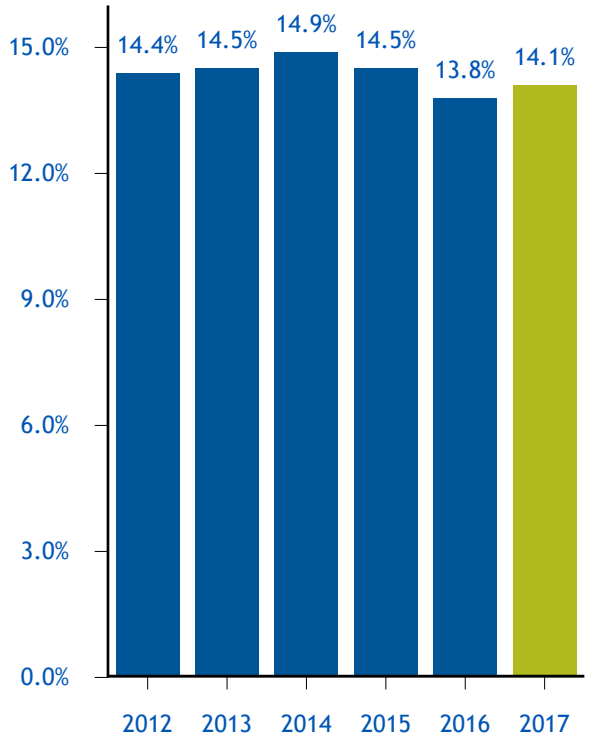
Effective borrowing rate for Q4 2017 was 3.2%

(1) Total capacity includes our term loans and revolving credit facilities

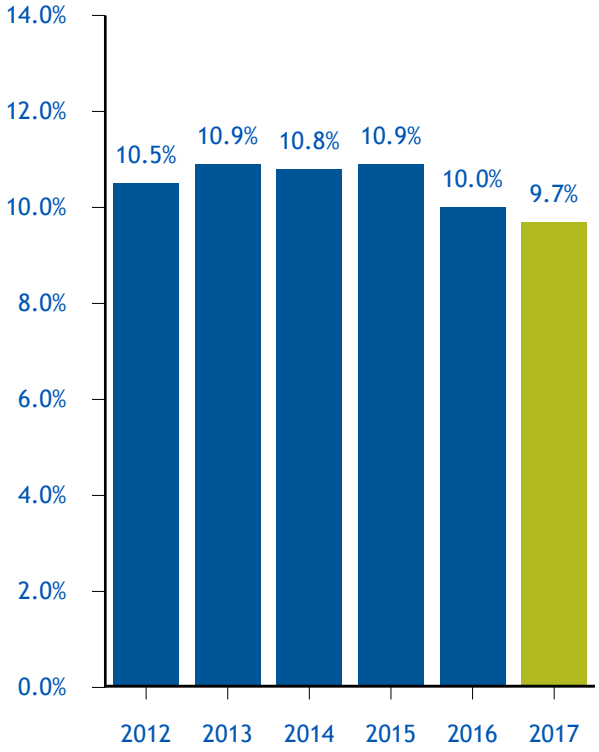
* Net leverage per bank covenants is defined as Net Debt/EBITDA. See the definitions of Net Debt and EBITDA in the credit agreement filed with the SEC for further details

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 2018
(effective only on the date issued: February 22, 2018)

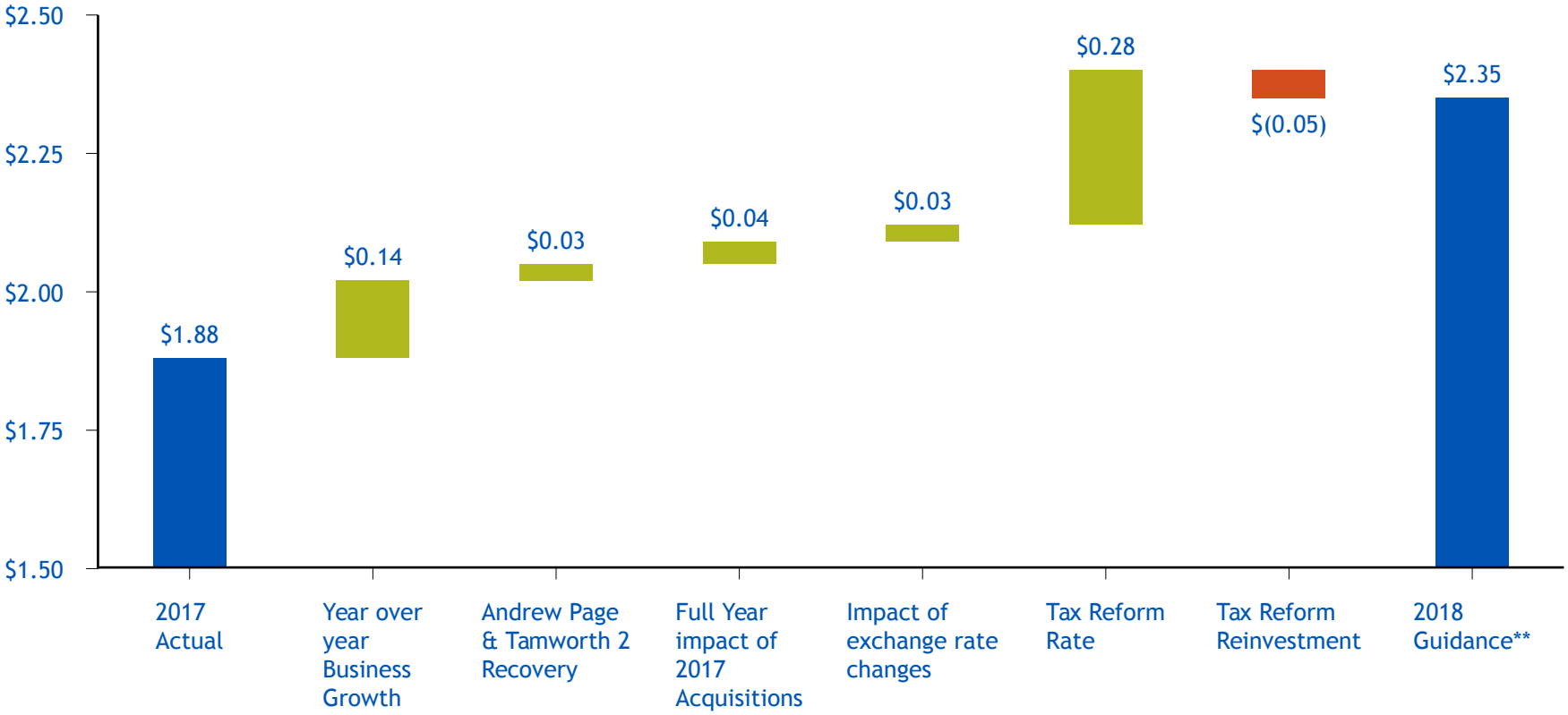
($ in millions excluding EPS)	Full Year 2017 Actual	Full Year 2018 Guidance[1]
Organic Growth, Parts and Services	4.1%	4.0% - 6.0%
Net Income - continuing operations attributable to LKQ stockholders	$540	$646 - $676
Adjusted Net Income - continuing operations attributable to LKQ stockholders[2]	$583	$720 - $750
Diluted EPS - continuing operations attributable to LKQ stockholders	$1.74	$2.07 - $2.16
Adjusted Diluted EPS - continuing operations attributable to LKQ stockholders[2]	$1.88	$2.30 - $2.40
Cash Flow from Operations - continuing operations	$523	$650 - $700
Capital Expenditures - continuing operations	$175	$250 - $280

(1) Guidance for 2018 is based on current conditions and excludes the impact of restructuring and acquisition related expenses, excess tax benefits and deficiencies from stock based payments, adjustments to provisional amounts recorded in 2017 related to the Tax Act, 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 international operations were calculated using current foreign exchange rates for the year. Guidance for 2018 includes a global effective tax rate of 26%. Adjustments to the provisional amounts recorded for the Tax Act in 2017 are not reflected in the estimated rate. Full year 2017 actual figures for Adjusted Income and Adjusted Diluted EPS were calculated using the same methodology as the 2018 guidance. Organic revenue guidance refers only to parts and services revenue. LKQ updated its guidance on February 22, 2018, 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) Adjusted income and Adjusted Diluted EPS are non-GAAP measures. See page 37 for reconciliation of forecasted adjusted income and forecasted adjusted diluted earnings per share

(3) Does not include the pending Stahlgruber acquisition announced in December 2017. Guidance will be updated once the transaction closes.

2018 Adjusted Diluted EPS Guidance Bridge*



Does not include the pending Stahlgruber acquisition announced in December 2017. Guidance will be updated once the transaction closes.
*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

Q4 2017 Key Takeaways

- Organic revenue growth of 4.8% and 4.1% for parts and services in Q4 and YTD, respectively
- Per day organic revenue growth in 2017 of 3.4%, 5.7% and 5.1% for our North America, Europe and Specialty segments, respectively.
- Tax Act benefit of $22 million, or $0.07 per share, recognized in the fourth quarter in reported figures (excluded from Adjusted Diluted EPS)
- Net income from continuing operations attributable to LKQ stockholders improvement of 31.2% and 18.5% for Q4 and YTD, respectively
- Q4 Diluted EPS of $0.41 vs. $0.31, a 32.3% increase
- Q4 Adjusted Diluted EPS* of $0.41 vs. $0.35, a 17.1% increase

* Adjusted Diluted EPS is a non-GAAP measure. Refer to EPS reconciliation on 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, 2017		Year Ended December 31, 2017	
	Consolidated	Europe	Consolidated	Europe
Parts & Services				
Revenue Growth as reported	14.3%	24.6%	13.1%	24.5%
Less: Currency impact	3.3%	8.2%	(0.1%)	(0.6%)
Revenue growth at constant currency	11.0%	16.4%	13.2%	25.1%

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 - Revenue and Segment EBITDA by segment

(in millions)	Three Months Ended December 31*				Year Ended December 31*			
	2017	% of revenue	2016	% of revenue	2017	% of revenue	2016	% of revenue
Revenue								
North America	$1,203.0		$1,107.8		$4,799.7		$4,444.6	
Europe	971.6		779.3		3,636.8		2,920.5	
Specialty	296.5		264.5		1,305.5		1,223.7	
Eliminations	(1.3)		(1.2)		(5.1)		(4.8)	
Total Revenue	$2,469.9		$2,150.4		$9,736.9		$8,584.0	
Segment EBITDA								
North America	$152.8	12.7%	$138.4	12.5%	$655.3	13.7%	$589.9	13.3%
Europe	77.6	8.0%	63.5	8.2%	319.2	8.8%	283.6	9.7%
Specialty	23.0	7.8%	20.3	7.7%	142.2	10.9%	131.4	10.7%
Total Segment EBITDA	$253.4	10.3%	$222.3	10.3%	$1,116.6	11.5%	$1,005.0	11.7%

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 noncontrolling interest, 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 December 31*		Year Ended December 31*	
	2017	2016	2017	2016
Net income	$120.7	$86.3	$530.2	$464.0
Subtract:				
Net loss attributable to noncontrolling interest	(3.5)	—	(3.5)	—
Net income attributable to LKQ stockholders	$124.2	$86.3	$533.7	$464.0
Subtract:				
Net (loss) income from discontinued operations	(2.2)	(10.0)	(6.7)	7.9
Net income from continuing operations attributable to LKQ stockholders	$126.4	$96.3	$540.5	$456.1
Add:				
Depreciation and Amortization	63.7	56.2	230.2	198.3
Interest expense, net	26.8	23.7	100.6	87.7
Loss on debt extinguishment**	0.5	—	0.5	26.7
Provision for income taxes	29.4	47.3	235.6	220.6
EBITDA	$246.7	$223.5	$1,107.3	$989.4
Subtract:				
Equity in earnings (loss) of unconsolidated subsidiaries	2.0	(0.1)	5.9	(0.6)
Gains on foreign exchange contracts - acquisition related	—	—	—	18.3
Losses (gains) on bargain purchases	(0.1)	8.2	3.9	8.2
Add:				
Restructuring and acquisition related expenses	9.3	6.9	19.7	37.8
Inventory step-up adjustment - acquisition related	3.6	—	3.6	3.6
Change in fair value of contingent consideration liabilities	(4.3)	—	(4.2)	0.2
Segment EBITDA	$253.4	$222.3	$1,116.6	$1,005.0
EBITDA as a percentage of revenue	10.0%	10.4%	11.4%	11.5%
Segment EBITDA as a percentage of revenue	10.3%	10.3%	11.5%	11.7%

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

Appendix 3 - 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 noncontrolling interest, 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 December 31*		Year Ended December 31*	
	2017	2016	2017	2016
Net income	$120.7	$86.3	$530.2	$464.0
Subtract:				
Net loss attributable to noncontrolling interest	(3.5)	—	(3.5)	—
Net income attributable to LKQ stockholders	$124.2	$86.3	$533.7	$464.0
Subtract:				
Net (loss) income from discontinued operations	(2.2)	(10.0)	(6.7)	7.9
Net income from continuing operations attributable to LKQ stockholders	$126.4	$96.3	$540.5	$456.1
Adjustments - continuing operations attributable to LKQ stockholders:				
Amortization of acquired intangibles	26.2	23.6	97.4	81.7
Restructuring and acquisition related expenses	9.3	6.9	19.7	37.8
Loss on debt extinguishment	0.5	—	0.5	26.7
Inventory step-up adjustment - acquisition related	3.6	—	3.6	3.6
Change in fair value of contingent consideration liabilities	(4.3)	—	(4.2)	0.2
Gains on foreign exchange contracts - acquisition related	—	—	—	(18.3)
Losses (gains) on bargain purchases	0.1	(8.2)	(3.9)	(8.2)
U.S. tax law change 2017	(22.2)	—	(22.2)	—
Excess tax benefit from stock-based payments	(0.9)	—	(8.0)	(11.4)
Tax effect of adjustments	(12.2)	(10.6)	(40.6)	(45.6)
Adjusted net income from continuing operations attributable to LKQ stockholders	$126.4	$108.1	$582.7	$522.5
Weighted average diluted common shares outstanding	311,106	310,120	310,649	309,784
Diluted earnings per share from continuing operations attributable to LKQ stockholders:				
Reported	$0.41	$0.31	$1.74	$1.47
Adjusted	$0.41	$0.35	$1.88	$1.69

*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 Attributable to LKQ Stockholders 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 Attributable to LKQ Stockholders as Net Income and Diluted Earnings per Share adjusted to eliminate the impact of noncontrolling interest, 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, the 2017 U.S. tax law change 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 Attributable to LKQ Stockholders 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 Attributable to LKQ Stockholders 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, 2018 Minimum Guidance	Maximum Guidance
Net income from continuing operations attributable to LKQ stockholders	$646	$676
Adjustments:		
Amortization of acquired intangibles	100	100
Tax effect of adjustments	(26)	(26)
Adjusted net income from continuing operations attributable to LKQ stockholders	$720	$750
Weighted average diluted common shares outstanding	312	312
Diluted EPS from continuing operations attributable to LKQ stockholders:		
U.S. GAAP	$2.07	$2.16
Non-GAAP (Adjusted)	$2.30	$2.40

Does not include the pending Stahlgruber acquisition announced in December 2017. Guidance will be updated once the transaction closes

We have presented forecasted Adjusted Net Income and forecasted Adjusted Diluted Earnings per Share from Continuing Operations Attributable to LKQ Stockholders in our financial guidance. Refer to the discussion of Adjusted Net Income and Adjusted Diluted Earnings per Share from Continuing Operations Attributable to LKQ Stockholders 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 Attributable to LKQ Stockholders, we included estimates of income from continuing operations, amortization of acquired intangibles for the full fiscal year 2018 and the related tax effect; we did not estimate amounts for any other components of the calculation for the year ending December 31, 2018.

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