Fourth Quarter & Full Year 2018 Earnings Call

February 28, 2019

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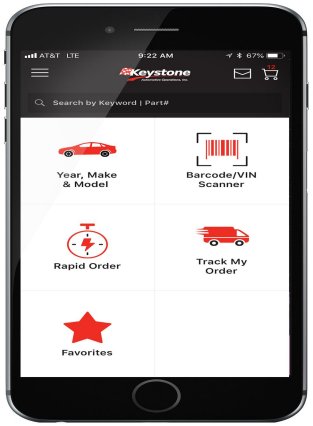


Forward Looking Statements and Non-GAAP Financial Measures

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

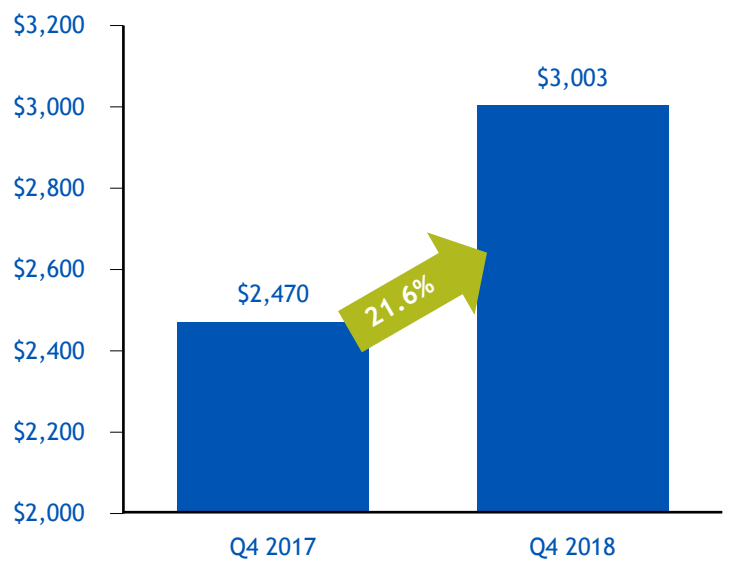
Q4 2018 Key Takeaways

- Organic revenue growth of 2.5% for parts and services in Q4 despite economic headwinds in certain European markets; total organic revenue growth of 3.0% in Q4
- Specialty and North America achieved organic revenue growth of 5.8% and 3.7%, respectively
- Excellent operating cash conversion; delivered $190 million in operating cash flows
    - Full year operating cash flows of $711 million are the highest in LKQ's history
- Continued pursuit of profitable growth through pricing programs and investments in productivity initiatives
    - North America gross margin initiatives delivered sequential increase; and Specialty delivered higher Y/Y EBITDA margins
    - Europe Segment EBITDA margin impacted by soft market conditions
- Q4 Diluted EPS of $0.13 vs. $0.41, a 68.3% decrease
    - Q4 2018 includes impairment charges of $75 million (after tax), or $0.23 per share
- Q4 Adjusted Diluted EPS[(1)] of $0.48 vs. $0.41, a 17.1% increase
- Net Debt/EBITDA leverage of 2.9x as of December 31, 2018
- $60 million stock repurchased at $26.41 average price

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

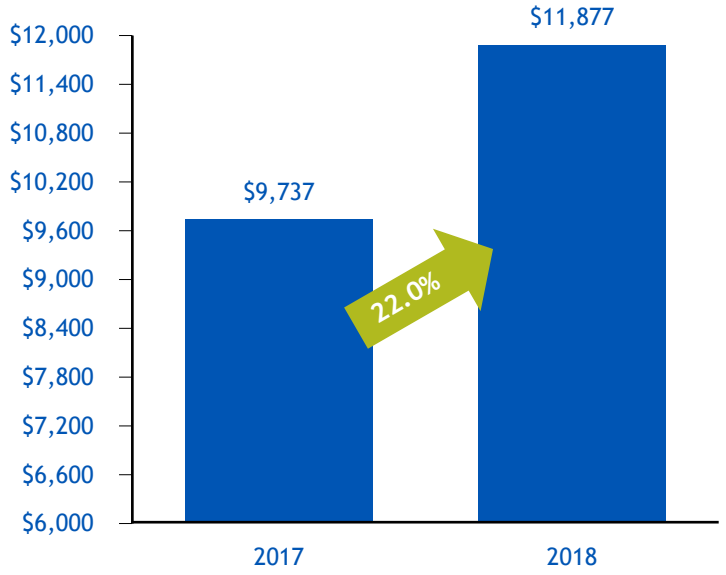
Consolidated Results - Continuing Operations

Q4 2018 Revenue[1]



- Organic revenue growth for parts and services of 2.5% on a reported basis
- Net income from continuing operations attributable to LKQ stockholders $40 million (1.3% of revenue) Q4 2018 vs. $126 million (5.1% of revenue) Q4 2017 (Q4 2018 includes impairment charges totaling $75 million after tax)
- Segment EBITDA[2] of $288 million; up 13.6% YOY
- Segment EBITDA Margin[2] 9.6% Q4 2018 vs. 10.3% Q4 2017

2018 Revenue[1]

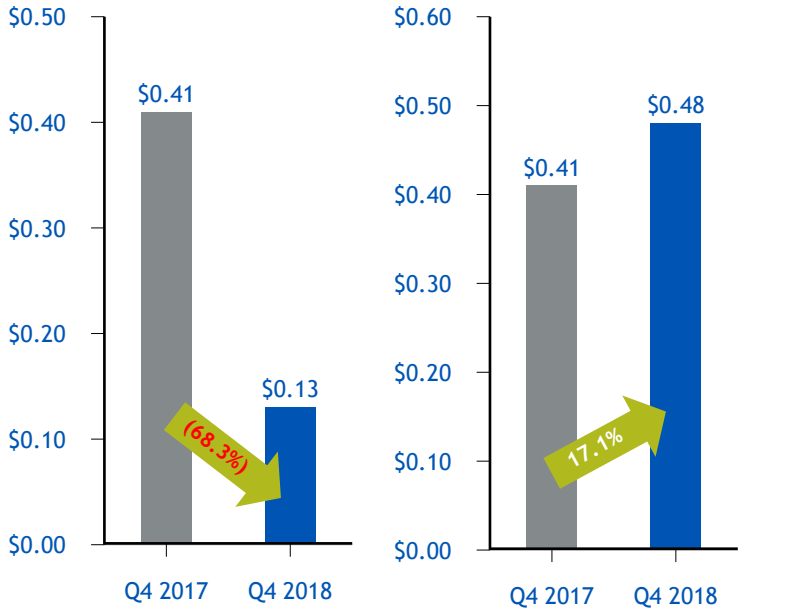


- Organic revenue growth for parts and services of 4.4% on a reported basis
- Net income from continuing operations attributable to LKQ stockholders $485 million (4.1% of revenue) 2018 vs. $540 million (5.6% of revenue) 2017 (2018 includes impairment charges of $97 million after tax)
- Segment EBITDA[2] of $1.25 billion; up 12.1% YOY
- Segment EBITDA Margin[2] 10.5% 2018 vs. 11.5% 2017

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

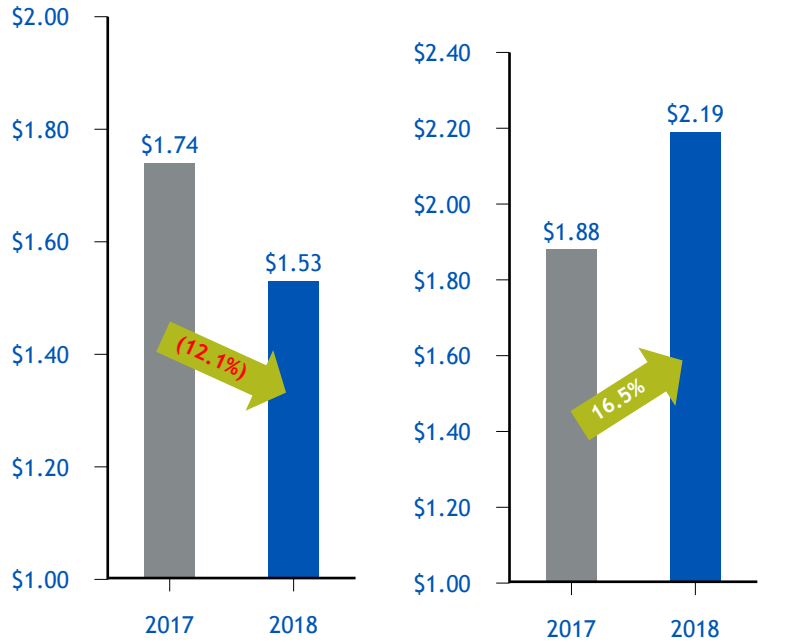
Consolidated Results - Continuing Operations

Q4 2018 EPS[1]



Diluted EPS | Adjusted Diluted EPS[2]

2018 EPS[1]



Diluted EPS | Adjusted Diluted EPS[2]

(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

Q4 2018 Revenue Growth

Revenue Changes by Source:	Organic	Acquisition	Foreign Exchange	Total[1]
North America	3.7%	0.3%	(0.3)%	3.7%
Europe	0.3%	49.7%	(3.3)%	46.6%
Specialty	5.8%	3.5%	(0.4)%	8.9%
Parts and Services	2.5%	21.2%	(1.6)%	22.2%
Other Revenue	10.2%	1.1%	(0.2)%	11.1%
Total	3.0%	20.1%	(1.5)%	21.6%

- Organic revenue growth for parts and services on a per day basis was 0.8% as there was one additional selling day in Q4 2018 compared to Q4 2017
- Organic revenue growth for parts and services in North America was primarily attributable to favorable pricing in our wholesale operations; 120 bps related to incremental revenue from a battery contract
- Organic revenue growth for parts and services in Europe was roughly flat compared to Q4 2017 due to economic headwinds
- Unfavorable F/X impact on European revenue of $32 million; European constant currency parts and services revenue growth of 49.9%[2]
- European acquisition growth was $481 million, primarily related to the acquisition of Stahlgruber GmbH ("Stahlgruber") (acquired May 30, 2018)
- Specialty acquisition growth was $10 million, most of which related to Warn Industries, Inc. ("Warn") (acquired November 1, 2017)
- Increase in Other Revenue was attributable to increased volumes and higher prices of scrap steel, other metals and catalytic converters YOY

(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

2018 Revenue Growth

Revenue Changes by Source:	Organic	Acquisition	Foreign Exchange	Total[1]
North America	5.7%	0.8%	0.0%	6.5%
Europe	2.9%	36.7%	3.8%	43.4%
Specialty	4.6%	8.6%	0.0%	13.2%
Parts and Services	4.4%	16.0%	1.5%	22.0%
Other Revenue	20.4%	1.4%	0.0%	21.8%
Total	5.3%	15.3%	1.4%	22.0%

- Organic revenue growth for parts and services on a per day basis was 4.1% as there was one additional day in 2018 compared to 2017
- Organic revenue growth for parts and services in North America was attributable to roughly equal impacts of favorable pricing and 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 31 new branches in 2018 and 37 new branches in 2017)
- Favorable F/X impact on European revenue of $137 million; European constant currency parts and services revenue growth of 39.6%[2]
- European acquisition growth was $1.3 billion, primarily related to the acquisition of Stahlgruber (acquired May 30, 2018)
- Specialty acquisition growth was $112 million, primarily related to Warn
- Increase in Other Revenue was primarily attributable to higher prices of scrap steel, other metals and catalytic converters YOY

(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

Q4 2018 Operating Highlights

North America

- Pricing model refinement and pursuing higher margin revenue have contributed to improving aftermarket gross margins
- During Q4, launched the implementation of new tools for setting salvage prices
- North America headquarters in Nashville opened in December, consolidating three offices to a single location

Europe

- CEE opened 5 new branches in Eastern Europe in Q4: (2 in the Czech Republic, 1 in Ukraine, 1 in Romania and 1 in Bosnia) and closed 1 branch in Poland
- ERP project moving forward with implementation team in place and initial market selected for pilot
- Arnd Franz will join LKQ Europe as Chief Operating Officer, on or about April 1, 2019

Specialty

- Strong SEMA show presence for WARN Industries, including placement of WARN product (bumpers / winches) on new Ford Ranger pickup in Ford booth
- Launch of e-Keystone mobile app
- Announced new partnership with GRAND DESIGN, a major RV OE Manufacturer, to handle warranty claim work

Inventory

Inventory Procurement:	Q4			Fiscal Year		
($ in millions, Vehicles purchased in 000s)	2018	2017	% Change	2018	2017	% Change
Total aftermarket procurement	$1,629	$1,291	26.2%	$6,117	$4,730	29.3%
Wholesale salvage cars and trucks	81	84	(3.6)%	310	310	—%
Europe wholesale salvage cars and trucks	7	7	—%	28	25	12.0%
Self service and "crush only" cars	135	130	3.8%	562	542	3.7%

- Increase in aftermarket 2018 purchases driven by:
  - Incremental purchases from acquisitions (primarily Stahlgruber)
  - Organic growth across our operations
  - Increase in the average 2018 value of euro and pound sterling (Europe segment)
- Cost per vehicle in our self service operations increased 14% year over year due primarily to increases in scrap steel prices during the first half of 2018
- Average cost per vehicle in our full service salvage operations was up 5% year over year

Acquisition Activity

	Number of Q4 Acquisitions	TTM Revenue (in millions)[1]	Number of 2018 Acquisitions	TTM Revenue (in millions)[1]
North America	3	$17	4	$17
Europe	2	$8	10	$2,013
Specialty	—	—	—	—
Total	5	$25	14	$2,030

- During the 4th quarter of 2018,we acquired five businesses, including:
  - Three wholesale businesses in the U.S.
  - Two wholesale businesses in Europe: one in the U.K. and one in Belgium
- Net consideration for the five businesses acquired in Q4 was $14 million

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

Financial Results

Operating Results - Continuing Operations

($ in millions,except per share data)	Fourth Quarter 2018	Fourth Quarter 2017	Fourth Quarter Change	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year Change
Revenue	$3,003	$2,470	21.6%	$11,877	$9,737	22.0%
Gross Margin	1,162	948	22.6%	4,575	3,800	20.4%
Operating Income	164	166	(0.9)%	882	845	4.4%
Pre-tax Income	124	150	(17.7)%	743	767	(3.0)%
Net income from continuing operations attributable to LKQ stockholders	40	126	(68.0)%	485	540	(10.4)%
Segment EBITDA[(1)]	288	253	13.6%	1,251	1,117	12.1%
Diluted EPS from continuing operations attributable to LKQ stockholders:						
Reported	$0.13	$0.41	(68.3)%	$1.53	$1.74	(12.1)%
Adjusted[(2)]	$0.48	$0.41	17.1%	$2.19	$1.88	16.5%

- Our effective income tax rate for the quarter and fiscal year was 28.3% and 25.7%, respectively, compared to 19.5% and 30.7% for the comparable prior year periods. The decrease for full year 2018 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.
- Q4 includes $75 million after tax impairment charges; full year impairments were $97 million after tax

(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

Q4 2018 Consolidated Margins - Continuing Operations

(as a % of Revenue)	Q4 2018	Q4 2017	Change F/(U)	Q4 Commentary
Revenue	100.0%	100.0%	—%	
Gross Margin	38.7%	38.4%	0.3%	Increased by 0.3% in each of our Europe and Specialty segments, partially offset by a 0.2% decrease due to mix and acquisitions (primarily Stahlgruber, which has a lower gross margin percentage than our consolidated figure)
Selling, General and Administrative Expenses	29.3%	28.8%	(0.5)%	Increase primarily attributable to Europe
Restructuring and Acquisition Related Expenses	0.2%	0.4%	0.2%	Decrease due to lower acquisition related costs in Q4 2018 (Q4 2017 included Stahlgruber transaction costs)
Depreciation and Amortization	2.6%	2.4%	(0.2)%	Depreciation and amortization costs increased mainly due to Stahlgruber
Operating Income	5.5%	6.7%	(1.2)%	Includes $33 million goodwill impairment charge
Segment EBITDA[1]	9.6%	10.3%	(0.7)%	

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.

2018 Consolidated Margins - Continuing Operations

(as a % of Revenue)	2018	2017	Change F/(U)	2018 Commentary
Revenue	100.0%	100.0%	—%	
Gross Margin	38.5%	39.0%	(0.5)%	Decreased by 0.4% and 0.3% as a result of our Europe and North America segments, respectively
Selling, General and Administrative Expenses	28.2%	27.9%	(0.3)%	SG&A increased by 0.2% as a result of our North America segment (freight, vehicle and fuel expenses)
Restructuring and Acquisition Related Expenses	0.3%	0.2%	(0.1)%	Increase primarily driven by acquisition expenses related to Stahlgruber
Depreciation and Amortization	2.3%	2.3%	—%	Depreciation and amortization costs increased in dollar terms due to recent acquisitions (primarily Stahlgruber)
Operating Income	7.4%	8.7%	(1.3)%	Includes $33 million goodwill impairment charge
Segment EBITDA[(1)]	10.5%	11.5%	(1.0)%	

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

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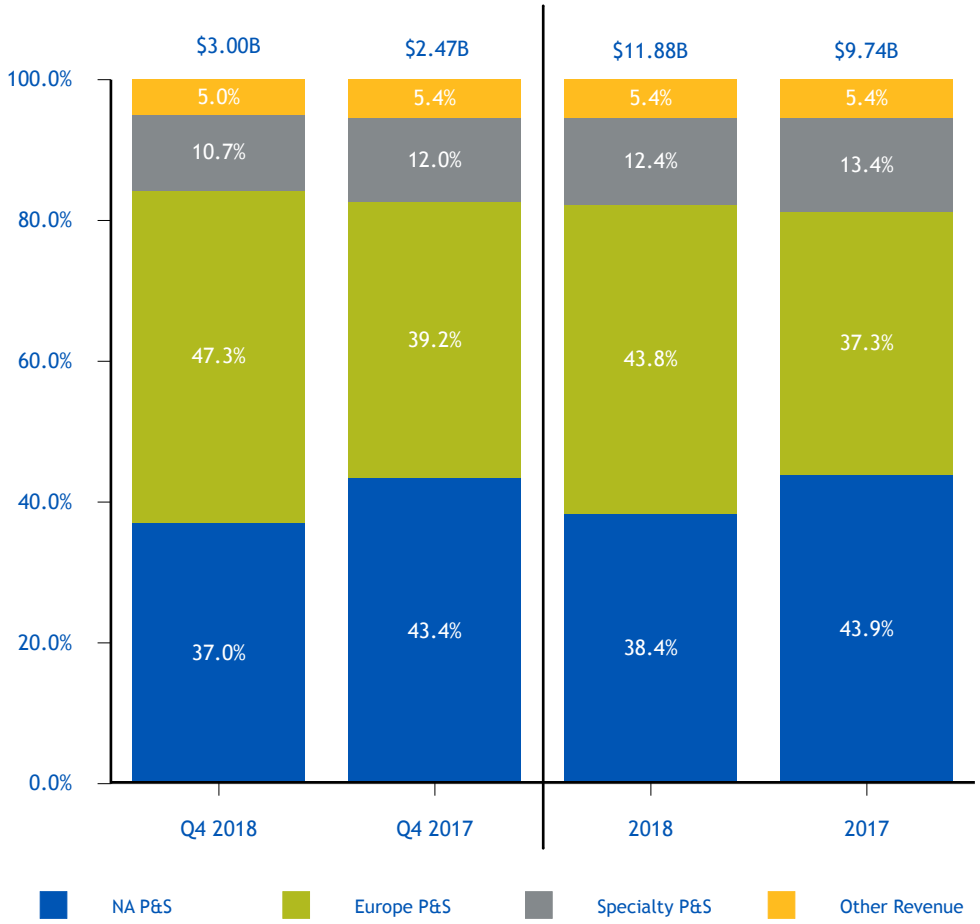
Components of Revenue



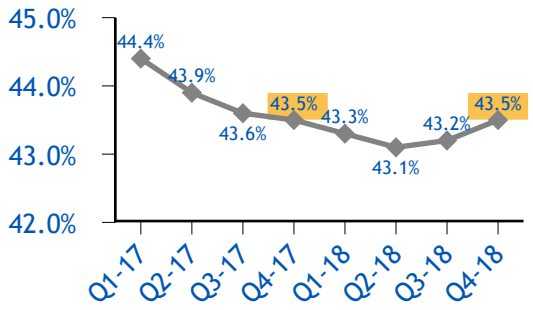
- North America historically has the highest gross margins and EBITDA margins relative to the other segments
- Increase in Q4 and 2018 revenue as a percentage of consolidated revenue for our European businesses reflects the impact from our acquisition of Stahlgruber in Q2 2018
- Other revenue continues to be a small percentage of our total global revenue

North America - Q4 2018 Results

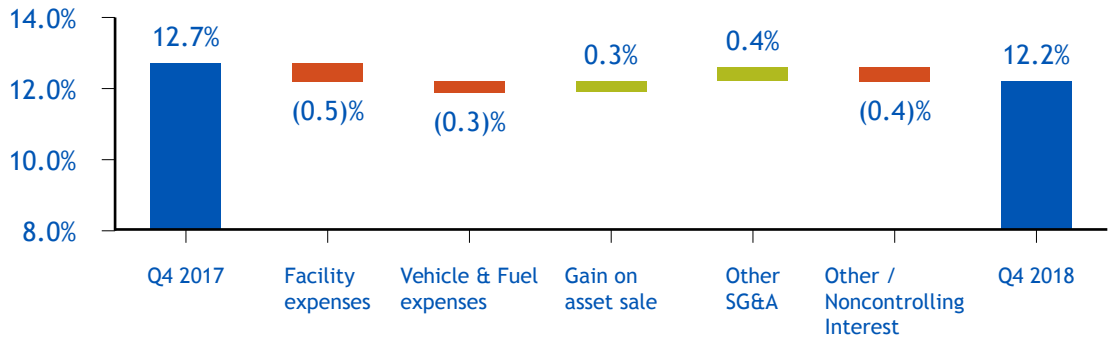
($ in millions)	2018	2017	Change	% of Revenue 2018	% of Revenue 2017
Total Revenue	$1,255	$1,203	4.3%		
Gross Margin	$546	$523	4.4%	43.5%	43.5%
Operating Expenses	$397	$378	4.8%	31.6%	31.5%
Segment EBITDA[(1)]	$153	$153	0.4%	12.2%	12.7%

(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

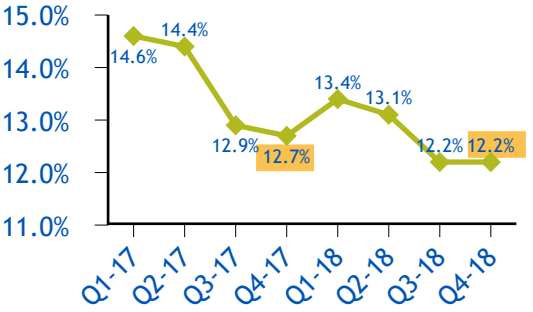
Gross Margin



North America Segment EBITDA Margin Bridge



Segment EBITDA Margin



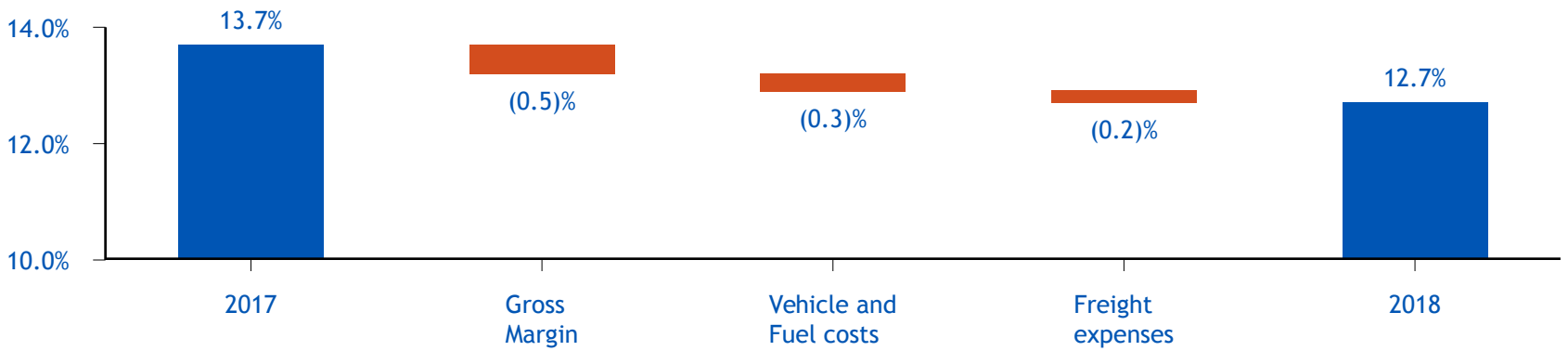
Note: In the table above, the sum of the individual percentages may not equal the total due to rounding

North America - 2018 Results

($ in millions)	2018	2017	Change	Fiscal Year % of Revenue 2018	2017
Total Revenue	$5,183	$4,800	8.0%		
Gross Margin	$2,243	$2,104	6.6%	43.3%	43.8%
Operating Expenses	$1,599	$1,466	9.1%	30.8%	30.5%
Segment EBITDA[(1)]	$660	$655	0.7%	12.7%	13.7%

(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



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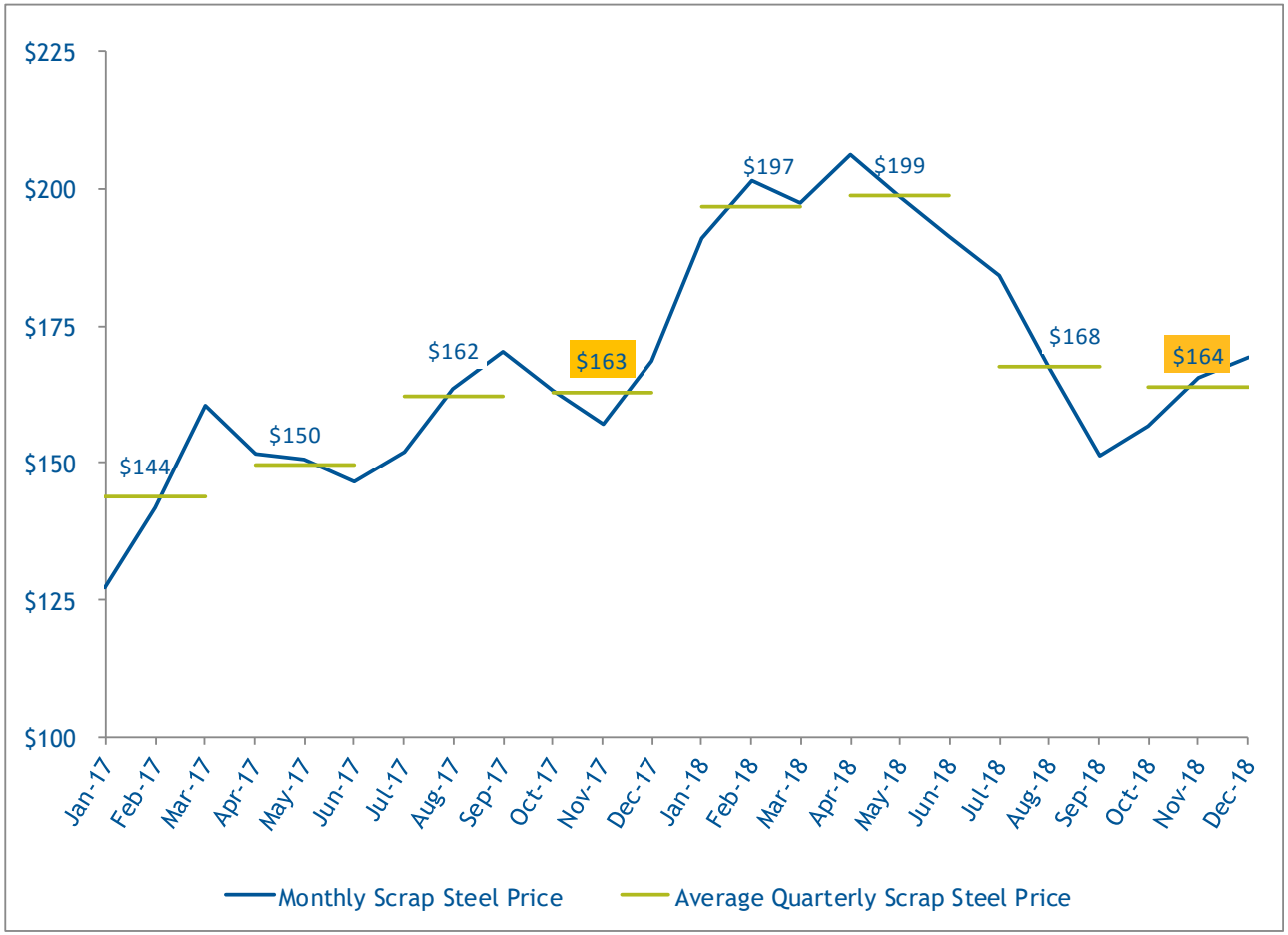
Scrap Steel Prices

Q4 YoY scrap steel prices per ton flat



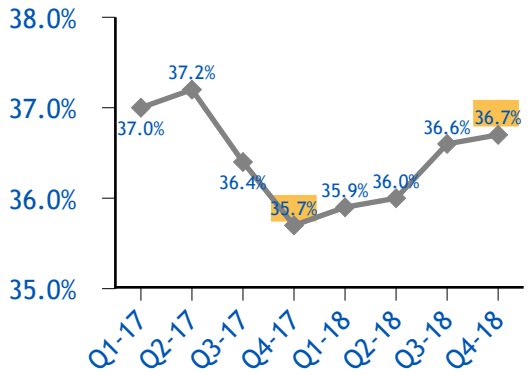
- Average price we received for scrap steel in Q4 increased by less than 1%, from $163 per ton in Q4 2017 to $164 per ton in Q4 2018
- Sequential change was $5 per ton or 2.7% down
- Changes in scrap steel prices had an unfavorable impact to segment EBITDA of $5 million in Q4 2018, compared to $1 million favorable impact in Q4 2017 and a favorable impact to segment EBITDA of $5 million in 2018 compared to $12 million favorable impact in 2017

Europe - Q4 2018 Results

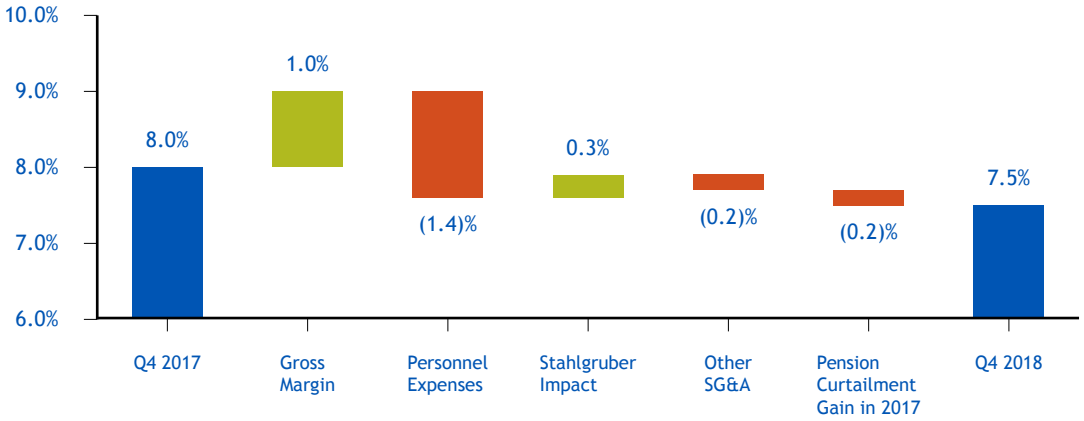
($ in millions)	2018	2017	Change	% of Revenue 2018	% of Revenue 2017
Total Revenue	$1,426	$972	46.8%		
Gross Margin	$523	$347	50.9%	36.7%	35.7%
Operating Expenses	$419	$274	52.8%	29.4%	28.2%
Segment EBITDA[(1)]	$107	$78	37.8%	7.5%	8.0%

(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

Gross Margin

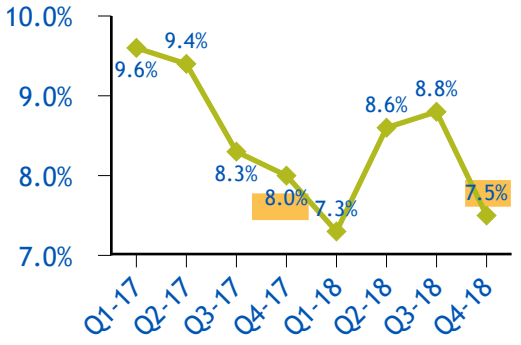


Europe Segment EBITDA Margin Bridge



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

Segment EBITDA Margin

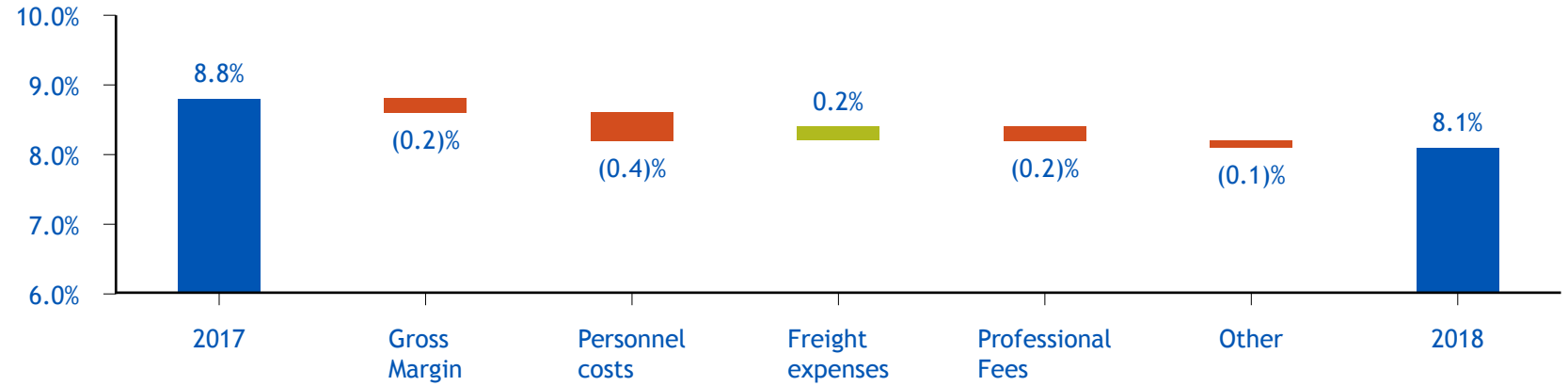


Europe - 2018 Results

($ in millions)	2018	2017	Change	% of Revenue 2018	% of Revenue 2017
Total Revenue	$5,222	$3,637	43.6%		
Gross Margin	$1,896	$1,329	42.7%	36.3%	36.5%
Operating Expenses	$1,484	$1,020	45.6%	28.4%	28.0%
Segment EBITDA[(1)]	$423	$319	32.4%	8.1%	8.8%
Branches[(2)]	1,102	879	223		

(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 187 Stahlgruber branches

Europe Segment EBITDA Margin Bridge



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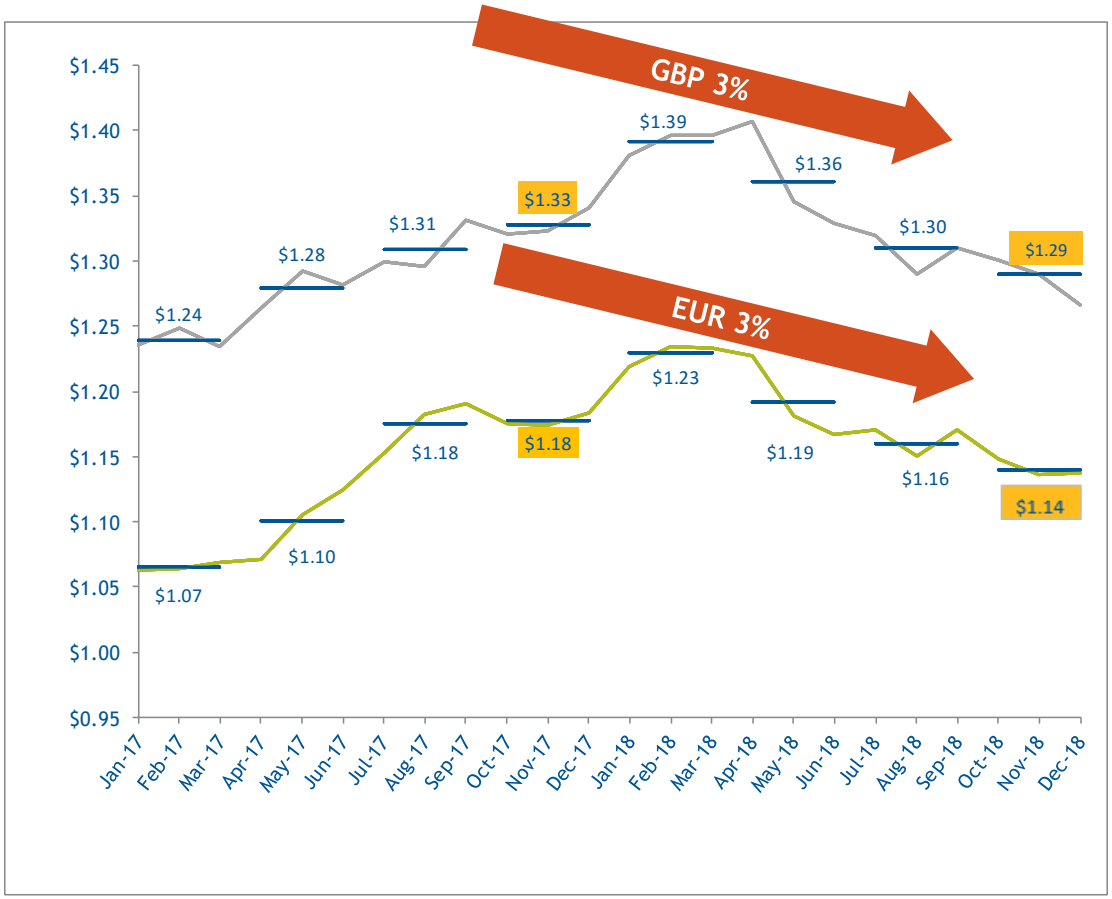
Foreign Exchange



- £ down 3% Q4 2018 vs. Q4 2017
- € down 3% Q4 2018 vs. Q4 2017
- Translation impact on Europe revenue growth of weaker Q4 and stronger full year rates relative to the US dollar:
  - Q4: ($32) million unfavorable
  - 2018: $137 million favorable
- Europe constant currency(1) parts and services revenue growth
  - Q4: 49.9%
  - 2018: 39.6%

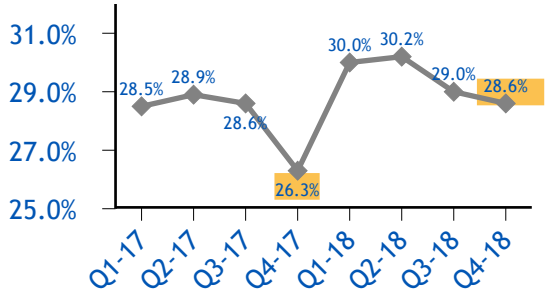
(1) Constant currency is a non-GAAP financial measure. Refer to constant currency reconciliation on Appendix 1

Specialty - Q4 2018 Results

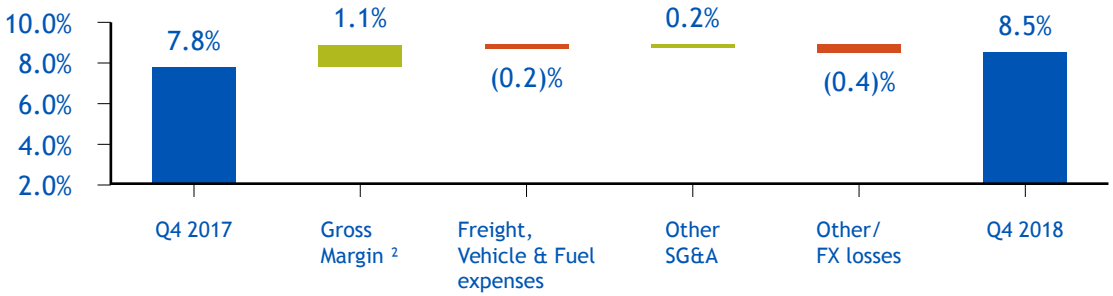
($ in millions)	2018	2017	Change	% of Revenue 2018	% of Revenue 2017
Total Revenue	$323	$297	8.9%		
Gross Margin	$92	$78	18.6%	28.6%	26.3%
Operating Expenses	$65	$60	8.8%	20.1%	20.1%
Segment EBITDA[(1)]	$28	$23	19.7%	8.5%	7.8%

(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

Gross Margin

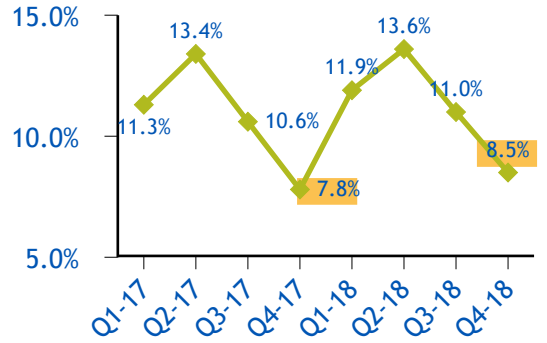


Specialty Segment EBITDA Margin Bridge



(2) Reported Gross Margin % is positively impacted by an inventory step-up adjustment of 1.2%, which is excluded from the calculation of Segment EBITDA

Segment EBITDA Margin



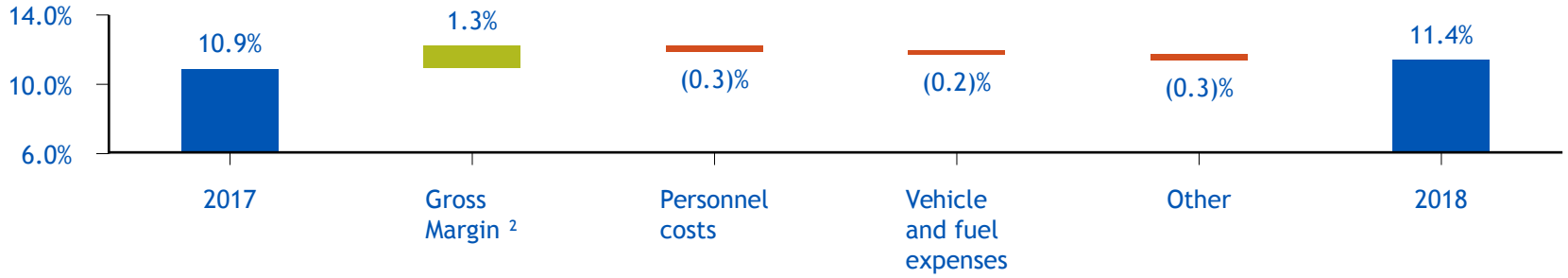
Note: In the table above, the sum of the individual percentages may not equal the total due to rounding

Specialty - 2018 Results

($ in millions)	2018	2017	Change	% of Revenue 2018	% of Revenue 2017
Total Revenue	$1,478	$1,306	13.2%		
Gross Margin	$436	$367	18.6%	29.5%	28.1%
Operating Expenses	$270	$230	17.2%	18.2%	17.6%
Segment EBITDA[(1)]	$169	$142	18.5%	11.4%	10.9%

(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

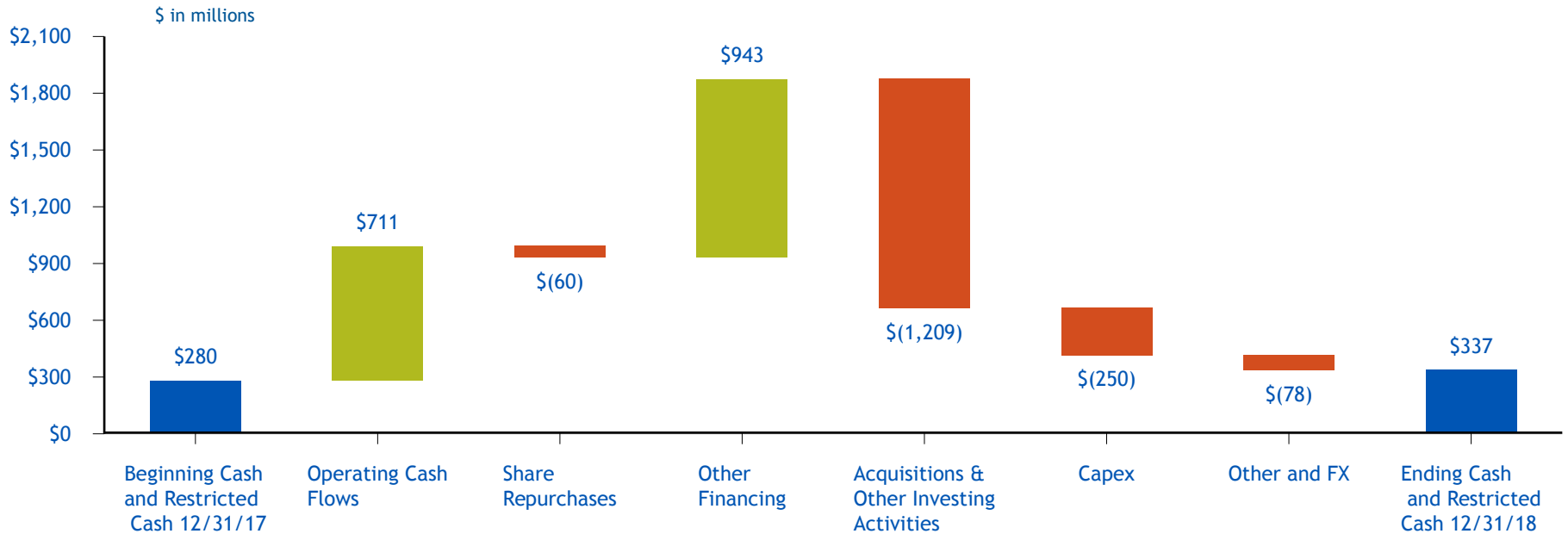
Specialty Segment EBITDA Margin Bridge



(2) Reported Gross Margin % is positively impacted by increased COGS depreciation and inventory step-up adjustment of 0.1%

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

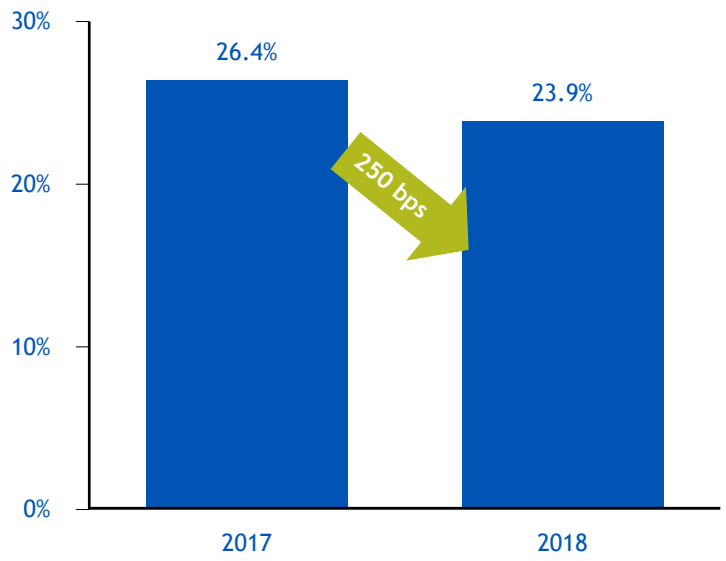
2018 Capital Allocation



- Operating cash flows:
  - The $192 million year over year increase is primarily driven by an increase in operating income of $37 million, a $64 million increase in non-cash depreciation and amortization expense (a component of operating income), a $33 million increase in non-cash impairment of goodwill (a component of operating income), a $73 million decrease in taxes paid, and a $72 million decrease in inventory compared to the prior year partially offset by a $103 million reduction in accounts payable balances, of which $116 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 $250 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 $206 million on our credit facilities
  - Includes $60 million in share repurchases

Trade Working Capital & Free Cash Flow

Trade Working Capital[(1)(2)]



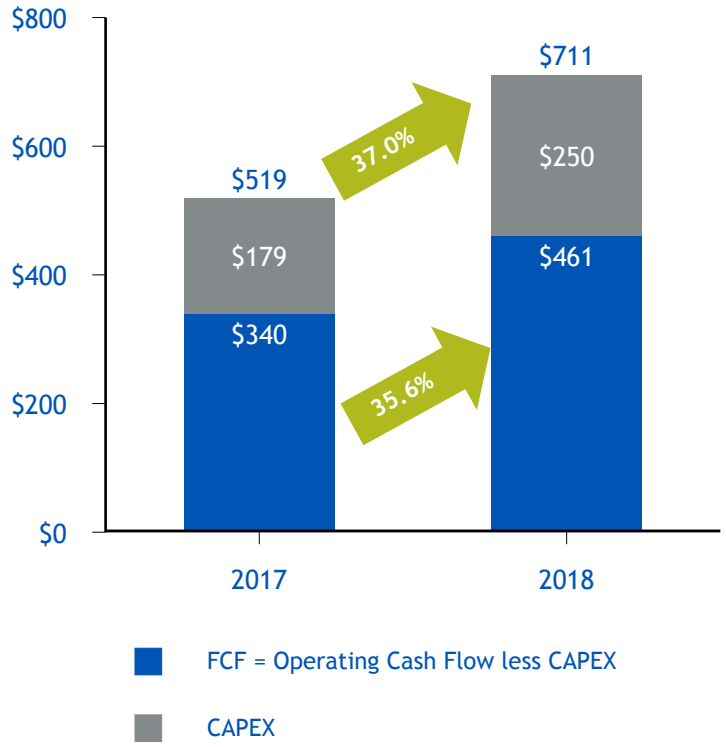
(1) Trade Working Capital as % of TTM Proforma Revenue

(2) Trade Working Capital consists of Receivables, net, plus Inventory less Accounts Payable

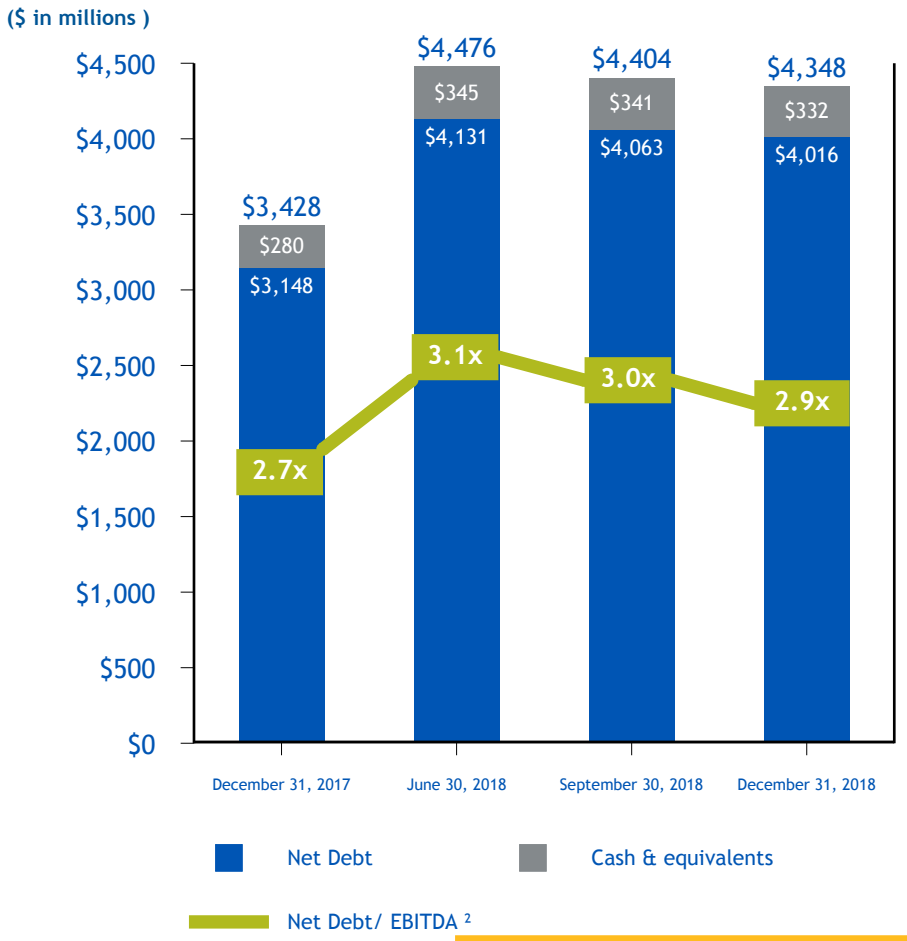
Proforma Revenue includes the full year from acquired businesses in the year of acquisition

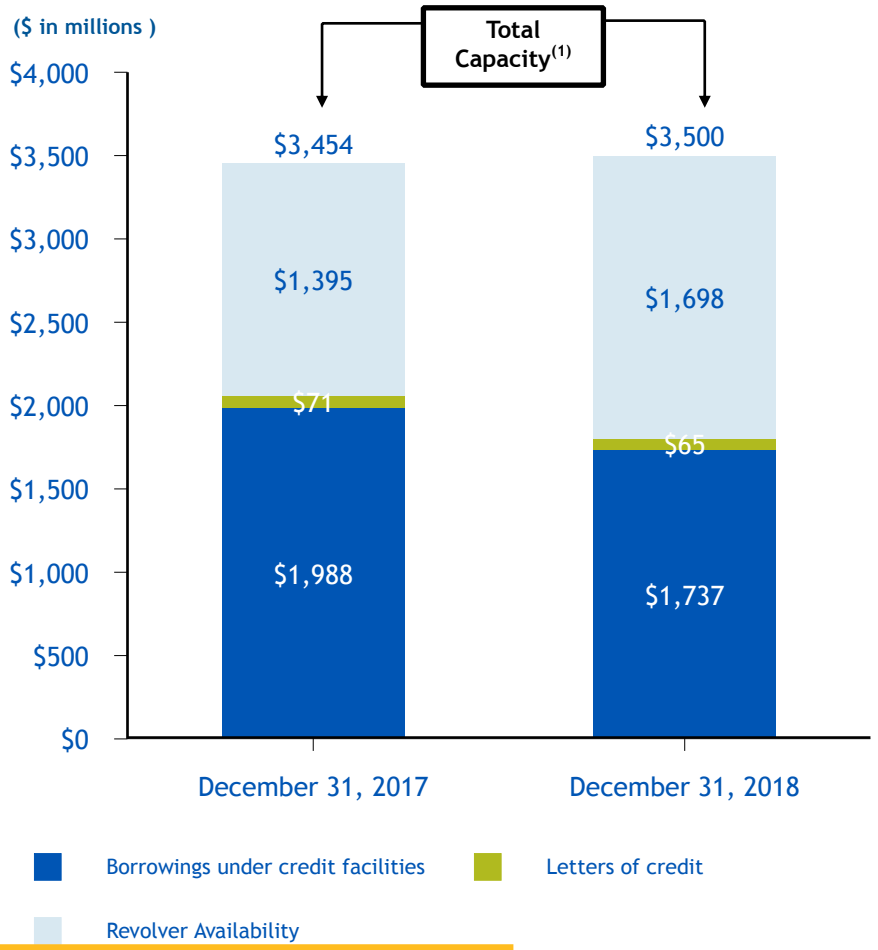
Free Cash Flow (FCF)

($ in millions)



Leverage & Liquidity



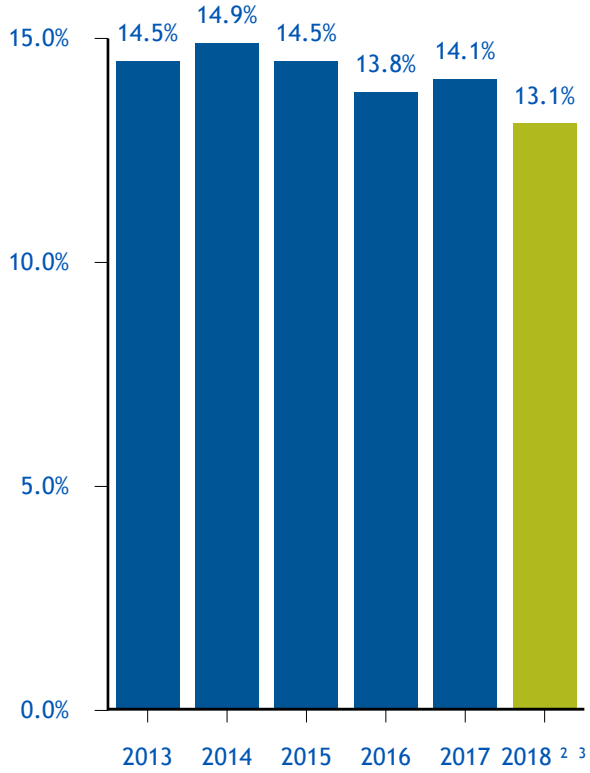


Effective borrowing rate for Q4 2018 and full year was 3.4%(3)

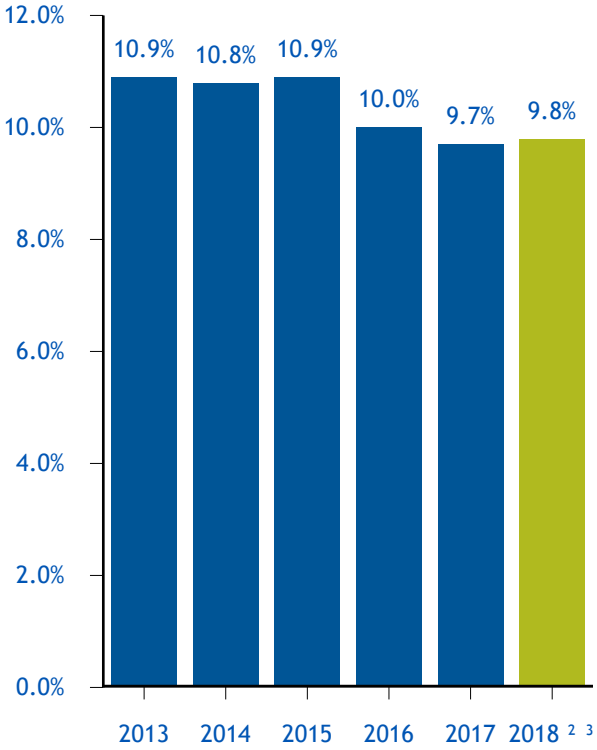
(1) Total capacity includes our term loans and revolving credit facilities
(2) Net leverage per bank covenants is defined as Net Debt/EBITDA. See the definitions of Net Debt and EBITDA in the credit agreement filed with the SEC for further details
(3) Including our interest rate swaps, approximately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

Key Return Metrics

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) 2018 excludes all income, transaction costs, capital and equity related to Stahlgruber GmbH
(3) 2018 excludes the effect of the Mekonomen and goodwill impairment charges on income

Guidance 2019
(effective only on the date issued: February 28, 2019)

($ in millions excluding EPS)	Full Year 2018 Actual	Full Year 2019 Guidance[1]
Organic Growth, Parts and Services	4.4%	2.0% - 4.0%
Net Income - continuing operations attributable to LKQ stockholders	$485	$641 - $680
Adjusted Net Income - continuing operations attributable to LKQ stockholders[2]	$691	$732 - $771
Diluted EPS - continuing operations attributable to LKQ stockholders	$1.53	$2.05 - $2.17
Adjusted Diluted EPS - continuing operations attributable to LKQ stockholders[2]	$2.19	$2.34 - $2.46
Cash Flow from Operations	$711	$775 - $850
Capital Expenditures	$250	$250 - $300

(1) Guidance for 2019 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, 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, and assumes no material disruptions associated with the United Kingdom's potential exit from the European Union. Our forecasted results for our international operations were calculated using current foreign exchange rates for the remainder of the year. Guidance for 2019 includes a global effective tax rate of 27.0%. Full year 2018 actual figures for Adjusted Net Income and Adjusted Diluted EPS were calculated using the same methodology as the 2019 guidance. Organic revenue guidance refers only to parts and services revenue. LKQ updated its guidance on February 28, 2019, 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

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 December 31, 2018		Year Ended December 31, 2018	
	Consolidated	Europe	Consolidated	Europe
Parts & Services				
Revenue growth as reported	22.2%	46.6%	22.0%	43.4%
Less: Currency impact	(1.6%)	(3.3%)	1.5%	3.8%
Revenue growth at constant currency	23.8%	49.9%	20.5%	39.6%

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[1] 2018	% of revenue	2017	% of revenue	Year Ended December 31[1] 2018	% of revenue	2017	% of revenue
Revenue								
North America	$1,255		$1,203		$5,183		$4,800	
Europe	1,426		972		5,222		3,637	
Specialty	323		297		1,478		1,306	
Eliminations	(1)		(1)		(5)		(5)	
Total Revenue	$3,003		$2,470		$11,877		$9,737	
Segment EBITDA								
North America	$153	12.2%	$153	12.7%	$660	12.7%	$655	13.7%
Europe	107	7.5%	78	8.0%	423	8.1%	319	8.8%
Specialty	28	8.5%	23	7.8%	169	11.4%	142	10.9%
Total Segment EBITDA	$288	9.6%	$253	10.3%	$1,251	10.5%	$1,117	11.5%

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, equity in losses and earnings of unconsolidated subsidiaries and impairment of goodwill. EBITDA, which is the basis for Segment EBITDA, is calculated as net income, less net income (loss) attributable to noncontrolling interest, excluding 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 December 31[1]		Year Ended December 31[1]	
	2018	2017	2018	2017
Net income	$38	$121	$483	$530
Subtract:				
Net income (loss) attributable to noncontrolling interest	2	(4)	3	(4)
Net income attributable to LKQ stockholders	$36	$124	$480	$534
Subtract:				
Net loss from discontinued operations	(4)	(2)	(4)	(7)
Net income from continuing operations attributable to LKQ stockholders	$40	$126	$485	$540
Add:				
Depreciation and Amortization	78	60	274	220
Depreciation and Amortization - cost of goods sold	5	3	20	11
Interest expense, net of interest income	37	27	145	101
Loss on debt extinguishment	1	0	1	0
Provision for income taxes	35	29	191	236
EBITDA	$197	$247	$1,116	$1,107
Subtract:				
Equity in (losses) earnings of unconsolidated subsidiaries	(46)	2	(64)	6
Fair value loss on Mekonomen derivative instrument	(8)	—	(5)	—
Gains on bargain purchases	2	(0)	2	4
Add:				
Restructuring and acquisition related expenses	6	9	32	20
Inventory step-up adjustment - acquisition related	—	4	0	4
Impairment of goodwill	33	—	33	—
Impairment of net assets held for sale	—	—	2	—
Change in fair value of contingent consideration liabilities	0	(4)	(0)	(4)
Segment EBITDA	$288	$253	$1,251	$1,117
Net income from continuing operations attributable to LKQ stockholders as a percentage of revenue	1.3%	5.1%	4.1%	5.6%
EBITDA as a percentage of revenue	6.6%	10.0%	9.4%	11.4%
Segment EBITDA as a percentage of revenue	9.6%	10.3%	10.5%	11.5%

(1) 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, less net income (loss) attributable to noncontrolling interest, excluding 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 the impact of noncontrolling interest and without the impact of 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, equity in losses and earnings of unconsolidated subsidiaries and impairment of goodwill. 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[1] 2018	Three Months Ended December 31[1] 2017	Year Ended December 31[1] 2018	Year Ended December 31[1] 2017
Net income	$38	$121	$483	$530
Subtract:				
Net income (loss) attributable to noncontrolling interest	2	(4)	3	(4)
Net income attributable to LKQ stockholders	$36	$124	$480	$534
Subtract:				
Net loss from discontinued operations	(4)	(2)	(4)	(7)
Net income from continuing operations attributable to LKQ stockholders	$40	$126	$485	$540
Adjustments - continuing operations attributable to LKQ stockholders:				
Amortization of acquired intangibles	38	26	127	97
Restructuring and acquisition related expenses	6	9	32	20
Loss on debt extinguishment	1	0	1	0
Inventory step-up adjustment - acquisition related	—	4	0	4
Change in fair value of contingent consideration liabilities	0	(4)	(0)	(4)
Gains on bargain purchases	(2)	0	(2)	(4)
Impairment of goodwill	33	—	33	—
Impairment of net assets held for sale	—	—	2	—
Impairment on Mekonomen equity method investment	48	—	71	—
Fair value loss on Mekonomen derivative instrument	8	—	5	—
U.S. tax law change 2017	—	(22)	(10)	(22)
Excess tax benefit from stock-based payments	(1)	(1)	(5)	(8)
Tax effect of adjustments	(21)	(12)	(49)	(41)
Adjusted net income from continuing operations attributable to LKQ stockholders	$151	$126	$691	$583
Weighted average diluted common shares outstanding	318,510	311,106	315,849	310,649
Diluted earnings per share from continuing operations attributable to LKQ stockholders:				
Reported	$0.13	$0.41	$1.53	$1.74
Adjusted	$0.48	$0.41	$2.19	$1.88

(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, impairment of goodwill, 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. Given the variability and volatility of the amount and frequency of costs related to acquisitions, management believes that these costs are not normal operating expenses and should be adjusted in our calculation of Adjusted Net Income from Continuing Operations Attributable to LKQ Stockholders. 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 measures similar to 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, 2019 Minimum Guidance	Maximum Guidance
Net income from continuing operations attributable to LKQ stockholders	$641	$680
Adjustments:		
Amortization of acquired intangibles	125	125
Tax effect of adjustments	(34)	(34)
Adjusted net income from continuing operations attributable to LKQ stockholders	$732	$771
Weighted average diluted common shares outstanding	313	313
Diluted EPS from continuing operations attributable to LKQ stockholders:		
U.S. GAAP	$2.05	$2.17
Non-GAAP (Adjusted)	$2.34	$2.46

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 2019 and the related tax effect; we did not estimate amounts for any other components of the calculation for the year ending December 31, 2019.

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