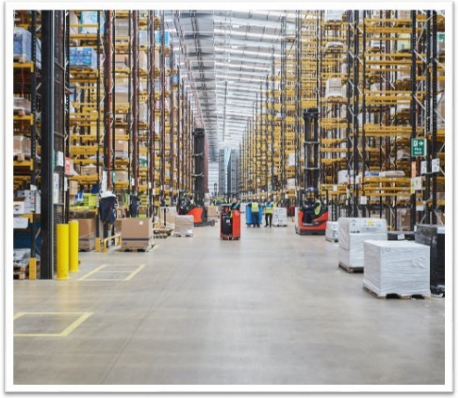
Third Quarter 2018 Earnings Call

October 25, 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.

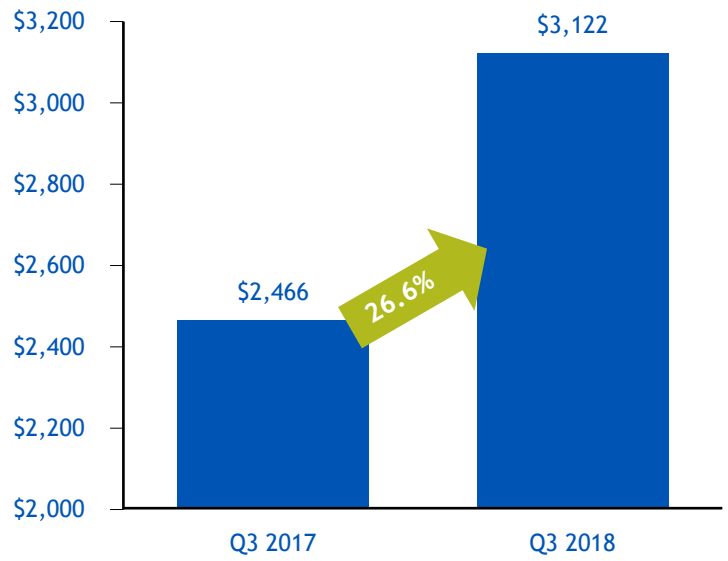
This presentation contains non-GAAP financial measures. Included with this presentation is a reconciliation of each non-GAAP financial measure with the most directly comparable financial measure calculated in accordance with GAAP.

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

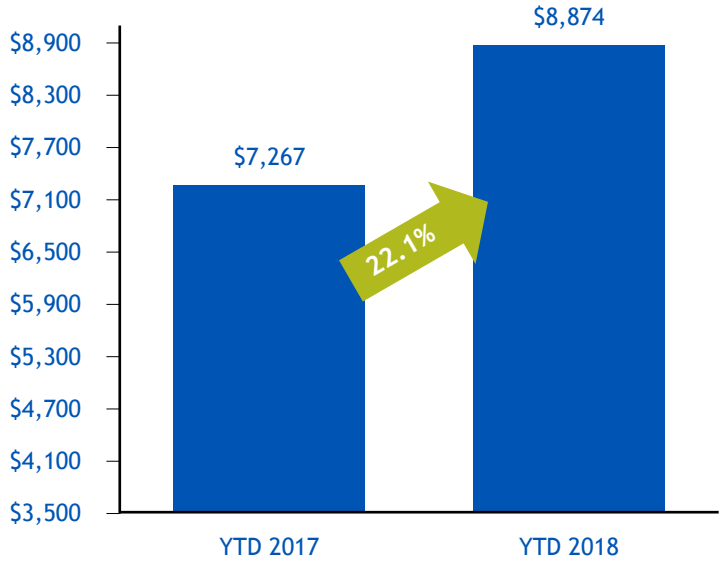
Consolidated Results - Continuing Operations

Q3 2018 Revenue[1]



- Organic growth of parts and services revenue of 4.3% on a reported basis
- Net income attributable to LKQ stockholders $134 million Q3 2018 vs. $122 million Q3 2017
- Segment EBITDA Margin[2] 10.5% Q3 2018 vs. 10.8% Q3 2017

YTD 2018 Revenue[1]

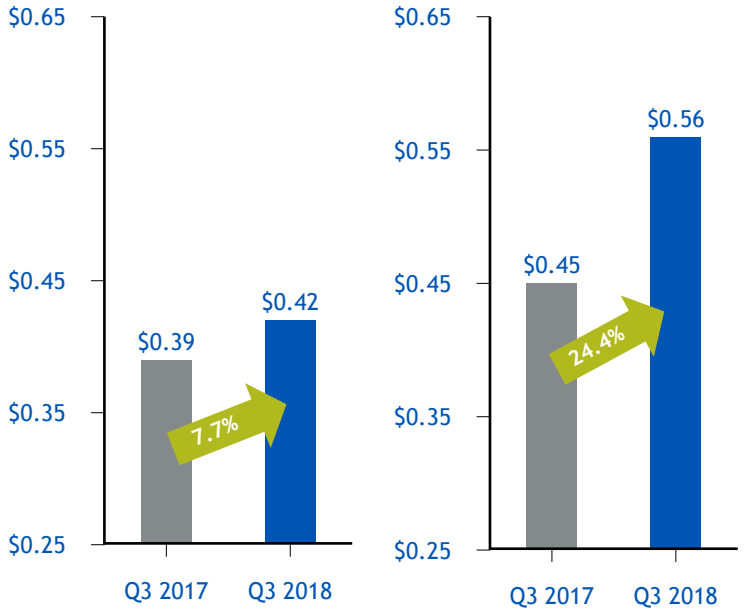


- Organic growth of parts and services revenue of 5.1% on a reported basis
- Net income from continuing operations attributable to LKQ stockholders $444 million YTD 2018 vs. $414 million YTD 2017
- Segment EBITDA Margin[2] 10.9% YTD 2018 vs. 11.9% YTD 2017

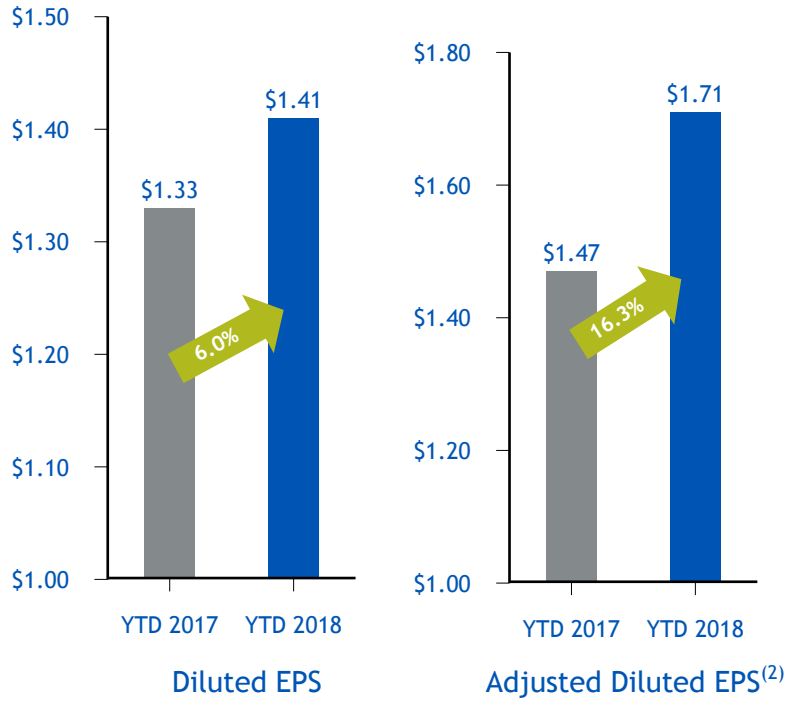
(1) Revenue in millions
(2) Segment EBITDA is a non-GAAP financial measure. Refer to Segment EBITDA reconciliation on Appendix 3

Consolidated Results - Continuing Operations

Q3 2018 EPS[1]



YTD 2018 EPS[1]



(1) Earnings per share figures refer to income from continuing operations attributable to LKQ stockholders
(2) Adjusted Diluted EPS is a non-GAAP measure. Refer to Appendix 4 for Adjusted Diluted EPS reconciliation

Q3 2018 Revenue Growth

Revenue Changes by Source:	Organic	Acquisition	Foreign Exchange	Total[1]
North America	5.2%	0.5%	(0.3)%	5.5%
Europe	2.0%	52.6%	(0.9)%	53.7%
Specialty	8.0%	10.5%	(0.5)%	18.0%
Parts and Services	4.3%	23.2%	(0.6)%	26.9%
Other Revenue	18.9%	2.7%	(0.1)%	21.5%
Total	5.1%	22.1%	(0.6)%	26.6%

- Organic revenue growth for parts and services in North America was largely attributable to favorable pricing and, to a lesser extent, increased sales volumes in our wholesale operations
- Organic revenue growth for parts and services in Europe was driven by our Eastern European operations (we added 39 new branches since the beginning of the third quarter of 2017)
- Unfavorable F/X impact on European revenue of $9 million; European constant currency parts and services revenue growth of 54.6%[2]
- European acquisition growth was $505 million, primarily related to the acquisition of Stahlgruber GmbH ("Stahlgruber") (acquired May 30, 2018)
- 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 prices and increased volumes of scrap steel and other metals. Scrap steel prices were up 4% 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 Appendix 1

YTD 2018 Revenue Growth

Revenue Changes by Source:	Organic	Acquisition	Foreign Exchange	Total[1]
North America	6.4%	1.0%	0.1%	7.5%
Europe	3.8%	31.9%	6.4%	42.2%
Specialty	4.2%	10.1%	0.1%	14.5%
Parts and Services	5.1%	14.3%	2.5%	21.9%
Other Revenue	23.9%	1.5%	0.1%	25.4%
Total	6.1%	13.6%	2.4%	22.1%

- Organic revenue growth for parts and services in North America was largely attributable to increased sales volumes and, to a lesser extent, favorable pricing in our wholesale operations
- Organic revenue growth for parts and services in Europe was driven by our Eastern European operations (we added 63 new branches since the beginning of 2017)
- Favorable F/X impact on European revenue of $170 million; European constant currency parts and services revenue growth of 35.8%[2]
- European acquisition growth was $853 million, primarily related to the acquisition of Stahlgruber (acquired May 30, 2018)
- Specialty acquisition growth was $102 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 metals prices. Scrap steel prices were up 24% 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 Appendix 1

Q3 2018 Operating Highlights

North America

- Continued price enhancement efforts have led to improved sequential wholesale gross margin of 70bps
- Continue to consolidate PGW sites, as appropriate
- 97% of routes optimized in Roadnet and beginning phase 2 review expected to lead to another 2-3% improvement in efficiency.

Europe

- STAHLGRUBER integration in line with expectations and results are consistent with the projected impact previously disclosed
- Rhiag opened 7 new branches in Eastern Europe during Q3
- Andrew Page sale of branches required by antitrust authorities finalized in August 2018
- UK continues winning national account business evidenced by several recent wins with the likes of Halfords Auto Centers, The Car Shop, Formula One, and British Telecom Fleet

Specialty

- New 450,000 square foot distribution center in Eastvale, California fully operational, replacing the existing 190,000 square foot distribution center in Corona, California. The new Eastvale DC has 80 dock doors, more than double Corona, allowing for more efficient product flow & improved service levels for customers & suppliers throughout the West Coast.
- Entered into exclusive distribution agreements with Yakima Products, for automotive and RV Market distribution of their products, and GRID Off-road, a leading designer and manufacturer of specialty off-road wheels and accessories.

Inventory

Inventory Procurement:	Q3			YTD		
($ in millions, Vehicles purchased in 000s)	2018	2017	% Change	2018	2017	% Change
Total aftermarket procurement	$1,701	$1,221	39.3%	$4,488	$3,439	30.5%
Wholesale salvage cars and trucks	73	74	(1.4)%	229	226	1.3%
Europe wholesale salvage cars and trucks	6	6	—%	21	18	16.7%
Self service and "crush only" cars	136	138	(1.4)%	427	412	3.6%

- We believe aftermarket inventory levels are sufficient to achieve our growth targets
- Increase in aftermarket purchases YTD driven by:
  - Incremental purchases from acquisitions after January 1, 2017 through the 1 year post closing (primarily Stahlgruber)
  - Growth across our operations
  - Increase in the average YTD value of euro and pound sterling (Europe segment)
- Cost per vehicle in our self service operations increased 16% year over year due primarily to increases in scrap steel prices over the prior year
- Average cost per vehicle in our full service salvage operations was up 4% year over year

Acquisition Activity

	Number of Q3 Acquisitions	TTM Revenue (in millions)[1]	Number of YTD Acquisitions	TTM Revenue (in millions)[1]
North America	—	—	1	0
Europe	3	$70	8	$2,005
Specialty	—	—	—	—
Total	3	$70	9	$2,005

- During the 3rd quarter of 2018,we acquired 3 businesses, including:
  - One wholesale business in Italy
  - Two wholesale businesses: one in the Netherlands and one in Belgium
- Net consideration of the three businesses acquired in Q3 was $79 million

(1) Approximate TTM Revenue as of acquisition date (unaudited)

Financial Results

Operating Results - Continuing Operations

($ in millions,except per share data)	Third Quarter 2018	Third Quarter 2017	Third Quarter Change	YTD 2018	YTD 2017	YTD Change
Revenue	$3,122	$2,466	26.6%	$8,874	$7,267	22.1%
Gross Margin	1,197	957	25.1%	3,413	2,852	19.7%
Operating Income	235	199	17.9%	718	679	5.7%
Pre-tax Income	201	178	12.9%	620	616	0.6%
Net income from continuing operations attributable to LKQ stockholders	134	122	9.6%	444	414	7.2%
Segment EBITDA[(1)]	326	267	22.2%	964	863	11.6%
Diluted EPS from continuing operations attributable to LKQ stockholders:						
Reported	$0.42	$0.39	7.7%	$1.41	$1.33	6.0%
Adjusted[(2)]	$0.56	$0.45	24.4%	$1.71	$1.47	16.3%

- Our effective income tax rate for the quarter and YTD was 22.9% and 25.2%, respectively, compared to 32.7% and 33.5% for the comparable prior year periods. 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. Additionally, we recorded a $10 million favorable adjustment to the Tax Act transition tax in the third quarter of 2018.

(1) Segment EBITDA is a non-GAAP measure. Refer to Segment EBITDA reconciliation on Appendix 3
(2) Adjusted EPS is a non-GAAP measure. Refer to the EPS reconciliation on Appendix 4

Q3 2018 Consolidated Margins - Continuing Operations

(as a % of Revenue)	Q3 2018	Q3 2017	Change F/(U)	Q3 Commentary
Revenue	100.0%	100.0%	—%	
Gross Margin	38.3%	38.8%	(0.5)%	Decreased by 0.2% and 0.2% as a result of our North America segment and mix (with Stahlgruber, our lower margin Europe segment makes up larger percentage of consolidated results), respectively
Selling, General and Administrative Expenses	28.2%	28.2%	—%	Increase by 0.2% from North America segment (distribution related vehicle expenses and freight) offset by 0.2% decrease from the Europe segment (primarily Stahlgruber)
Restructuring and Acquisition Related Expenses	0.2%	0.2%	—%	
Depreciation and Amortization	2.5%	2.3%	(0.2)%	Depreciation and amortization costs increased mainly due to Stahlgruber
Operating Income	7.5%	8.1%	(0.6)%	
Segment EBITDA[1]	10.5%	10.8%	(0.3)%	

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

(1) Segment EBITDA is a non-GAAP measure. Refer to segment EBITDA reconciliation on Appendix 3. Segment EBITDA is a measure of segment profitability. Refer to individual segment slides for drivers of Segment EBITDA.

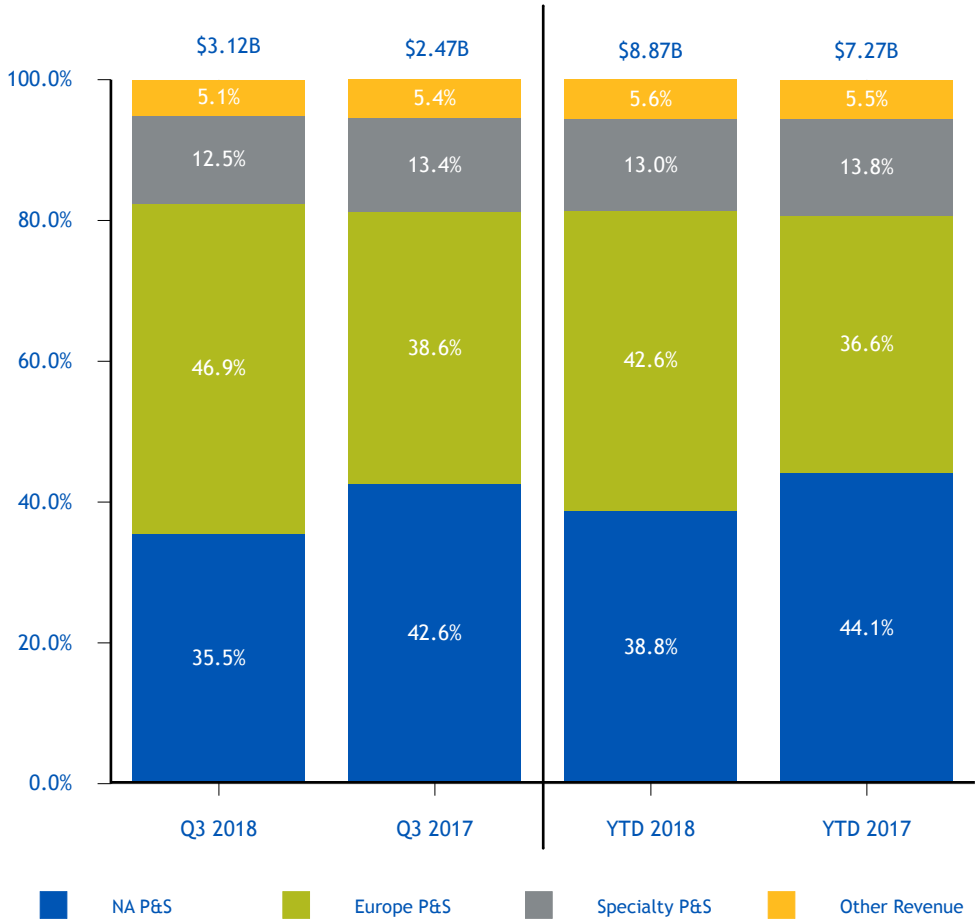
YTD 2018 Consolidated Margins - Continuing Operations

(as a % of Revenue)	2018	2017	Change F/(U)	YTD Commentary
Revenue	100.0%	100.0%	—%	
Gross Margin	38.5%	39.2%	(0.7)%	Decreased by 0.5% and 0.4% as a result of our Europe and North America segments, respectively
Selling, General and Administrative Expenses	27.9%	27.6%	(0.3)%	SG&A increased by 0.2% as a result of our North America segment (freight and vehicle expenses)
Restructuring and Acquisition Related Expenses	0.3%	0.1%	(0.2)%	Increase primarily driven by acquisition expenses related to Stahlgruber
Depreciation and Amortization	2.2%	2.2%	—%	Depreciation and amortization costs increased in dollar terms due to recent acquisitions
Operating Income	8.1%	9.3%	(1.2)%	
Segment EBITDA[(1)]	10.9%	11.9%	(1.0)%	

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

(1) Segment EBITDA is a non-GAAP measure. Refer to segment EBITDA reconciliation on Appendix 3. Segment EBITDA is a measure of segment profitability. Refer to individual segment slides for drivers of Segment EBITDA

Components of Revenue



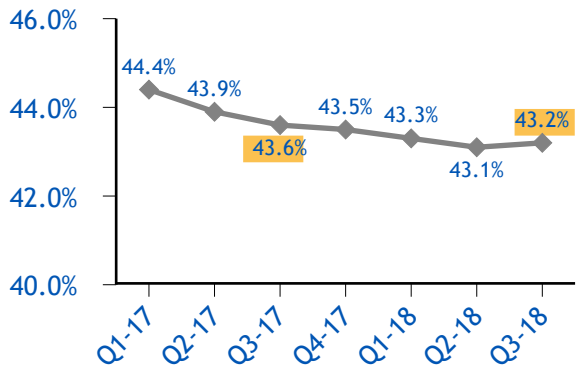
- North America historically has the highest gross margins and EBITDA margins relative to the other segments
- Increase in Q3 and YTD revenue as a percentage of consolidated revenue for our European businesses reflects the impact from our acquisition of Stahlgruber in Q2 2018
- Other revenue continues to be a small percentage of our total global revenue

North America – Q3 2018 Results

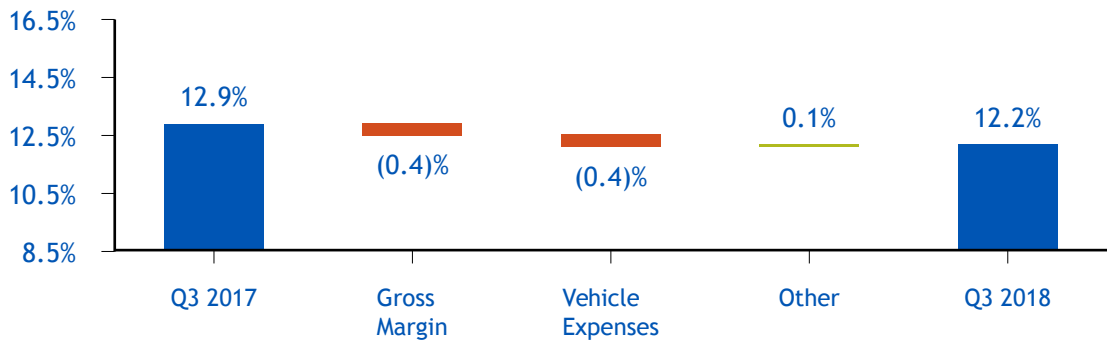
($ in millions)	2018	2017	Change	% of Revenue 2018	% of Revenue 2017
Total Revenue	$1,263	$1,182	6.8%		
Gross Margin	$546	$515	6.0%	43.2%	43.6%
Operating Expenses	$397	$367	8.4%	31.5%	31.0%
Segment EBITDA[(1)]	$154	$153	0.9%	12.2%	12.9%

(1) Segment EBITDA is a non-GAAP measure. Refer to total segment EBITDA reconciliation on Appendix 3 and the breakout of Segment EBITDA by each respective segment on Appendix 2

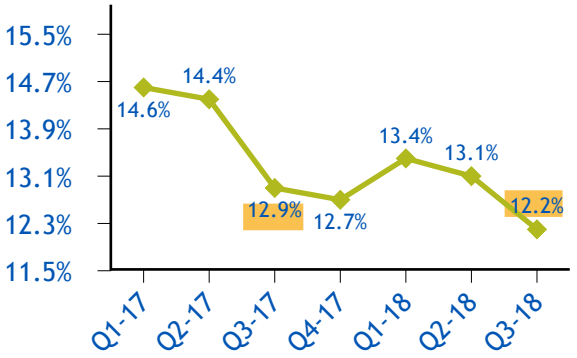
Gross Margin



North America Segment EBITDA Margin Bridge



Segment EBITDA Margin



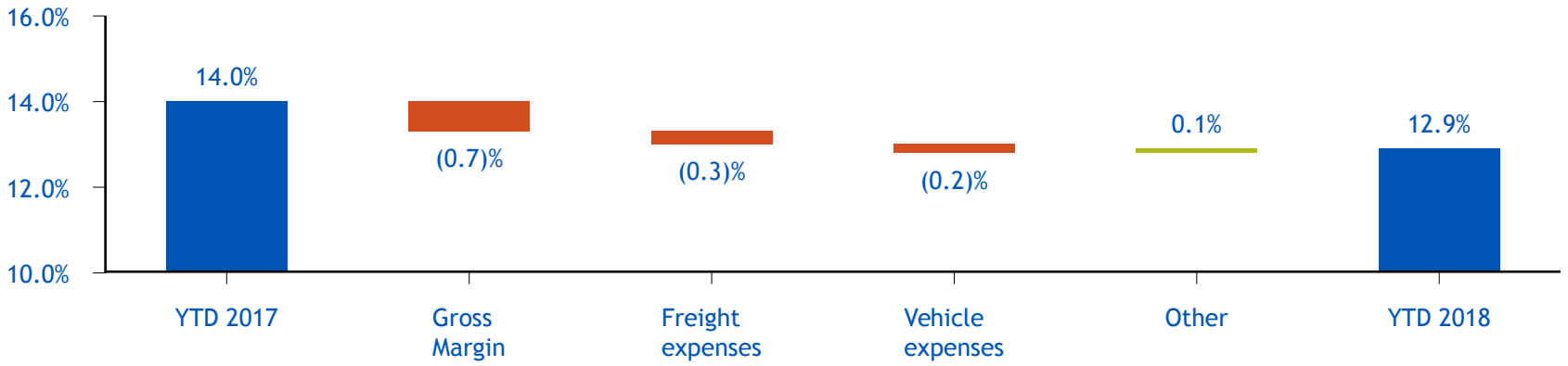
Note: In the table above, the sum of the individual percentages may not equal the total due to rounding

North America - YTD 2018 Results

($ in millions)	2018	2017	Change	% of Revenue 2018	% of Revenue 2017
Total Revenue	$3,928	$3,597	9.2%		
Gross Margin	$1,697	$1,581	7.3%	43.2%	43.9%
Operating Expenses	$1,202	$1,087	10.6%	30.6%	30.2%
Segment EBITDA[(1)]	$507	$502	0.9%	12.9%	14.0%

(1) Segment EBITDA is a non-GAAP measure. Refer to total segment EBITDA reconciliation on Appendix 3 and the breakout of Segment EBITDA by each respective segment on Appendix 2

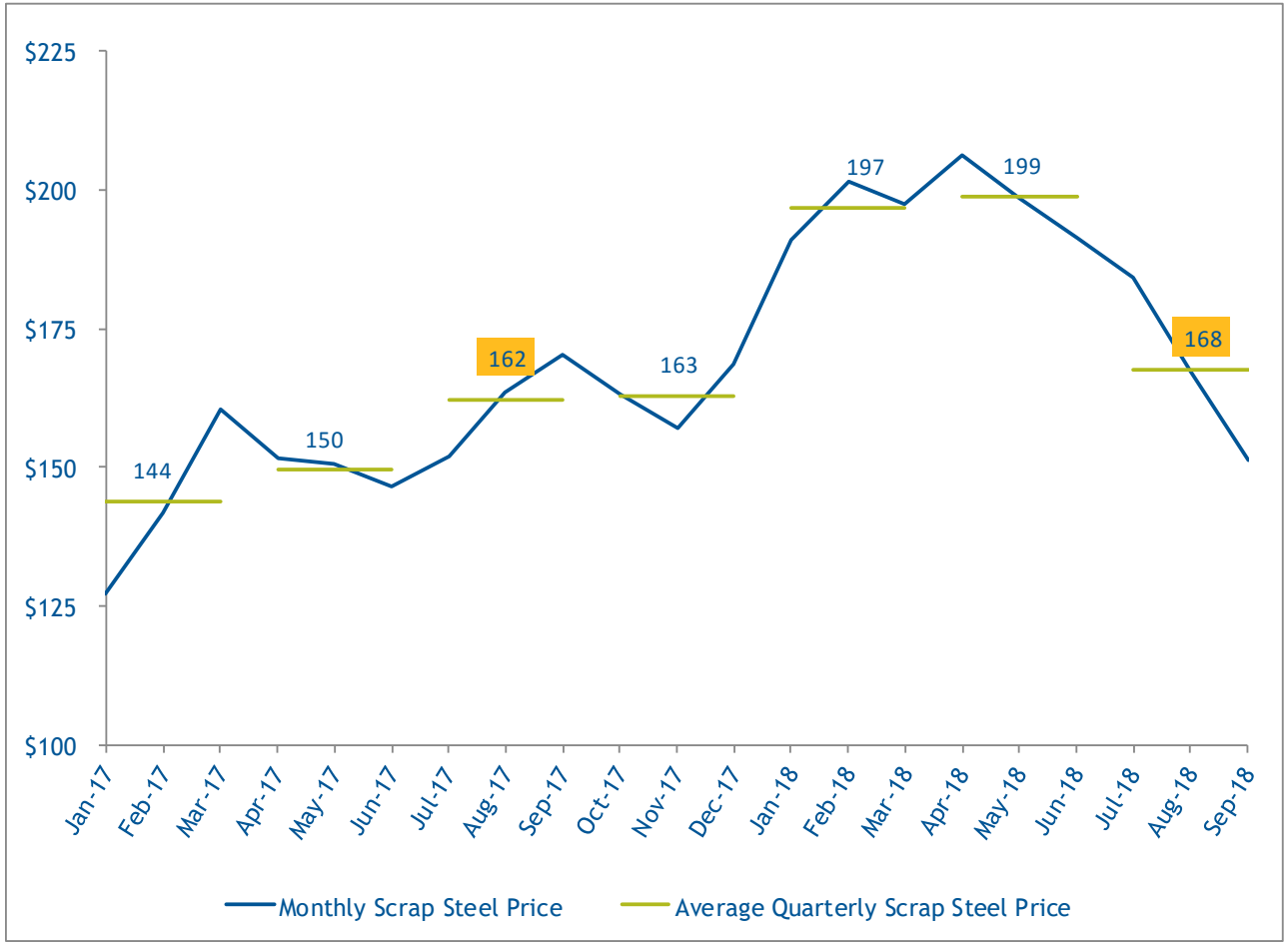
North America Segment EBITDA Margin Bridge



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

Scrap Steel Prices

Q3 YoY scrap steel prices per ton up 4%



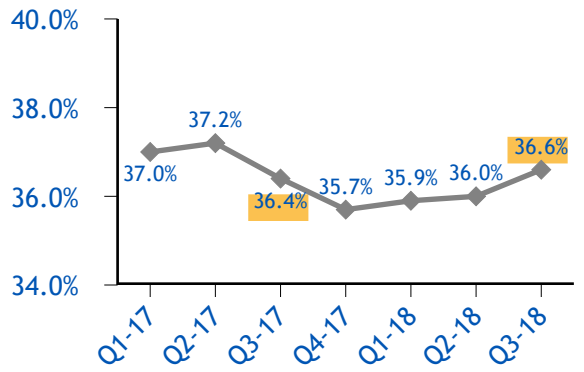
- Average price we received for scrap steel in Q3 increased by 4%, from $162 per ton in Q3 2017 to $168 per ton in Q3 2018
- Sequential change was $31 per ton or 16% down
- Changes in scrap steel prices had an unfavorable impact of $7 million Q3, compared to $2 million favorable impact in Q3 2017

Europe - Q3 2018 Results

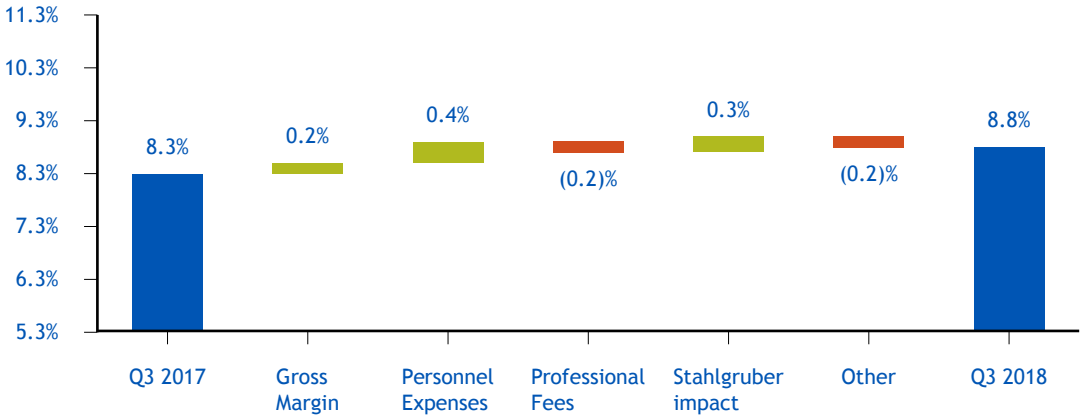
($ in millions)	2018	2017	Change	% of Revenue 2018	% of Revenue 2017
Total Revenue	$1,471	$955	54.1%		
Gross Margin	$538	$347	55.1%	36.6%	36.4%
Operating Expenses	$411	$270	52.1%	27.9%	28.3%
Segment EBITDA[(1)]	$129	$79	63.1%	8.8%	8.3%

(1) Segment EBITDA is a non-GAAP measure. Refer to total segment EBITDA reconciliation on Appendix 3 and the breakout of Segment EBITDA by each respective segment on Appendix 2

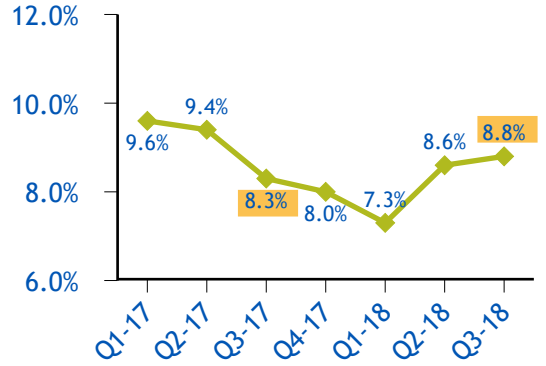
Gross Margin



Europe Segment EBITDA Margin Bridge



Segment EBITDA Margin



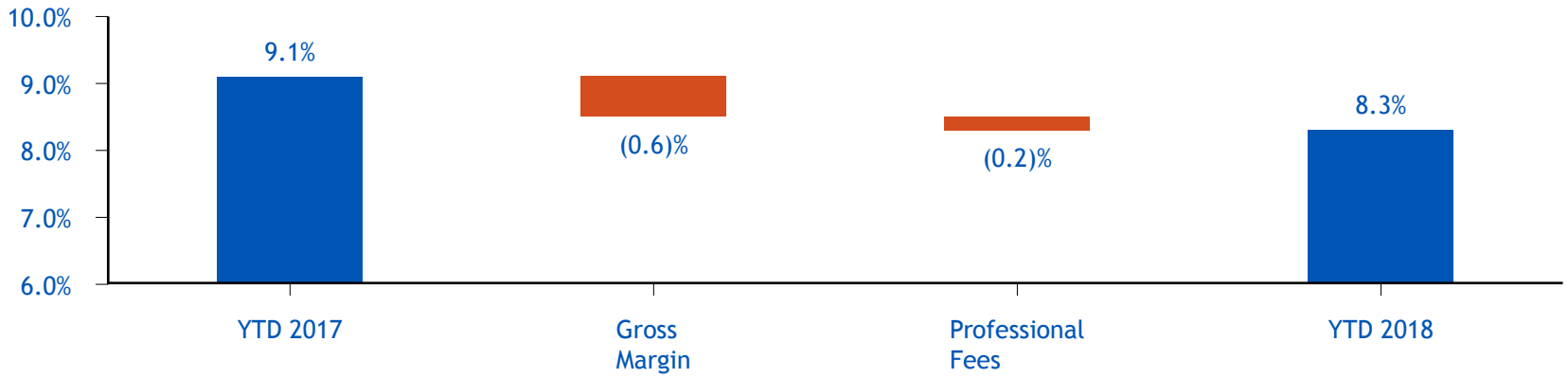
Note: In the table above, the sum of the individual percentages may not equal the total due to rounding

Europe – YTD 2018 Results

($ in millions)	2018	2017	Change	% of Revenue 2018	% of Revenue 2017
Total Revenue	$3,795	$2,665	42.4%		
Gross Margin	$1,373	$982	39.9%	36.2%	36.8%
Operating Expenses	$1,065	$745	42.9%	28.1%	28.0%
Segment EBITDA[1]	$316	$242	30.7%	8.3%	9.1%
Branches[2]	1,080	836	244		

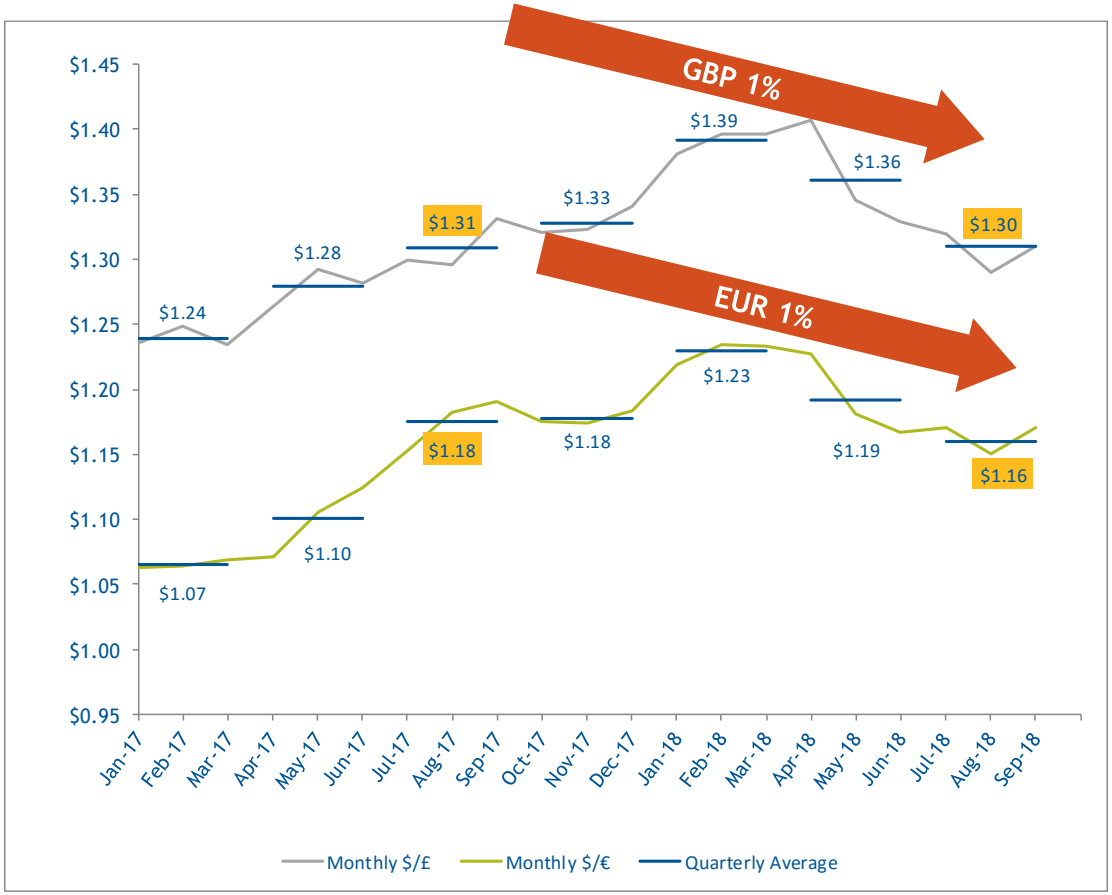
(1) Segment EBITDA is a non-GAAP measure. Refer to total segment EBITDA reconciliation on Appendix 3 and the breakout of Segment EBITDA by each respective segment on Appendix 2
(2) Includes 188 Stahlgruber branches

Europe Segment EBITDA Margin Bridge



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

Foreign Exchange



- £ down 1% Q3 2018 vs. Q3 2017
- € down 1% Q3 2018 vs. Q3 2017
- Translation impact of weaker YTD average dollar on Europe revenue growth:
  - YTD: $170 million
- Europe constant currency(1) parts and services revenue growth
  - Q3: 54.6%
  - YTD: 35.8%

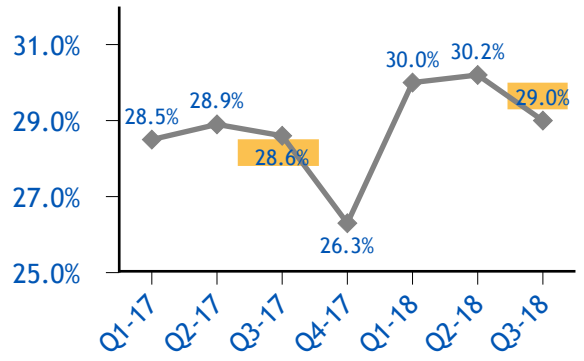
(1) Constant currency is a non-GAAP financial measure. Refer to constant current reconciliation on Appendix 1
(2) Reflects the combined impact of all currencies on consolidated EPS growth (all segments); charts and revenue figures above reflect only GBP and EUR currencies

Specialty - Q3 2018 Results

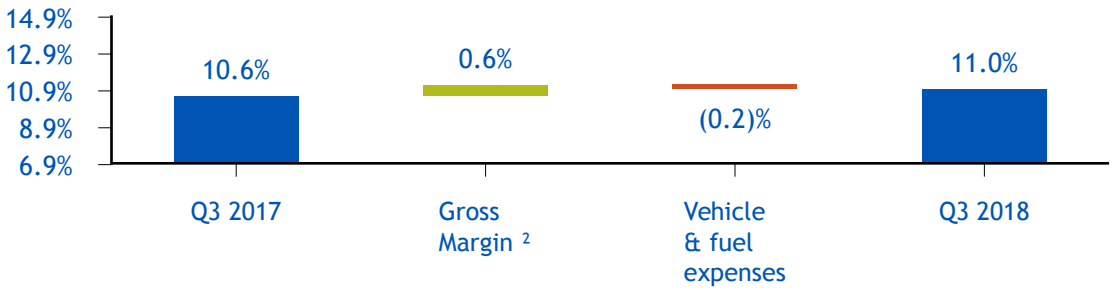
($ in millions)	2018	2017	Change	% of Revenue 2018	% of Revenue 2017
Total Revenue	$390	$331	18.0%		
Gross Margin	$113	$95	19.4%	29.0%	28.6%
Operating Expenses	$71	$59	19.9%	18.2%	17.9%
Segment EBITDA[(1)]	$43	$35	22.3%	11.0%	10.6%

(1) Segment EBITDA is a non-GAAP measure. Refer to total segment EBITDA reconciliation on Appendix 3 and the breakout of Segment EBITDA by each respective segment on Appendix 2

Gross Margin

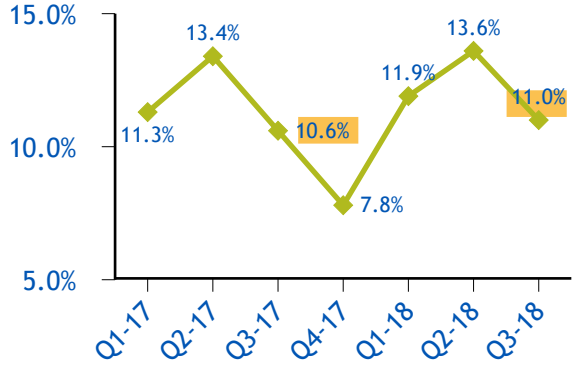


Specialty Segment EBITDA Margin Bridge



(2) Reported Gross Margin % is negatively impacted by increased COGS depreciation of 0.2%, which is excluded from the calculation of Segment EBITDA

Segment EBITDA Margin



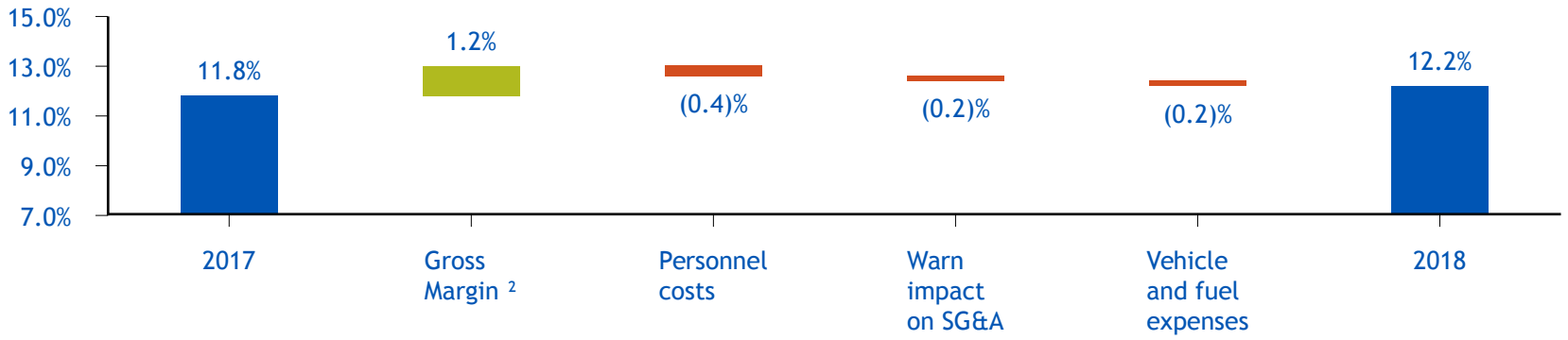
Note: In the table above, the sum of the individual percentages may not equal the total due to rounding

Specialty - YTD 2018 Results

($ in millions)	2018	2017	Change	% of Revenue 2018	% of Revenue 2017
Total Revenue	$1,155	$1,009	14.4%		
Gross Margin	$343	$289	18.6%	29.7%	28.7%
Operating Expenses	$205	$171	20.1%	17.7%	16.9%
Segment EBITDA[(1)]	$141	$119	18.3%	12.2%	11.8%

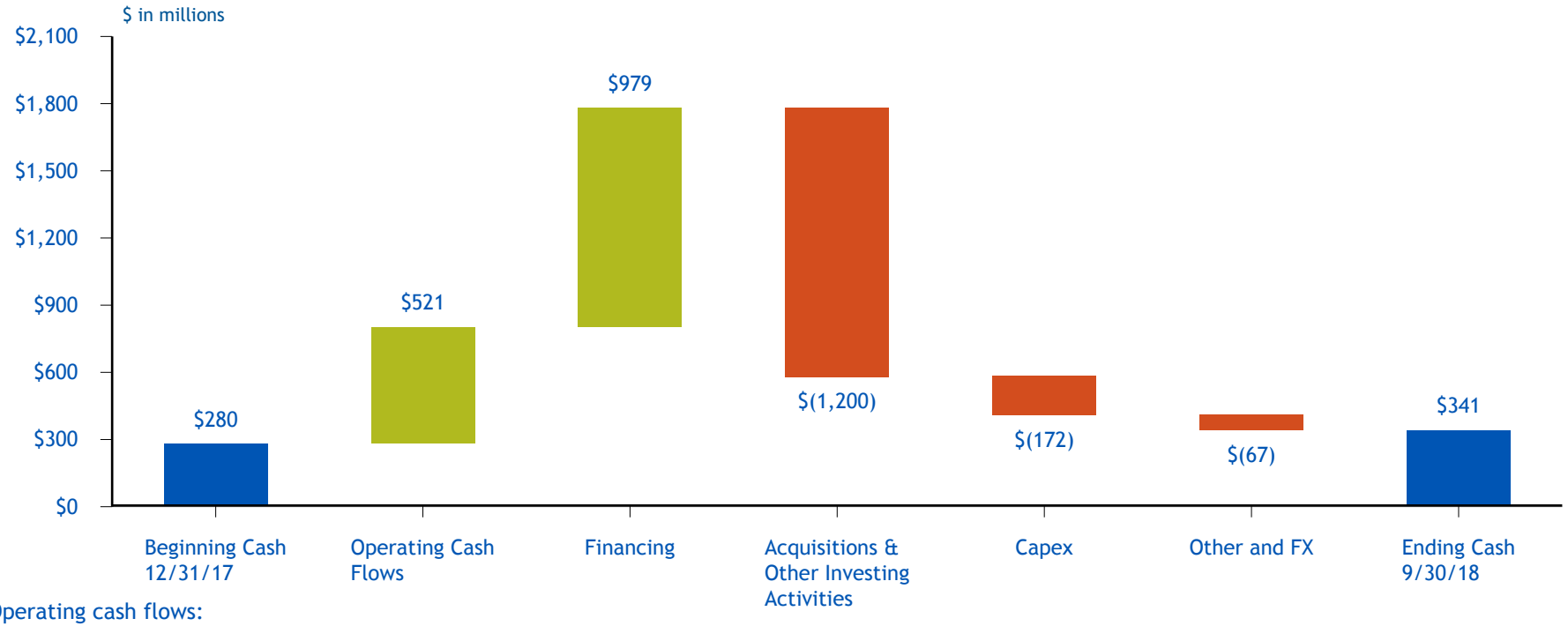
(1) Segment EBITDA is a non-GAAP measure. Refer to total segment EBITDA reconciliation on Appendix 3 and the breakout of Segment EBITDA by each respective segment on Appendix 2

Specialty Segment EBITDA Margin Bridge



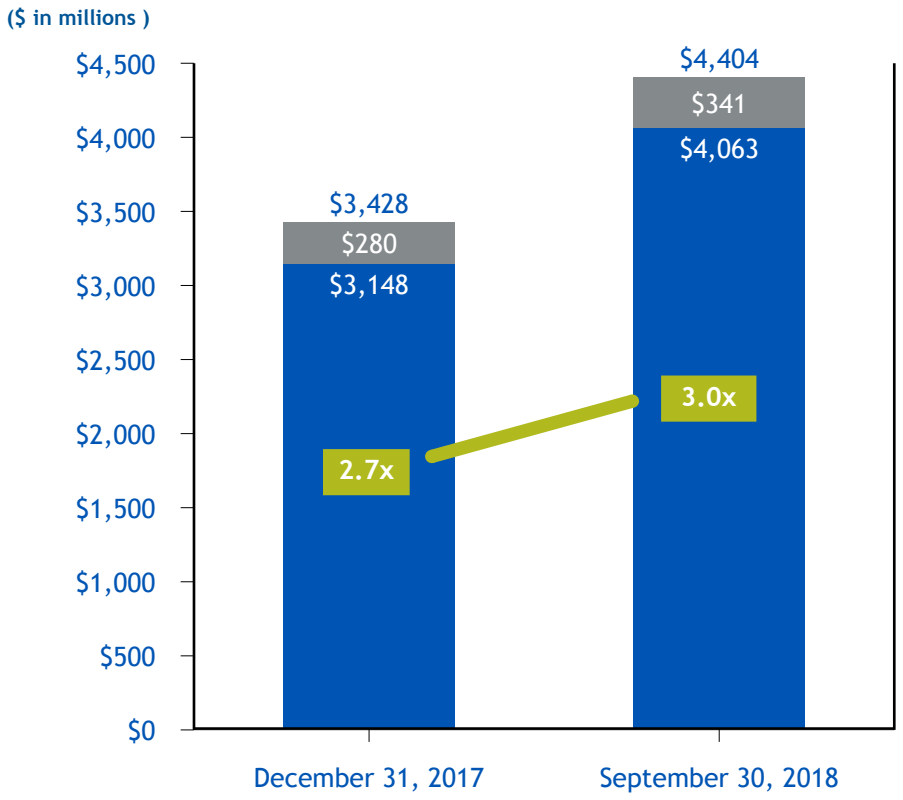
Note: In the table above, the sum of the individual percentages may not equal the total due to rounding
(2) Reported Gross Margin % is negatively impacted by increased COGS depreciation and inventory step-up adjustment of 0.2%

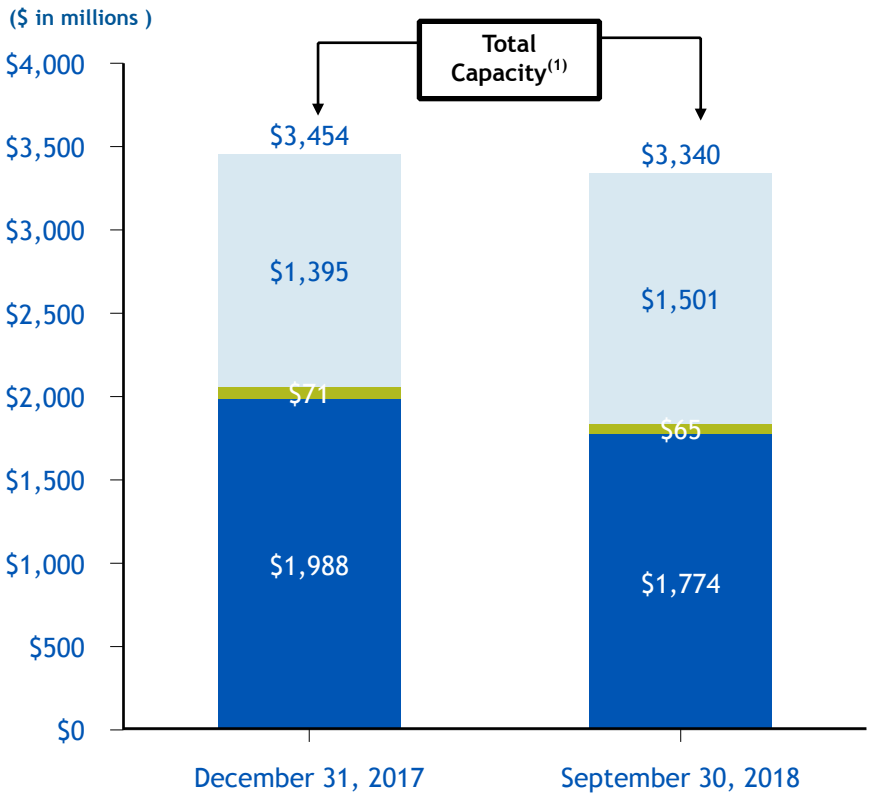
2018 Capital Allocation - Continuing Operations



- Operating cash flows:
  - The $72 million year over year increase is primarily driven by an increase in operating income of $39 million, a $60 million decrease in taxes paid, and a $22 million decrease in inventory compared to the comparable period of the prior year partially offset by a $94 million reduction in accounts payable balances, of which $52 million was due to the timing of the Stahlgruber acquisition closing
- Investing cash flows:
  - Outflow of $1.2 billion of acquisitions and other investing activities primarily relates to our acquisition of Stahlgruber
  - Capex of $172 million mainly due to our North America and Europe segments
- Financing cash flows
  - Includes $1.2 billion in proceeds from the issuance of Euro Notes (2026/28) partially offset by net repayments of $199 million on our credit facilities

Leverage & Liquidity



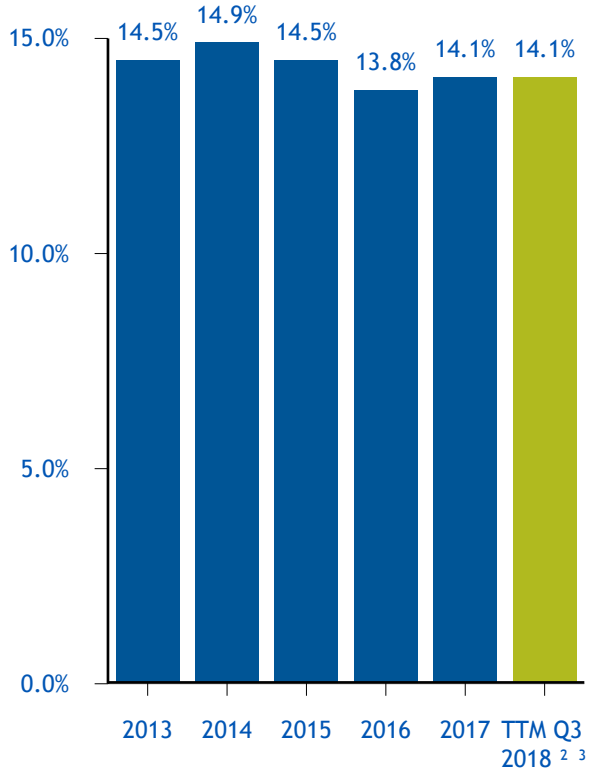


Effective borrowing rate for Q3 2018 was 3.5%(3)

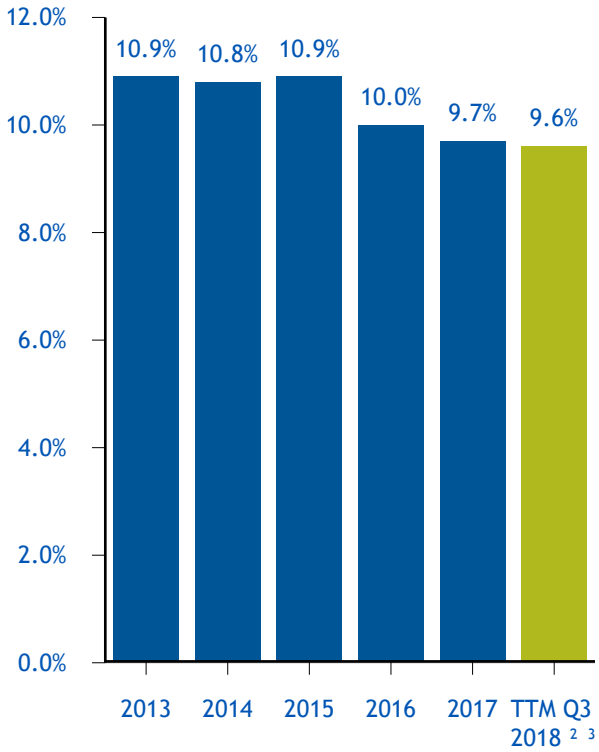
(1) Total capacity includes our term loans and revolving credit facilities
(2) Net leverage per bank covenants is defined as Net Debt/EBITDA. See the definitions of Net Debt and EBITDA in the credit agreement filed with the SEC for further details
(3) Including our interest rate swaps, approximately 80% of our outstanding debt is effectively at a fixed interest rate

Key Return Metrics - Q3 2018

Return on Equity



Return on Invested Capital[(1)]



(1) Amortization of acquired intangibles has been excluded from income in the calculation of Return on Invested Capital

(2) TTM Q3 2018 excludes all income, transaction costs, capital and equity related to Stahlgruber GmbH

(3) TTM Q3 2018 excludes the effect of the Mekonomen impairment charge on income

Guidance 2018
(effective only on the date issued: October 25, 2018)

($ in millions excluding EPS)	Full Year 2017 Actual	Full Year 2018 Guidance[1]
Organic Growth, Parts and Services	4.1%	4.5% - 5.0%
Net Income - continuing operations attributable to LKQ stockholders	$540	$565 - $585
Adjusted Net Income - continuing operations attributable to LKQ stockholders[2]	$583	$690 - $710
Diluted EPS - continuing operations attributable to LKQ stockholders	$1.74	$1.79 - $1.85
Adjusted Diluted EPS - continuing operations attributable to LKQ stockholders[2]	$1.88	$2.19 - $2.25
Cash Flow from Operations - continuing operations	$523	$610 - $660
Capital Expenditures - continuing operations	$175	$240 - $260

(1) Guidance for 2018 is based on current conditions and excludes the impact of restructuring and acquisition related expenses, impairment charges, 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 remainder of the year. Guidance for 2018 includes a global effective tax rate of 27.2%. 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 October 25, 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 Appendix 5 for reconciliation of forecasted adjusted net income and forecasted adjusted diluted earnings per share from continuing operations attributable to LKQ stockholders

Q3 2018 Key Takeaways

- Organic revenue growth of 4.3% for parts and services in Q3
- Specialty and North America achieved organic revenue growth of 8.0% and 5.2%, respectively
- Continued pursuit of profitable growth and solid progress on our margin improvement plans
- Net income from continuing operations attributable to LKQ stockholders improvement of 9.6% for Q3
- Q3 Diluted EPS of $0.42 vs. $0.39, a 7.7% increase
- Q3 Adjusted Diluted EPS[(1)] of $0.56 vs. $0.45, a 24.4% increase
- Excellent operating cash conversion; delivered $192 million in operating cash flow
- Added a stock repurchase program to optimize our capital allocation strategy

(1) Adjusted Diluted EPS is a non-GAAP measure. Refer to EPS reconciliation on Appendix 4

Consistent Business Model and Strategy



Appendix - Non-GAAP Financial Measures

This presentation contains non-GAAP financial measures. Following 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 September 30, 2018		Nine Months Ended September 30, 2018	
	Consolidated	Europe	Consolidated	Europe
Parts & Services				
Revenue growth as reported	26.9%	53.7%	21.9%	42.2%
Less: Currency impact	(0.6%)	(0.9%)	2.5%	6.4%
Revenue growth at constant currency	27.5%	54.6%	19.4%	35.8%

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 September 30[1] 2018	% of revenue	2017	% of revenue	Nine Months Ended September 30[1] 2018	% of revenue	2017	% of revenue
Revenue								
North America	$1,263		$1,182		$3,928		$3,597	
Europe	1,471		955		3,795		2,665	
Specialty	390		331		1,155		1,009	
Eliminations	(1)		(1)		(4)		(4)	
Total Revenue	$3,122		$2,466		$8,874		$7,267	
Segment EBITDA								
North America	$154	12.2%	$153	12.9%	$507	12.9%	$502	14.0%
Europe	129	8.8%	79	8.3%	316	8.3%	242	9.1%
Specialty	43	11.0%	35	10.6%	141	12.2%	119	11.8%
Total Segment EBITDA	$326	10.5%	$267	10.8%	$964	10.9%	$863	11.9%

We have presented Segment EBITDA solely as a supplemental disclosure that offers investors, securities analysts and other interested parties useful information to evaluate our segment profit and loss. We calculate Segment EBITDA as EBITDA excluding restructuring and acquisition related expenses, change in fair value of contingent consideration liabilities, other gains and losses related to acquisitions, equity method investments, or divestitures and equity in losses and 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. Refer to the table on the following page for a reconciliation of net income to EBITDA and Segment EBITDA.

(1) 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[1] 2018	2017	Nine Months Ended September 30[1] 2018	2017
Net income	$134	$122	$445	$410
Subtract:				
Net income attributable to noncontrolling interest	0	—	1	—
Net income attributable to LKQ stockholders	$134	$122	$444	$410
Subtract:				
Net loss from discontinued operations	—	—	—	(5)
Net income from continuing operations attributable to LKQ stockholders	$134	$122	$444	$414
Add:				
Depreciation and Amortization	77	57	196	159
Depreciation and Amortization - cost of goods sold	5	3	15	7
Interest expense, net[2]	41	25	108	74
Provision for income taxes	46	58	156	206
EBITDA	$303	$266	$919	$861
Subtract:				
Equity in (losses) earnings of unconsolidated subsidiaries	(20)	3	(18)	4
Fair value gain on Mekonomen derivative instrument	3	—	3	—
Gains on bargain purchases	—	1	0	4
Add:				
Restructuring and acquisition related expenses	7	5	27	10
Inventory step-up adjustment - acquisition related	—	—	0	—
Impairment of net assets held for sale	—	—	2	—
Change in fair value of contingent consideration liabilities	(1)	0	(0)	0
Segment EBITDA	$326	$267	$964	$863
EBITDA as a percentage of revenue	9.7%	10.8%	10.4%	11.8%
Segment EBITDA as a percentage of revenue	10.5%	10.8%	10.9%	11.9%

(1) The sum of the individual components may not equal the total due to rounding
(2) 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 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 gains and losses related to acquisitions, equity method investments, or divestitures and equity in losses and 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[1] 2018	Three Months Ended September 30[1] 2017	Nine Months Ended September 30[1] 2018	Nine Months Ended September 30[1] 2017
Net income	$134	$122	$445	$410
Subtract:				
Net income attributable to noncontrolling interest	0	—	1	—
Net income attributable to LKQ stockholders	$134	$122	$444	$410
Subtract:				
Net loss from discontinued operations	—	—	—	(5)
Net income from continuing operations attributable to LKQ stockholders	$134	$122	$444	$414
Adjustments - continuing operations attributable to LKQ stockholders:				
Amortization of acquired intangibles	39	25	89	71
Restructuring and acquisition related expenses	7	5	27	10
Inventory step-up adjustment - acquisition related	—	—	0	—
Change in fair value of contingent consideration liabilities	(1)	0	(0)	0
Gains on bargain purchases	—	(1)	(0)	(4)
Impairment of net assets held for sale	—	—	2	—
Impairment on Mekonomen equity method investment	23	—	23	—
Fair value gain on Mekonomen derivative instrument	(3)	—	(3)	—
U.S. tax law change 2017	(10)	—	(10)	—
Excess tax benefit from stock-based payments	(1)	(2)	(4)	(7)
Tax effect of adjustments	(12)	(10)	(29)	(28)
Adjusted net income from continuing operations attributable to LKQ stockholders	$177	$140	$539	$456
Weighted average diluted common shares outstanding	319,402	310,779	314,951	310,495
Diluted earnings per share from continuing operations attributable to LKQ stockholders:				
Reported	$0.42	$0.39	$1.41	$1.33
Adjusted	$0.56	$0.45	$1.71	$1.47

(1) 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 gains and losses related to acquisitions, equity method investments, or divestitures, 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 our operating performance 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[1]

(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	$565	$585
Adjustments:		
Amortization of acquired intangibles	130	130
Restructuring and acquisition related expenses	27	27
Impairment on Mekonomen equity method investment	23	23
U.S. tax law change 2017	(10)	(10)
Excess tax benefit from stock-based payments	(4)	(4)
Other	(0)	(0)
Tax effect of adjustments	(40)	(40)
Adjusted net income from continuing operations attributable to LKQ stockholders	$690	$710
Weighted average diluted common shares outstanding	316	316
Diluted EPS from continuing operations attributable to LKQ stockholders:		
U.S. GAAP	$1.79	$1.85
Non-GAAP (Adjusted)	$2.19	$2.25

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 September 30, 2018.

(1) The sum of the individual components may not equal the total due to rounding