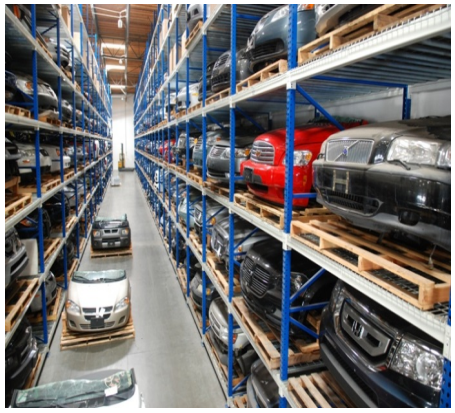
First Quarter 2018 Earnings Call

April 26, 2018

Nick Zarcone - *President & Chief Executive Officer*
Varun Laroyia - *Executive Vice President & Chief Financial Officer*
Joe Boutross - *Vice President, 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, 2017 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.

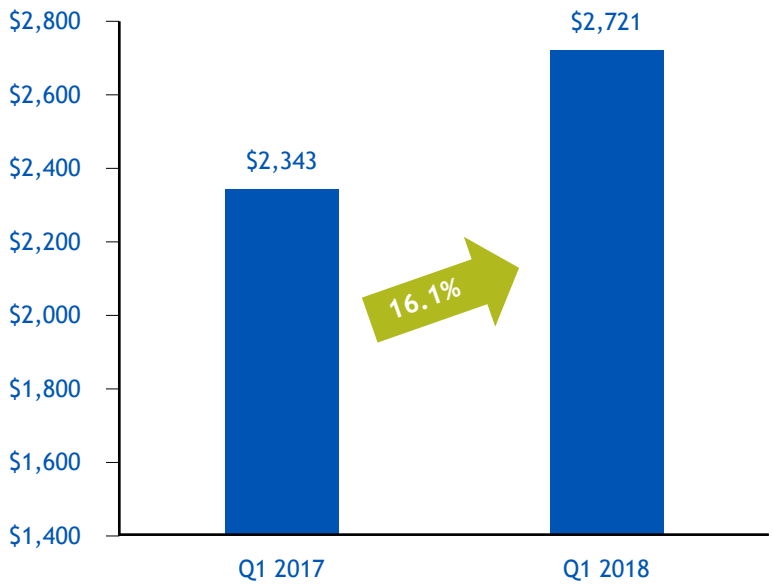
This presentation contains non-GAAP financial measures. Included with this presentation are reconciliations of each non-GAAP financial measure with the most directly comparable financial measure calculated in accordance with GAAP.

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

Q1 2018 Revenue*

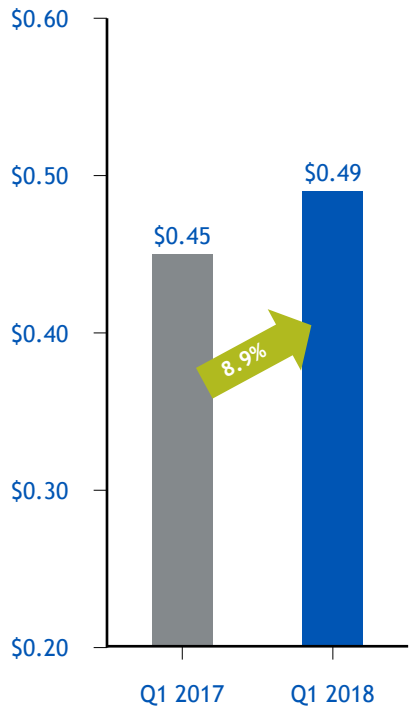


- Organic growth of parts and services revenue of 3.7% on a reported basis
- Net income from continuing operations attributable to LKQ stockholders $153 million Q1 2018 vs. $141 million Q1 2017
- Segment EBITDA Margin** 10.9% Q1 2018 vs. 12.4% Q1 2017

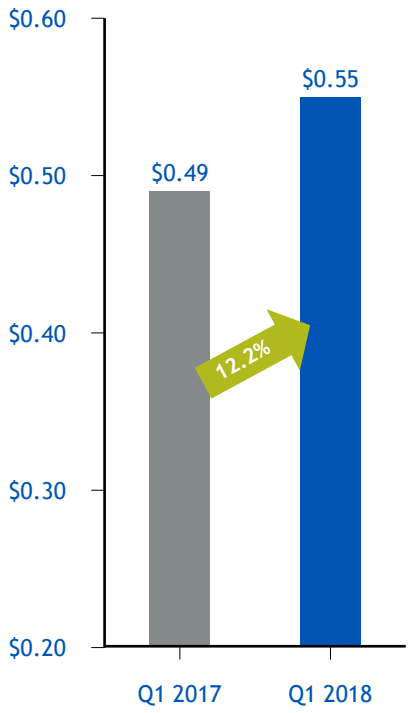
* Revenue in millions
** Segment EBITDA is a non-GAAP financial measure. Refer to Segment EBITDA reconciliation on page 28

Consolidated Results - Continuing operations

Q1 2018 EPS*



Diluted EPS



Adjusted Diluted EPS**

* Earnings per share figures refer to net income from continuing operations attributable to LKQ stockholders
** Adjusted Diluted EPS is a non-GAAP measure. Refer to page 30 for Adjusted Diluted EPS reconciliation

Q1 2018 Revenue Growth

Revenue Changes by Source:	Organic	Acquisition	Foreign Exchange	Total[1]
North America	6.5%	1.8%	0.3%	8.6%
Europe	1.2%	11.3%	14.1%	26.6%
Specialty	0.3%	11.0%	0.4%	11.7%
Parts and Services	3.7%	6.6%	5.4%	15.7%
Other Revenue	22.4%	0.9%	0.2%	23.5%
Total	4.7%	6.3%	5.1%	16.1%

- Organic revenue growth for parts and services in North America was largely attributable to increased sales volumes in our wholesale operations
- Revenue recognition standard adoption had a negative impact on consolidated parts and services revenue growth just under 40 bps
- European organic growth was negatively impacted by T2 issues and severe weather in the UK as well as the timing of the Easter holiday
- Collision parts organic revenue growth in the UK was 7.0%
- Favorable F/X impact on European revenue of $116 million; European constant currency parts and services revenue growth of 12.5%[2]
- Specialty acquisition growth was $35 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 37% versus Q1 2017

(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 26

Q1 2018 Operating Highlights

North America

- 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
- We integrated one PGW branch into an existing LKQ facility, bringing the total number of integrations to 16 since the date of acquisition
- As of March 31, 2018, 96% of routes created were done through Roadnet for our Aftermarket and Salvage operations. Roadnet is creating efficiencies by reducing delivery miles driven while increasing routes and the number of orders per day. In Q1 2018, miles driven through Roadnet was 21.6M compared to 22.6M in Q4 2017, a 4.5% reduction resulting in fuel savings

Europe

- Rhiag opened 4 new branches in Eastern Europe: one in the Czech Republic, two in Romania and one in Slovakia. Rhiag also closed one branch in Poland as we integrate AD Polska into our Rhiag operations
- ECP began reconfiguring its existing T1 facility that will serve as the distribution hub for our collision products. It is scheduled to be completed and fully-operational by mid-May
- Integration of Andrew Page operations into ECP is ongoing, including pricing alignment, which is being actively monitored. Early indicators show a positive impact on margins. We plan to sell 11 branches, including the 9 required by the CMA and 2 additional branches that are focused on the commercial vehicle markets
- On April 5, 2018 the EU Commission published an update regarding our pending Stahlgruber GmbH acquisition (which includes an automatic two-week extension to their deadline); we do not expect that this development will impact our previously announced expectations regarding the transaction. We expect the pending acquisition of Stahlgruber to close in Q2 2018
- On April 9, 2018, we completed an offering of €1 billion aggregate principal amount of senior notes with an interest rate of 3.625% on €750 million and 4.125% on €250 million due in 2026 and 2028, respectively

Specialty

- We have continued 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: ($ in millions, Vehicles purchased in 000s)	Q1 2018	Q1 2017	% Change
Total aftermarket procurement	$1,322	$1,025	29.0%
Wholesale salvage cars and trucks	73	75	(2.7)%
Europe wholesale salvage cars and trucks	8	7	14.3%
Self service and "crush only" cars	141	133	6.0%

- We believe aftermarket inventory levels are sufficient to achieve our growth targets
- In North America, aftermarket purchases increased during the first quarter of 2018 primarily to support growth across our operations
- In Europe, the increase in aftermarket purchases during the first quarter of 2018 was primarily related to our Benelux and Eastern Europe operations as a result of our acquisition of aftermarket parts businesses in Poland and Belgium in the third quarter of 2017, which had purchases of $27 million and $19 million, respectively, in the first quarter of 2018. Purchase amounts also increased due to the impact of foreign currency translation
- Cost per vehicle in our self service operations increased 16% 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

Financial Results

Operating Results - Continuing Operations

($ in millions,except per share data)	First Quarter 2018	First Quarter 2017	Change
Revenue	$2,721	$2,343	16.1%
Gross Margin	1,054	930	13.3%
Operating Income	227	236	(3.9)%
Pre-tax Income	201	213	(5.6)%
Net income from continuing operations attributable to LKQ stockholders	153	141	8.6%
Segment EBITDA*	295	290	1.7%
Diluted EPS from continuing operations attributable to LKQ stockholders:			
Reported	$0.49	$0.45	8.9%
Adjusted**	$0.55	$0.49	12.2%

- Our effective income tax rate for the thee months ended March 31, 2018 was 24.7% compared to 33.9% for the comparable prior year period. The decrease was primarily attributable to the reduction of the U.S. federal statutory income tax rate from 35% to 21% as a result of the enactment of the Tax Act in December 2017.

* Segment EBITDA is a non-GAAP measure. Refer to Segment EBITDA reconciliation on page 28
** Adjusted EPS is a non-GAAP measure. Refer to the EPS reconciliation on page 30

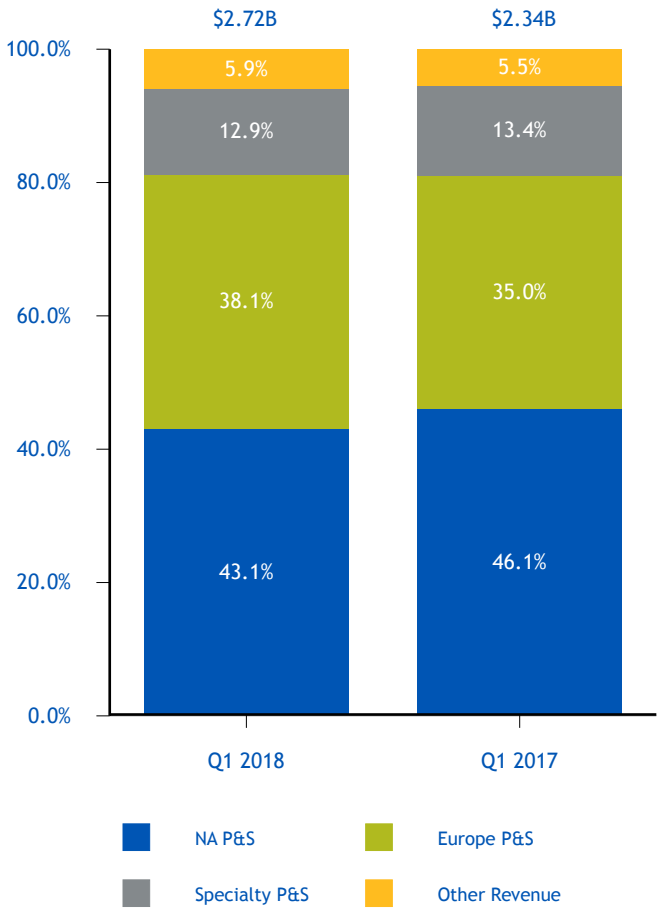
Q1 2018 Consolidated Margins - Continuing operations

(as a % of Revenue)	Q1 2018	Q1 2017	Change F/(U)	Q1 2018 Commentary
Revenue	100.0%	100.0%	—%	
Gross Margin	38.7%	39.7%	(1.0)%	Decreased by 0.6% and 0.5% as a result of our North America and Europe segments, respectively
Selling, General and Administrative Expenses	28.2%	27.4%	(0.8)%	The increase is primarily related to a 0.4% increase in personnel costs excluding prior year nonrecurring items and a 0.2% increase in freight expenses
Restructuring and Acquisition Related Expenses	0.1%	0.1%	—%	Increase in dollar terms is primarily attributable to restructuring expenses related to the integration of the Andrew Page acquisition
Depreciation and Amortization	2.1%	2.1%	—%	Depreciation and amortization costs increased in dollar terms due to recent acquisitions and foreign currency translation
Operating Income	8.3%	10.1%	(1.8)%	
Segment EBITDA*	10.9%	12.4%	(1.5)%	

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 28. Segment EBITDA is a measure of segment profitability. Refer to individual segment slides for drivers of Segment EBITDA.

Components of Revenue



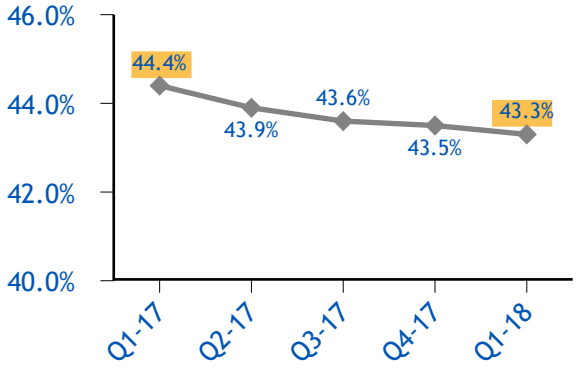
- A portion of change in margins on a consolidated basis is attributable to change in revenue mix
- North America historically has the highest Gross margins and EBITDA margins relative to the other segments
- Increase in YTD revenue as a percentage of consolidated revenue for our European businesses reflects the impact from our acquisitions of aftermarket parts distribution businesses in Belgium and Poland in Q3 2017
- Other revenue continues to be a small percentage of the total revenue

North America – Q1 2018 Results

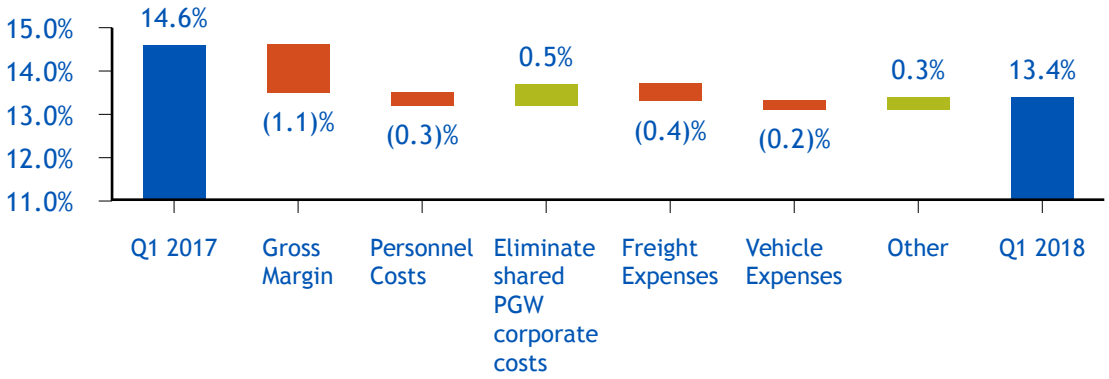
($ in millions)	2018	2017	Change	% of Revenue 2018	% of Revenue 2017
Total Revenue	$1,330	$1,208	10.1%		
Gross Margin	$576	$536	7.3%	43.3%	44.4%
SG&A Expenses	$403	$362	11.3%	30.3%	29.9%
Segment EBITDA*	$178	$176	0.9%	13.4%	14.6%

*Segment EBITDA is a non-GAAP measure. Refer to total Segment EBITDA reconciliation on page 28 and the breakout of Segment EBITDA by each respective segment on page 27

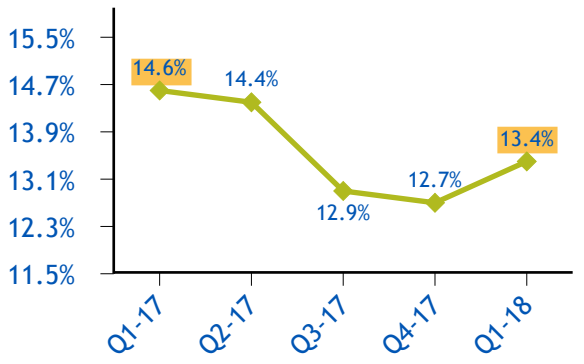
Gross Margin



North America Segment EBITDA Margin Bridge

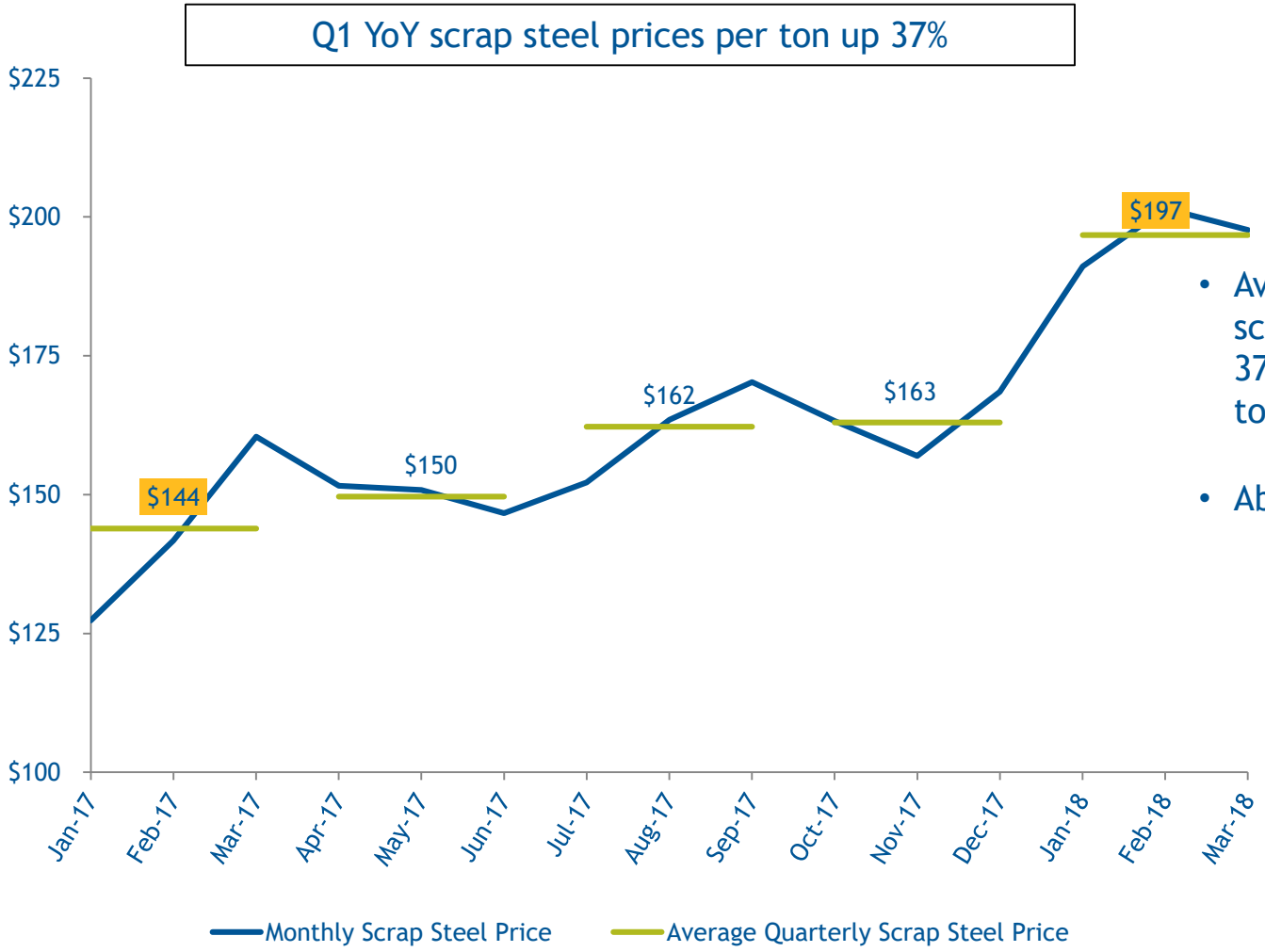


Segment EBITDA Margin



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

Scrap Steel Prices



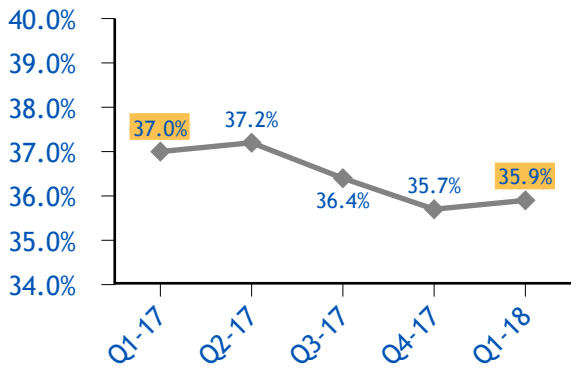
- Average price we received for scrap steel in Q1 increased by 37%, from $144 per ton in Q1 2017 to $197 per ton in Q1 2018
- About 3¢ favorable impact on EPS

Europe - Q1 2018 Results

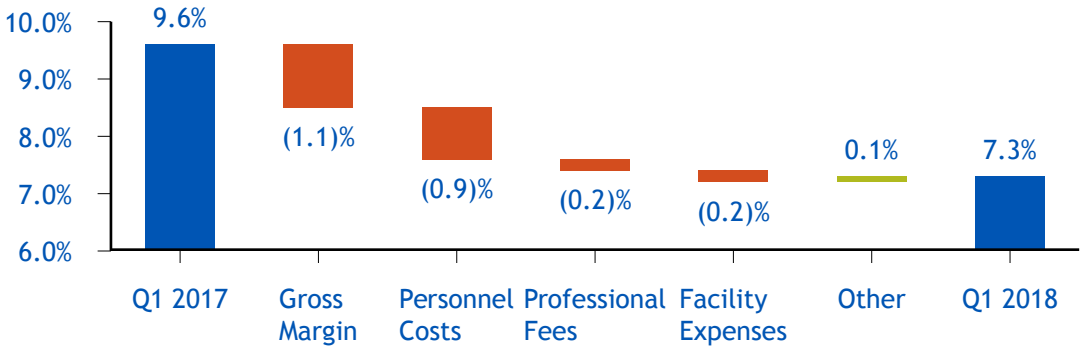
($ in millions)	2018	2017	Change	% of Revenue 2018	% of Revenue 2017
Total Revenue	$1,040	$821	26.7%		
Gross Margin	$373	$304	22.7%	35.9%	37.0%
SG&A Expenses	$300	$226	32.4%	28.8%	27.6%
Segment EBITDA*	$76	$79	(4.0)%	7.3%	9.6%
Branches	868	714	154		

* Segment EBITDA is a non-GAAP measure. Refer to total Segment EBITDA reconciliation on page 28 and the breakout of Segment EBITDA by each respective segment on page 27

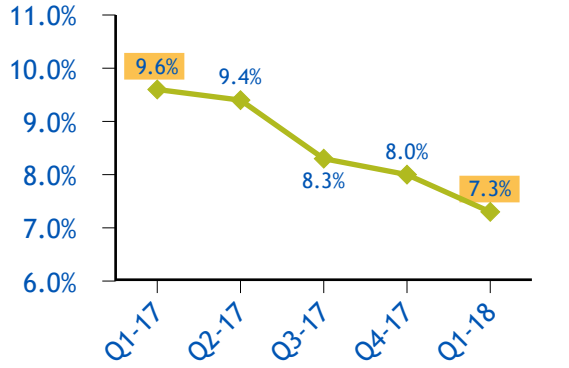
Gross Margin



Europe Segment EBITDA Margin Bridge

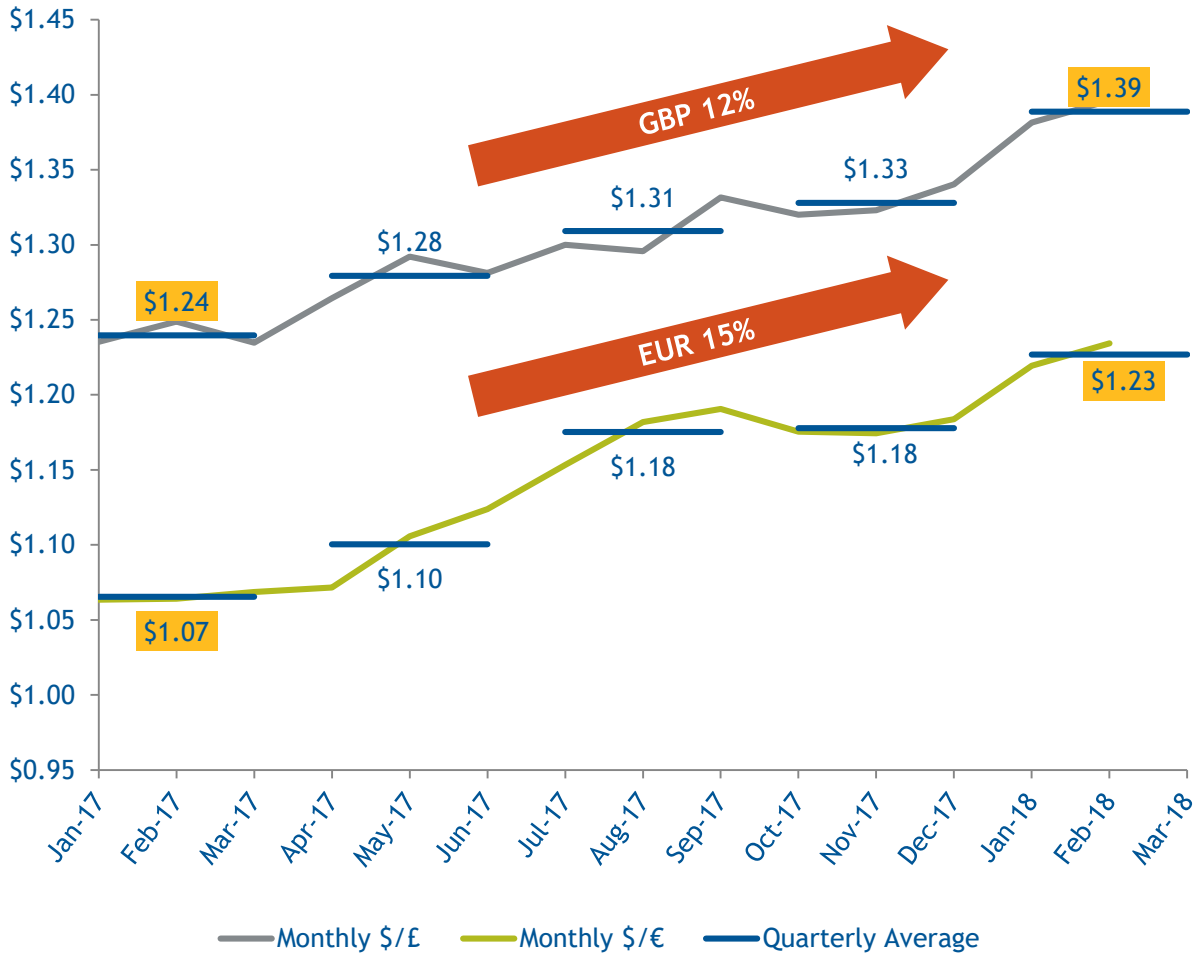


Segment EBITDA Margin



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

Foreign Exchange



- £ up 12% Q1 2018 vs. Q1 2017
- € up 15% Q1 2018 vs. Q1 2017
- $116 million positive impact of translation of weaker dollar on Europe revenue growth
- Europe constant currency* parts and services revenue growth of 12.5%
- About a penny and a half positive impact from currency on EPS growth**

*Constant currency is a non-GAAP financial measure. Refer to constant current reconciliation on page 26

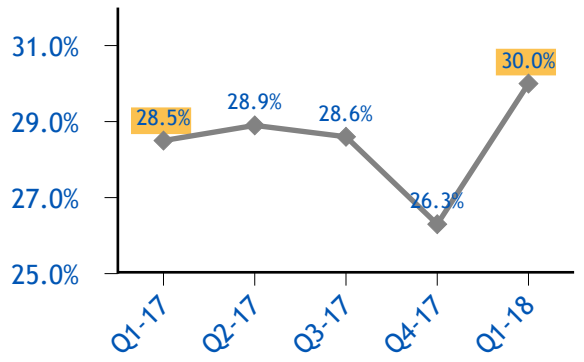
** Reflects the combined impact of all currencies on consolidated EPS growth (all segments); charts and revenue figures above reflect only GBP and EUR currencies related to Europe segment

Specialty - Q1 2018 Results

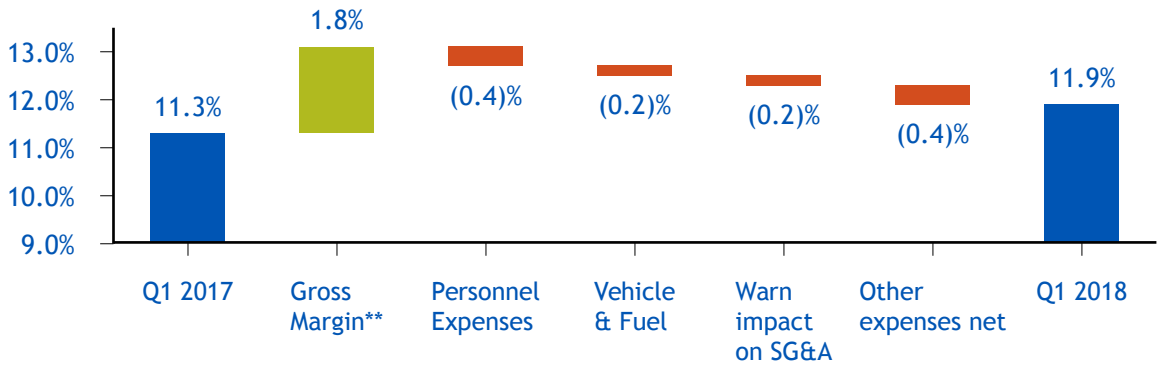
($ in millions)	2018	2017	Change	% of Revenue 2018	% of Revenue 2017
Total Revenue	$352	$315	11.7%		
Gross Margin	$105	$90	17.3%	30.0%	28.5%
SG&A Expenses	$65	$55	17.9%	18.4%	17.4%
Segment EBITDA*	$42	$35	18.4%	11.9%	11.3%

*Segment EBITDA is a non-GAAP measure. Refer to total Segment EBITDA reconciliation on page 28 and the breakout of Segment EBITDA by each respective segment on page 27

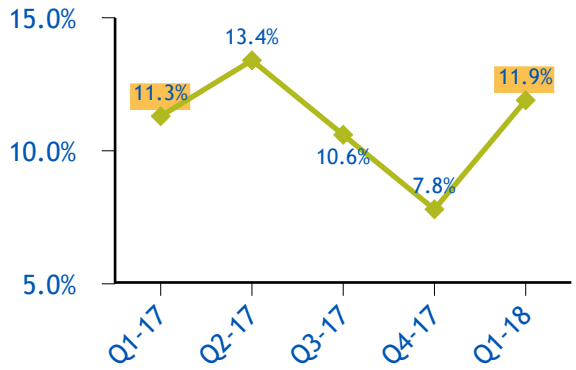
Gross Margin



Specialty Segment EBITDA Margin Bridge



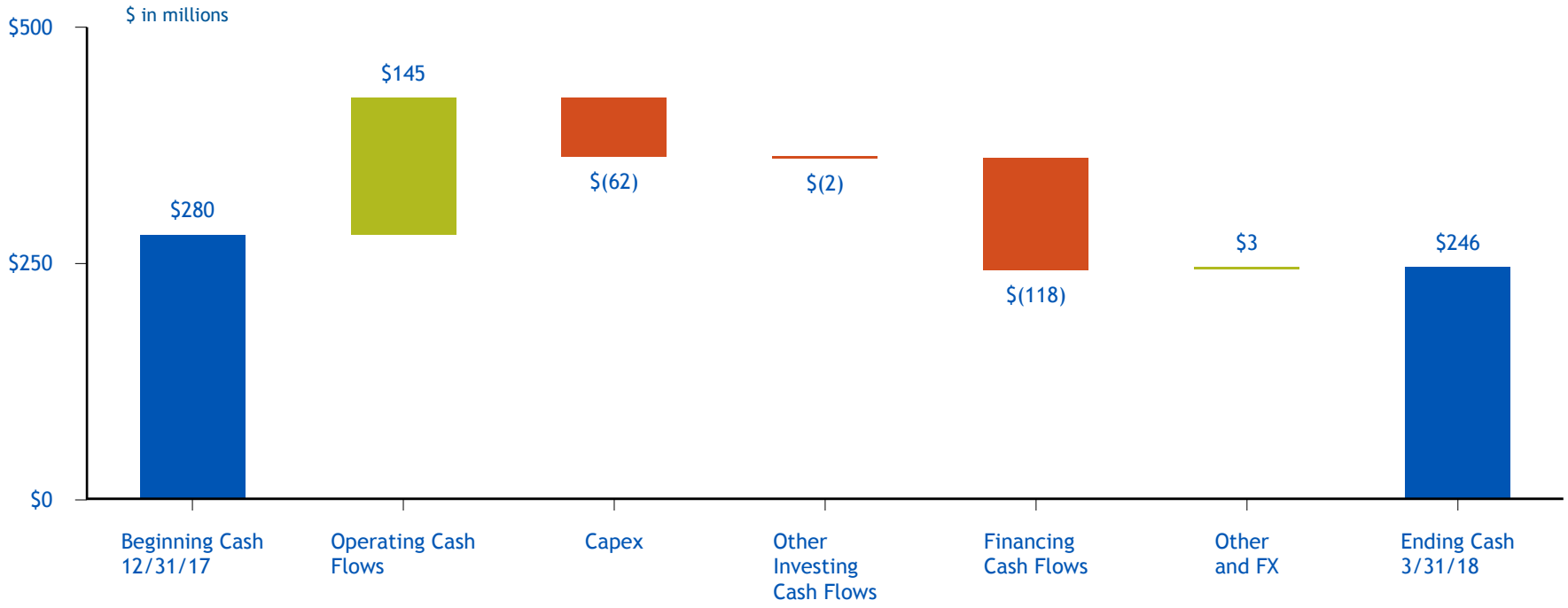
Segment EBITDA Margin



** Reported Gross Margin % improvement of 1.5% is negatively impacted by 0.3% for non-Segment EBITDA costs of inventory step-up and COGS depreciation, which are excluded in the bridge above

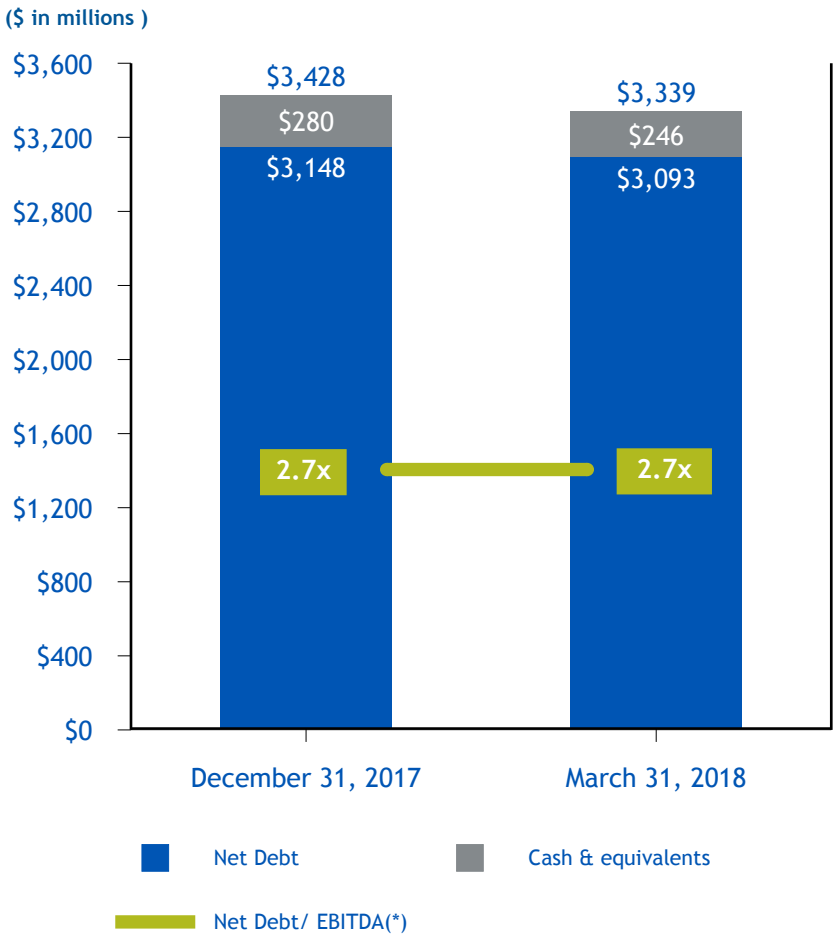
Note: In the table above, the sum of the individual percentages may not equal the total due to rounding

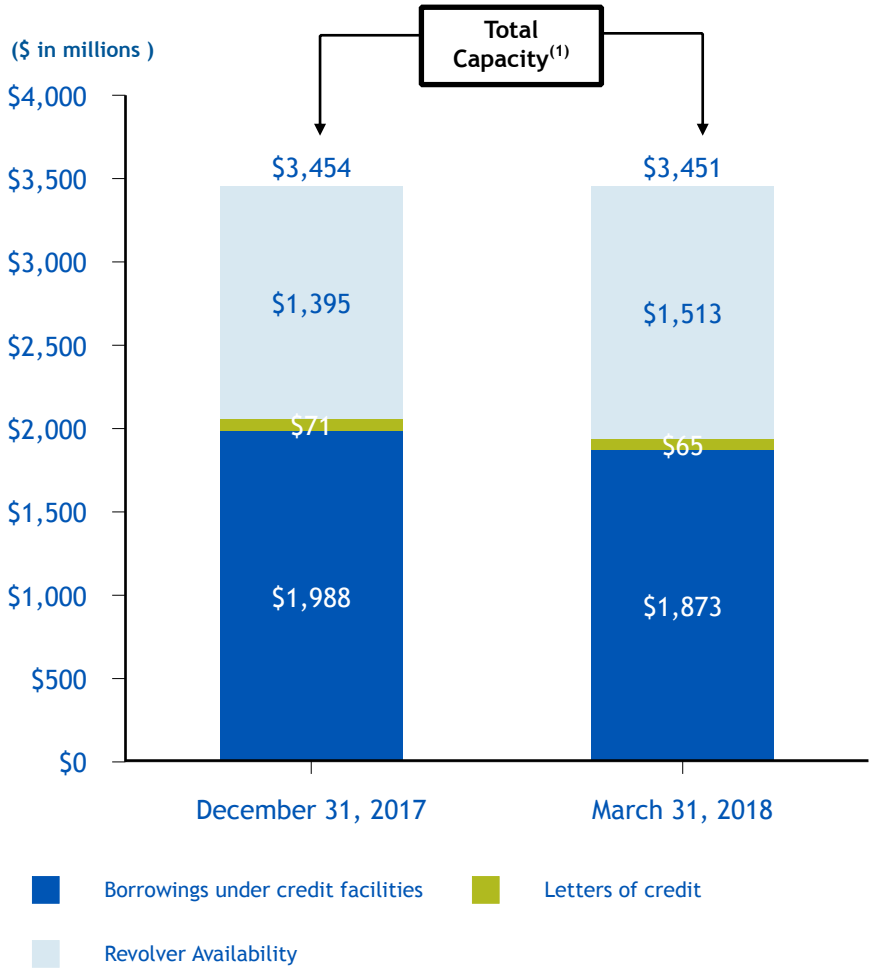
2018 Capital Allocation - Continuing operations



- Operating cash flows:
  - The $31 million year over year decrease in operating cash flows was driven primarily by a greater cash outflow related to accounts receivable balances of $39 million as a result of higher sales growth in Q1 2018 partially offset by a higher accounts payable cash inflow of $19 million
- Investing cash flows:
  - The $21 million year over year increase in Capex was primarily related to investments in our North America and Europe operations
- Financing cash flows:
  - Used free cash flows to repay net $120 million in revolver borrowings

Leverage & Liquidity





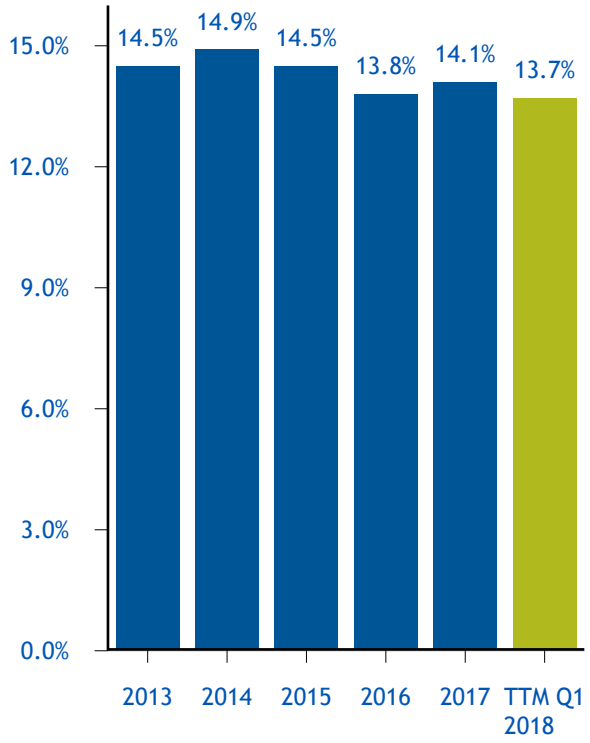
Effective borrowing rate for Q1 2018 was 3.3%

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

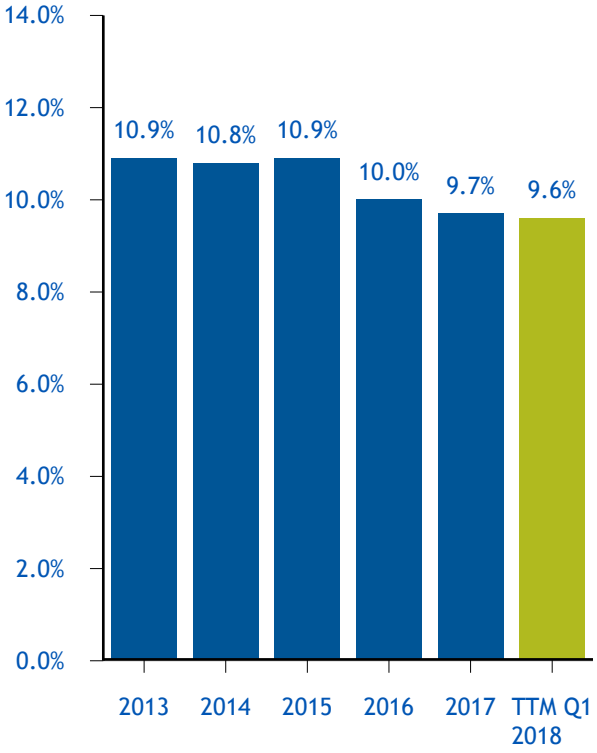
* Net leverage per bank covenants is defined as Net Debt/EBITDA. See the definitions of Net Debt and EBITDA in the credit agreement filed with the SEC for further details

Key Return Metrics

Return on Equity



Return on Invested Capital*



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

Guidance 2018
(effective only on the date issued: April 26, 2018)

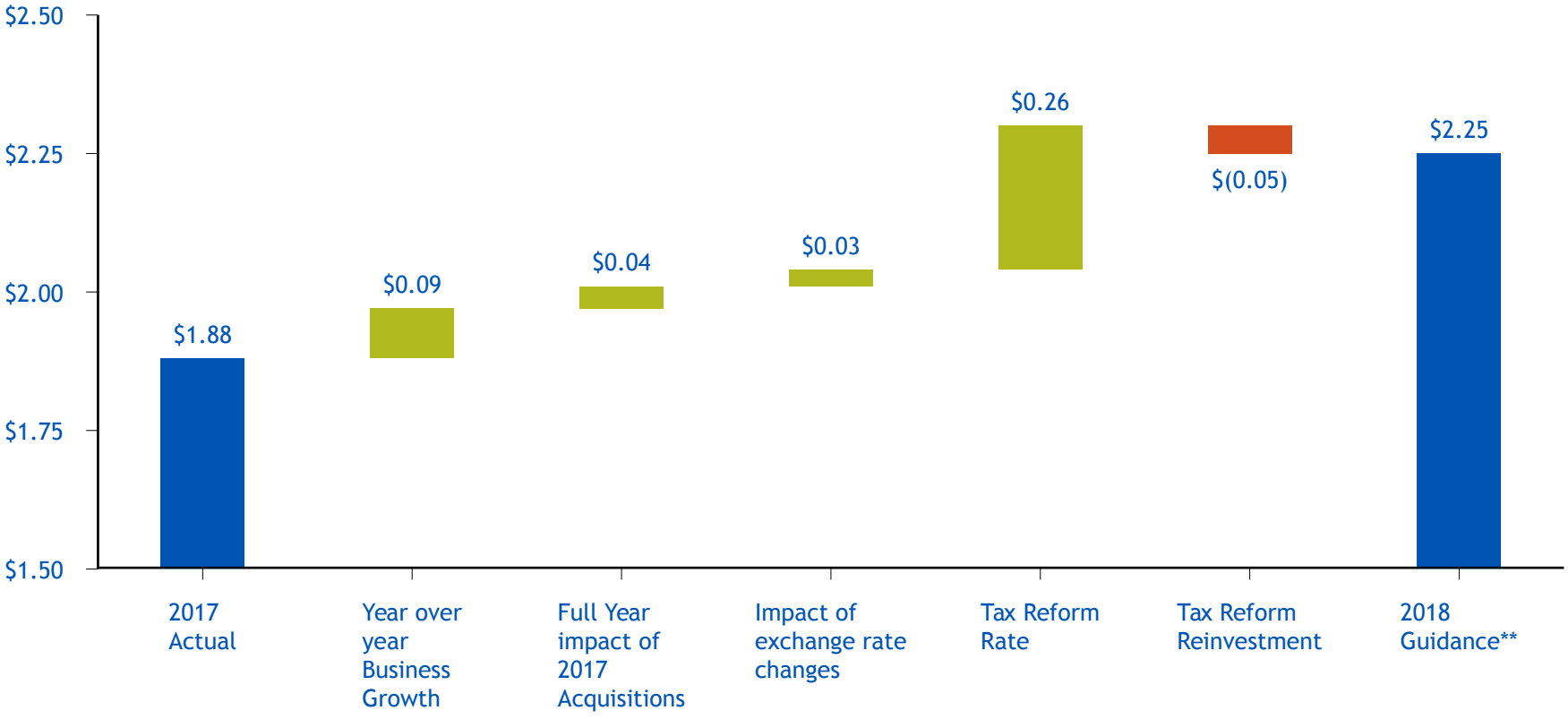
($ in millions excluding EPS)	Full Year 2017 Actual	Full Year 2018 Guidance[1][2]
Organic Growth, Parts and Services	4.1%	4.0% - 5.5%
Net Income - continuing operations attributable to LKQ stockholders	$540	$611 - $641
Adjusted Net Income - continuing operations attributable to LKQ stockholders[3]	$583	$685 - $715
Diluted EPS - continuing operations attributable to LKQ stockholders	$1.74	$1.96 - $2.06
Adjusted Diluted EPS - continuing operations attributable to LKQ stockholders[3]	$1.88	$2.20 - $2.30
Cash Flow from Operations - continuing operations	$523	$625 - $675
Capital Expenditures - continuing operations	$175	$235 - $265

(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 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 Net 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 April 26, 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) Does not include the pending Stahlgruber acquisition announced in December 2017. Guidance will be updated once the transaction closes

(3) Adjusted income and Adjusted Diluted EPS are non-GAAP measures. See page 32 for reconciliation of forecasted adjusted net income and forecasted adjusted diluted earnings per share from continuing operations attributable to LKQ stockholders

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 32 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

Q1 2018 Key Takeaways

- Organic revenue growth of 3.7% for parts and services in Q1 and North America achieved organic revenue growth of 6.5%
- Net income from continuing operations attributable to LKQ stockholders improvement of 8.6% for Q1
- Q1 Diluted EPS of $0.49 vs. $0.45, a 8.9% increase
- Q1 Adjusted Diluted EPS* of $0.55 vs. $0.49, a 12.2% increase
- Secured €1 billion to fund the pending Stahlgruber acquisition

* Adjusted Diluted EPS is a non-GAAP measure. Refer to EPS reconciliation on page 30

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 March 31, 2018	
	Consolidated	Europe
Parts & Services		
Revenue Growth as reported	15.7%	26.6%
Less: Currency impact	5.4%	14.1%
Revenue growth at constant currency	10.3%	12.5%

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 March 31*			
	2018	% of revenue	2017	% of revenue
Revenue				
North America	$1,330		$1,208	
Europe	1,040		821	
Specialty	352		315	
Eliminations	(1)		(1)	
Total Revenue	$2,721		$2,343	
Segment EBITDA				
North America	$178	13.4%	$176	14.6%
Europe	76	7.3%	79	9.6%
Specialty	42	11.9%	35	11.3%
Total Segment EBITDA	$295	10.9%	$290	12.4%

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 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 March 31* 2018	2017
Net income	$153	$136
Subtract:		
Net loss attributable to noncontrolling interest	(0)	—
Net income attributable to LKQ stockholders	$153	$136
Subtract:		
Net loss from discontinued operations	—	(5)
Net income from continuing operations attributable to LKQ stockholders	$153	$141
Add:		
Depreciation and Amortization	56	49
Depreciation and Amortization - cost of goods sold	5	2
Interest expense, net	29	24
Provision for income taxes	50	72
EBITDA	$292	$288
Subtract:		
Equity in earnings of unconsolidated subsidiaries	1	0
Add:		
Restructuring and acquisition related expenses	4	3
Inventory step-up adjustment - acquisition related	0	—
Change in fair value of contingent consideration liabilities	0	—
Segment EBITDA	$295	$290
EBITDA as a percentage of revenue	10.7%	12.3%
Segment EBITDA as a percentage of revenue	10.9%	12.4%

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

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 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 noncontrolling interest, discontinued operations, depreciation, amortization, interest 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

	Three Months Ended March 31*	
(in millions, except per share data)	2018	2017
Net income	$153	$136
Subtract:		
Net loss attributable to noncontrolling interest	(0)	—
Net income attributable to LKQ stockholders	$153	$136
Subtract:		
Net loss from discontinued operations	—	(5)
Net income from continuing operations attributable to LKQ stockholders	$153	$141
Adjustments - continuing operations attributable to LKQ stockholders:		
Amortization of acquired intangibles	22	21
Restructuring and acquisition related expenses	4	3
Inventory step-up adjustment - acquisition related	0	—
Change in fair value of contingent consideration liabilities	0	—
Excess tax benefit from stock-based payments	(3)	(3)
Tax effect of adjustments	(7)	(9)
Adjusted net income from continuing operations attributable to LKQ stockholders	$170	$153
Weighted average diluted common shares outstanding	311,347	310,300
Diluted earnings per share from continuing operations attributable to LKQ stockholders:		
Reported	$0.49	$0.45
Adjusted	$0.55	$0.49

*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, 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, adjustments to the estimated tax reform provisions recorded in 2017 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	$611	$641
Adjustments:		
Amortization of acquired intangibles	100	100
Restructuring and acquisition related expenses	4	4
Excess tax benefit from stock-based payments	(3)	(3)
Tax effect of adjustments	(27)	(27)
Adjusted net income from continuing operations attributable to LKQ stockholders	$685	$715
Weighted average diluted common shares outstanding	312	312
Diluted EPS from continuing operations attributable to LKQ stockholders:		
U.S. GAAP	$1.96	$2.06
Non-GAAP (Adjusted)	$2.20	$2.30

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 attributable to LKQ stockholders, amortization of acquired intangibles for the full fiscal year 2018 and the related tax effect; we included for all other components the amounts incurred as of March 31, 2018.

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