First Quarter 2019 Earnings Call

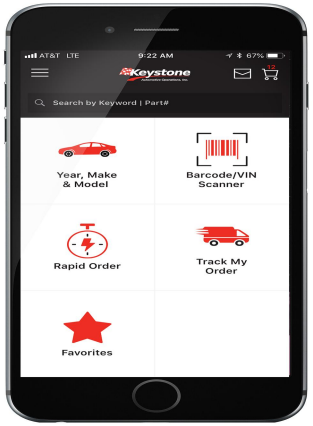
April 25, 2019

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, 2018 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

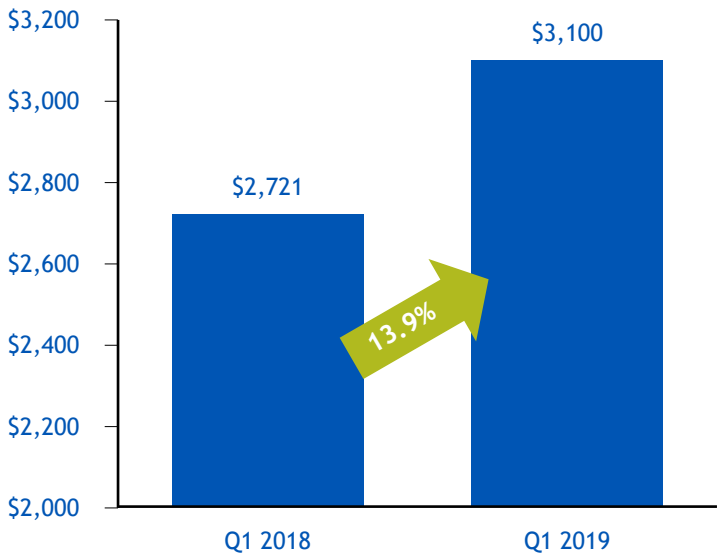
Q1 2019 Key Takeaways

- Total revenue growth of 13.9%; organic revenue growth of 0.1% for parts and services and 1.3% on a per day basis
  - Europe achieved organic revenue growth of 1.3% and 2.1% on a per day basis
  - Specialty achieved organic revenue growth of 1.0% and 2.6% on a per day basis
- Q1 Diluted EPS of $0.31 vs. $0.49; Q1 Adjusted Diluted EPS[(2)] of $0.56 vs. $0.55
  - Q1 2019 includes impairment charges after tax of $52 million, or $0.17 per share
  - Scrap impact of negative $0.01 in Q1 2019 compared to a benefit of $0.03 in Q1 2018
  - Initiated plans to sell certain non-core businesses
- Excellent operating cash conversion; delivered $177 million in operating cash flows (up 22.1% year over year); and free cash flow[(1)] of $124 million (up 49.7% year over year)
- $70 million of stock repurchased at $26.66 average price
- Debt paid down of $60 million

(1) Free Cash Flow is a non-GAAP measure. Refer to Free Cash Flow reconciliation on Appendix 6
(2) Adjusted Diluted EPS is a non-GAAP measure. Refer to Adjusted Diluted EPS reconciliation on Appendix 4

Consolidated Results

Q1 2019 Revenue[(1)]

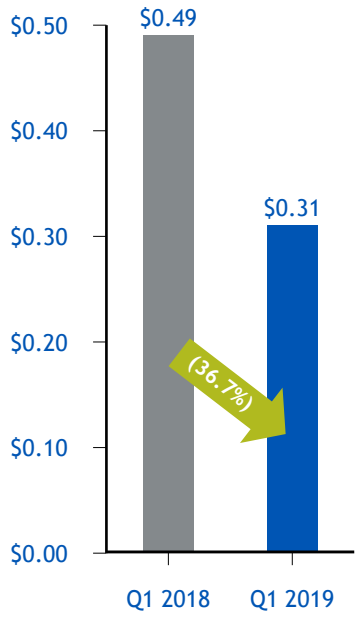


- Organic revenue growth for parts and services of 0.1% on a reported basis; 1.3% on a per day basis

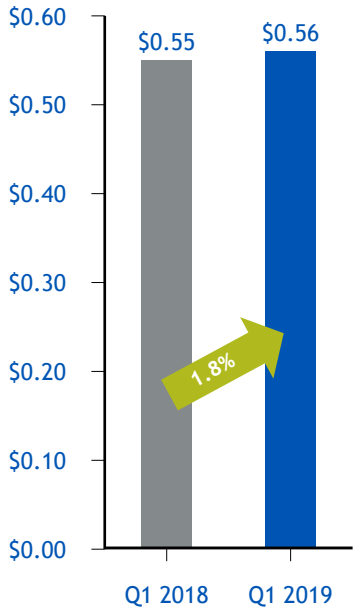
(1) Revenue in millions

Consolidated Results

Q1 2019 EPS[1]



Diluted EPS



Adjusted Diluted EPS[2]

- Net income attributable to LKQ stockholders of $98 million (3.2% of revenue) Q1 2019 vs. $153 million (5.6% of revenue) Q1 2018 (Q1 2019 includes impairment charges totaling $52 million after tax)
- Segment EBITDA[3] of $320 million; up 8.4% YOY
- Segment EBITDA Margin[3] of 10.3% Q1 2019 vs. 10.9% Q1 2018; decrease reflects the larger European mix

(1) Earnings per share figures refer to net income attributable to LKQ stockholders
(2) Adjusted Diluted EPS is a non-GAAP measure. Refer to Appendix 4 for Adjusted Diluted EPS reconciliation
(3) Segment EBITDA is a non-GAAP financial measure. Refer to Segment EBITDA reconciliation on Appendix 3

Q1 2019 Revenue Growth

Revenue Changes by Source:	Organic	Acquisition	Foreign Exchange	Total[1]
North America	(1.4)%	0.3%	(0.4)%	(1.4)%
Europe	1.3%	44.9%	(7.3)%	38.9%
Specialty	1.0%	—%	(0.4)%	0.5%
Parts and Services	0.1%	18.3%	(3.2)%	15.2%
Other Revenue	(6.4)%	1.0%	(0.3)%	(5.8)%
Total	(0.3)%	17.3%	(3.0)%	13.9%

- Organic revenue growth for parts and services on a per day basis was 1.3% as there was one fewer selling day, on average, in Q1 2019 compared to Q1 2018
- Parts and services organic revenue declined in North America primarily attributable to one fewer selling day in 2019; decline in accident frequency accompanied with mild winter weather had a negative effect compared to Q1 2018; 0.8% negative impact from lower revenue in our aviation business; and a further 0.7% negative impact due to lower glass revenue on a per day basis
- Organic revenue growth for parts and services in Europe was 1.3% (2.1% on a per day basis) impacted by macro economic softness and mild winter weather conditions in some markets
- Unfavorable F/X impact on European parts and services revenue of $75 million; European constant currency parts and services revenue growth of 46.2%[2]
- European acquisition growth for parts and services was $465 million, primarily related to the acquisition of Stahlgruber GmbH ("Stahlgruber") (acquired May 30, 2018)
- Decrease in other revenue was primarily attributable to lower prices of scrap steel, partially offset by increased volumes of scrap and steel and higher prices from other metals and catalytic converters YOY. Scrap steel prices were down 24% versus Q1 2018

(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

Q1 2019 Operating Highlights

North America

- North America gross margin expanded by 90 basis points year over year
- Entered into the diagnostics and calibration repair business on April 1, 2019 via acquisition of Elite Electronics
- Continued to execute on pricing initiatives to offset inflationary pressures

Europe

- New management team in U.K. fully in place; continued progress with T2 optimization; U.K. gross margin expansion in Q1 improved consolidated Europe gross margin by 30 basis points year over year
- LKQ Europe's Chief Operating Officer started on April 1, 2019
- European procurement initiatives delivered 50 basis points year over year

Specialty

- Successful trade shows including NTP-Stag RV Expo and Keystone Big Show, which both showed strong supplier participation, increased customer and supplier attendance/overall engagement, and well-received venues
- Operations commencing out of new 200,000 sq. ft. expansion space in Austell, GA. Currently stocking new warehouse space and should be fully operational by end of Q2 2019

Inventory

Inventory Procurement: ($ in millions, Vehicles purchased in 000s)	Q1 2019	Q1 2018	% Change
Total aftermarket procurement	$1,525	$1,300	17.3%
Wholesale salvage cars and trucks	74	73	1.4%
Europe wholesale salvage cars and trucks	8	8	—%
Self service and "crush only" cars	139	141	(1.4)%

- Increase in aftermarket Q1 2019 purchases driven by:
  - Incremental purchases from acquisitions (primarily Stahlgruber)
  - Offset by decrease in the Q1 2019 value of euro and pound sterling year over year (Europe segment) and reduced inventory levels in North America and Specialty
- Cost per vehicle in our self service operations decreased 2% year over year due primarily to decreases in scrap steel prices in Q1 2019 vs Q1 2018
- Average cost per vehicle in our full service salvage operations was flat year over year

Financial Results

Operating Results

($ in millions,except per share data)	First Quarter 2019	First Quarter 2018	Change
Revenue	$3,100	$2,721	13.9%
Gross Margin	1,208	1,054	14.6%
Operating Income	222	227	(1.8)%
Pre-tax Income	190	201	(5.4)%
Net income attributable to LKQ stockholders	98	153	(35.9)%
Segment EBITDA[(1)]	320	295	8.4%
Diluted EPS attributable to LKQ stockholders:			
Reported	$0.31	$0.49	(36.7)%
Adjusted[(2)]	$0.56	$0.55	1.8%

- Our effective income tax rate for the three months ended March 31, 2019 was 27.1% compared to 24.7% for the comparable prior year period. The increase was primarily attributable to the $3 million reduction in excess tax benefit from stock-based payments compared to the prior period
- Q1 2019 includes $55 million of impairment charges pre-tax, of which $15 million was in Operating Income

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

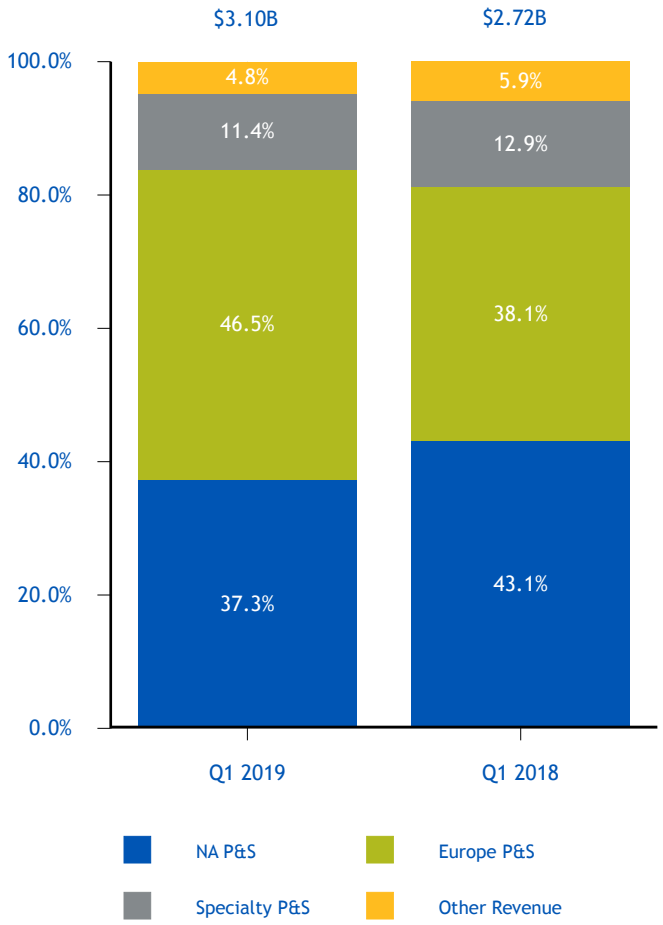
Q1 2019 Consolidated Margins

(as a % of Revenue)	Q1 2019	Q1 2018	Change F/(U)	Q1 Commentary
Revenue	100.0%	100.0%	—%	
Gross Margin	39.0%	38.7%	0.3%	Increased due to our North America and Europe segments; increase was partially offset by a negative mix impact primarily from the growth of Europe, which has a lower gross margin percentage than our consolidated figure
Selling, General and Administrative Expenses	28.9%	28.2%	(0.7)%	Increase primarily attributable to North America (0.5%) and Europe (0.3%)
Impairment of net assets held for sale	0.5%	—%	(0.5)%	Includes $15 million net assets held for sale impairment charge
Restructuring and Acquisition Related Expenses	0.1%	0.1%	—%	
Depreciation and Amortization	2.3%	2.1%	(0.2)%	Depreciation and amortization costs increased mainly due to Stahlgruber (acquired May 2018)
Operating Income	7.2%	8.3%	(1.1)%	
Segment EBITDA[1]	10.3%	10.9%	(0.6)%	Primarily related to mix as Europe is now the largest segment by revenue

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



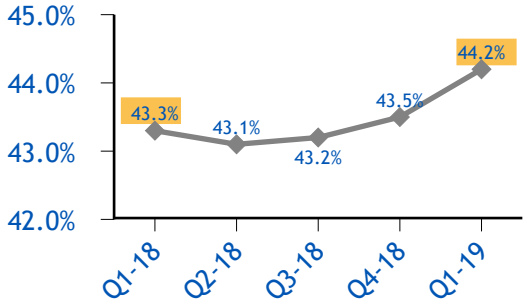
- North America historically has the highest gross margins and EBITDA margins relative to the other segments
- Increase in Q1 2019 revenue as a percentage of consolidated revenue for our European businesses reflects the impact from our acquisition of Stahlgruber in Q2 2018
- Other revenue continues to be a small percentage of our total global revenue

North America - Q1 2019 Results

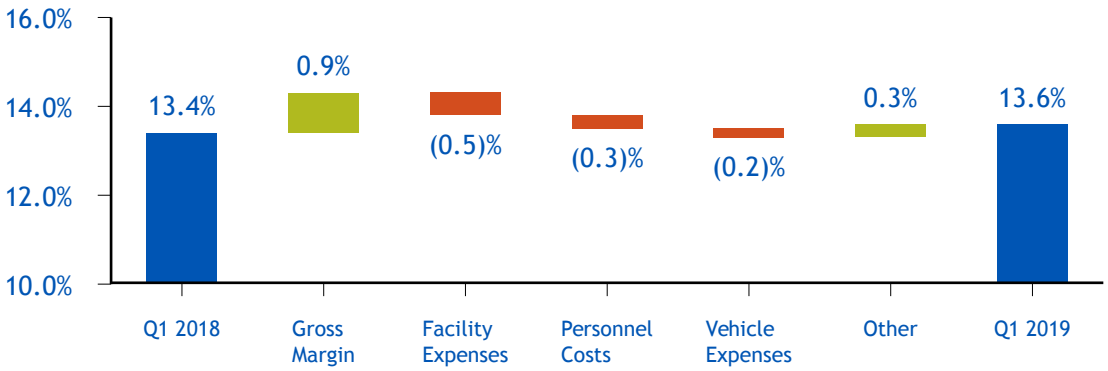
($ in millions)	2019	2018	Change	% of Revenue 2019	% of Revenue 2018
Total Revenue	$1,302	$1,330	(2.1)%		
Gross Margin	$576	$576	0.0%	44.2%	43.3%
Operating Expenses	$407	$403	1.2%	31.3%	30.3%
Other Income, net	$7	$3	n/m	0.6%	0.3%
Segment EBITDA[(1)]	$177	$178	(0.6)%	13.6%	13.4%

(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

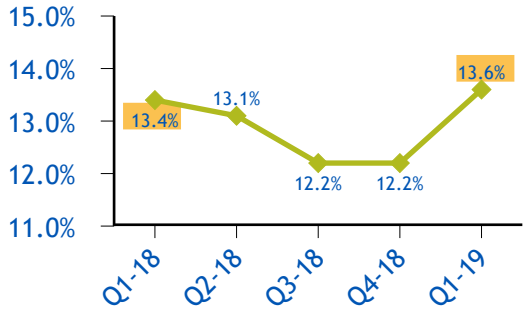


North America Segment EBITDA Margin Bridge



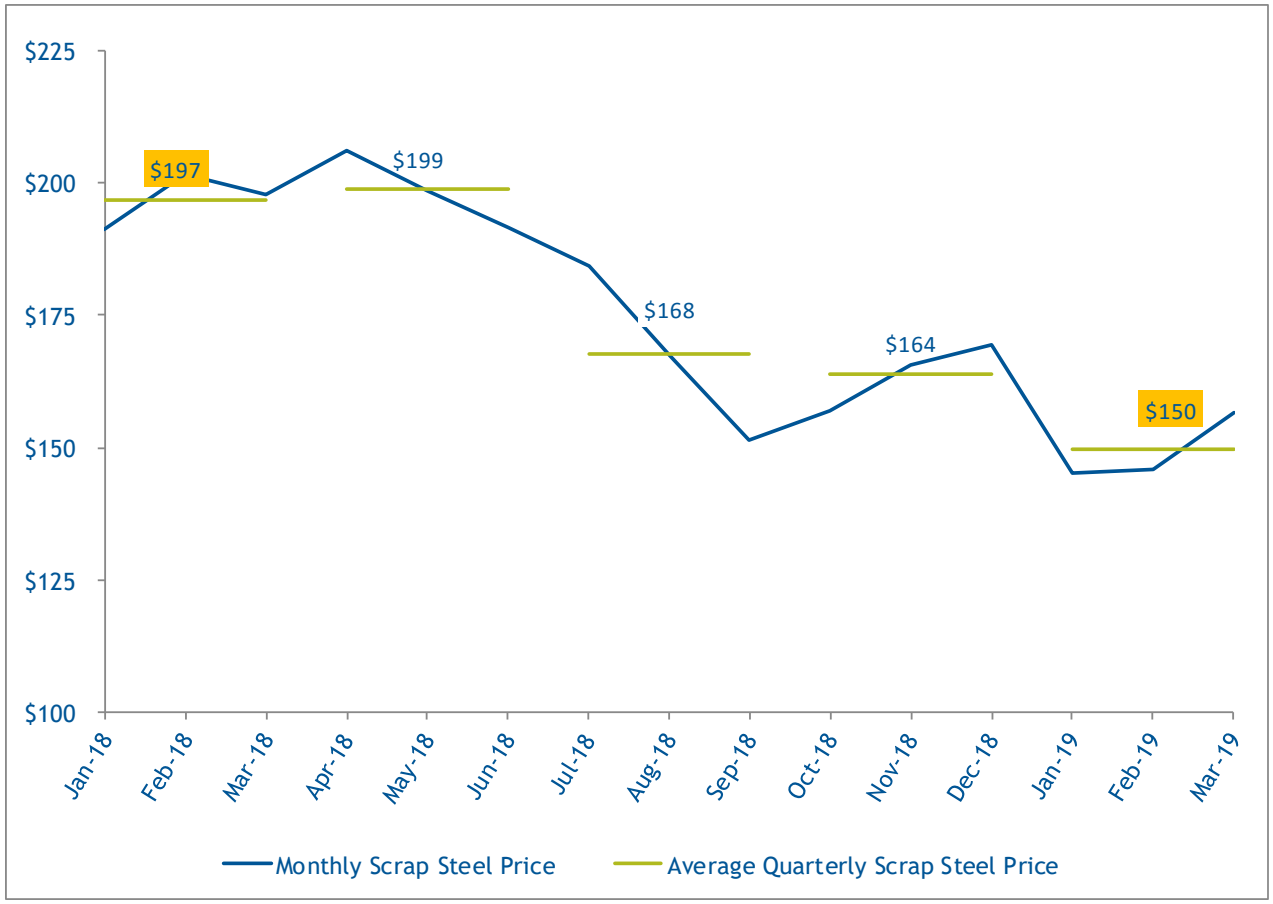
Note: In the table above, the sum of the individual percentages may not equal the total due to rounding

Segment EBITDA Margin



Scrap Steel Prices

Q1 year over year scrap steel prices per ton down 24%



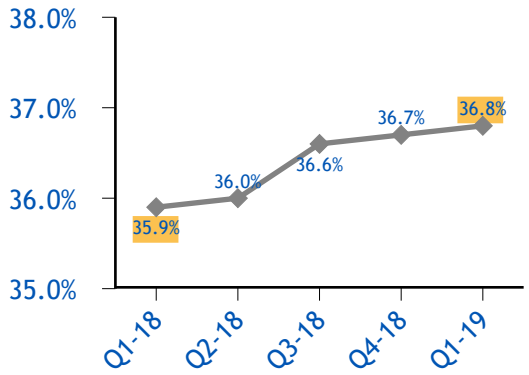
- Average price we received for scrap steel decreased by 24% from $197 per ton in Q1 2018 to $150 per ton in Q1 2019
- Sequential change was negative ($14) per ton or down (8.5)%
- Changes in scrap steel prices had an unfavorable impact to segment EBITDA of $4 million ($0.01 per share) in Q1 2019, compared to $13 million ($0.03 per share) favorable impact in Q1 2018

Europe - Q1 2019 Results

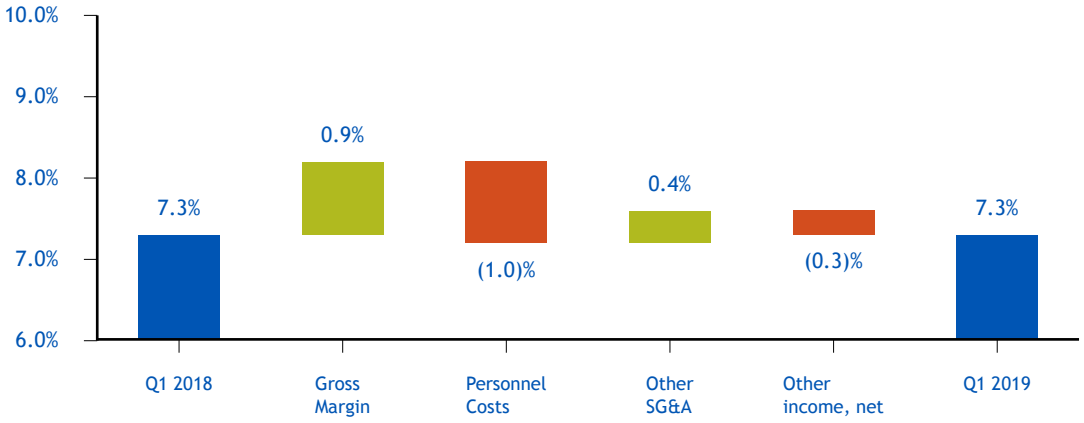
($ in millions)	2019	2018	Change	% of Revenue 2019	% of Revenue 2018
Total Revenue	$1,446	$1,040	38.9%		
Gross Margin	$532	$373	42.7%	36.8%	35.9%
Operating Expenses	$426	$300	42.0%	29.4%	28.8%
Other Income, net	$(4)	$(1)	n/m	(0.3)%	(0.1)%
Segment EBITDA[1]	$105	$76	39.4%	7.3%	7.3%
Branches[2]	1,114	868	246		

(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 (acquired effective May 30, 2018)

Gross Margin

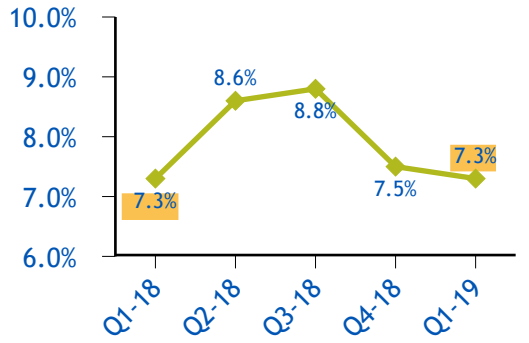


Europe Segment EBITDA Margin Bridge

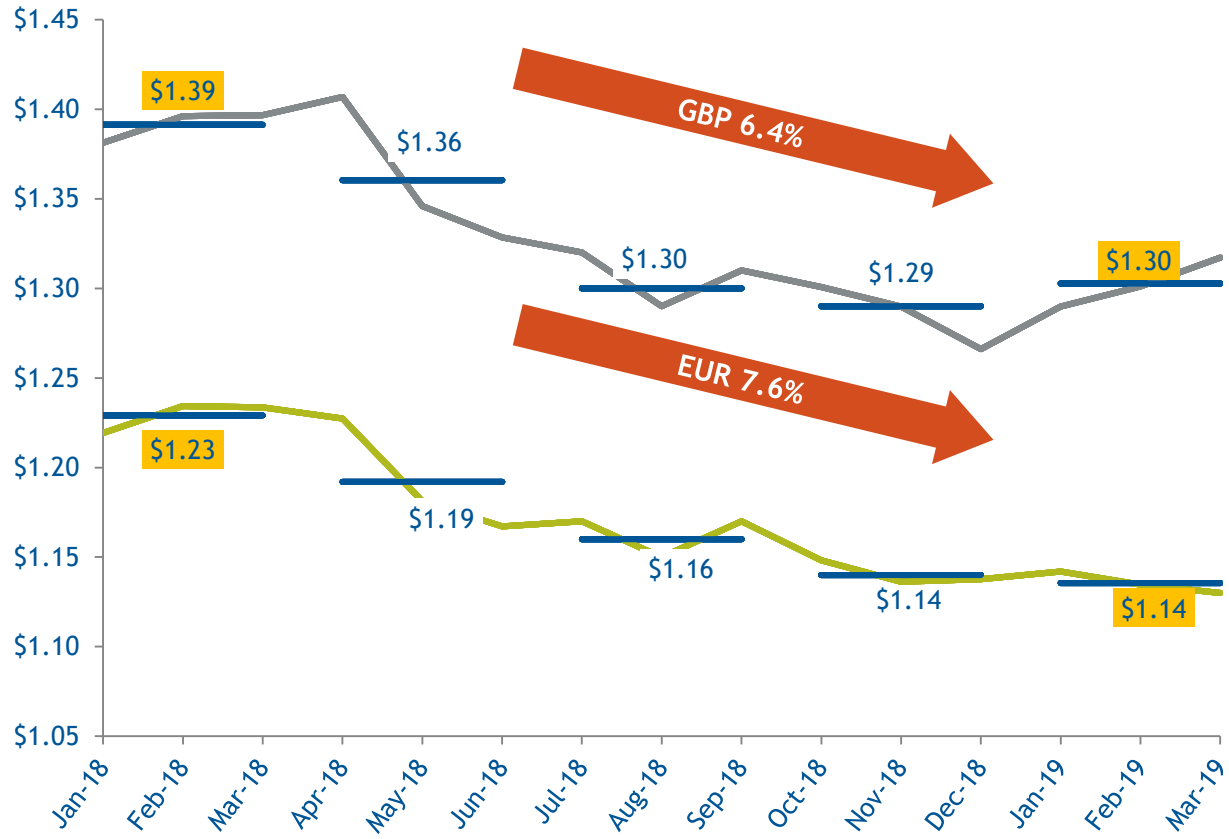


Note: In the table above, the sum of the individual percentages may not equal the total due to rounding

Segment EBITDA Margin



Foreign Exchange



- £ down 6.4% Q1 2019 vs. Q1 2018
- € down 7.6% Q1 2019 vs. Q1 2018
- $75 million unfavorable impact of translation of weaker Q1 rates relative to the US dollar on Europe parts and services revenue growth
- Europe constant currency(1) parts and services revenue growth of 46.2%
- Translation and foreign currency transaction impact was negative $0.01 for Q1 2019

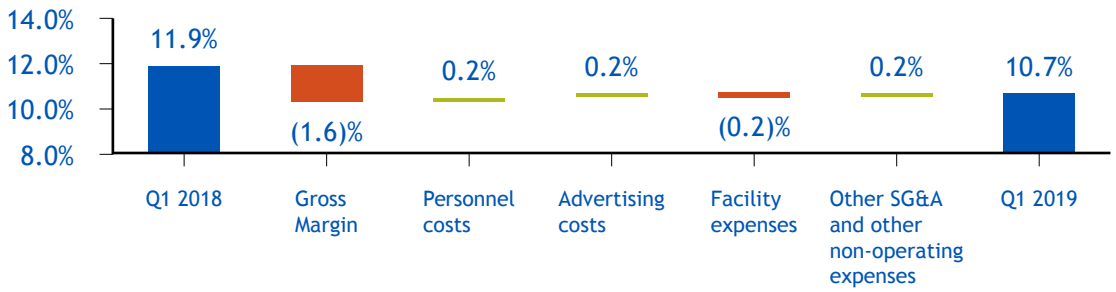
(1) Constant currency is a non-GAAP financial measure. Refer to constant currency reconciliation on Appendix 1

Specialty - Q1 2019 Results

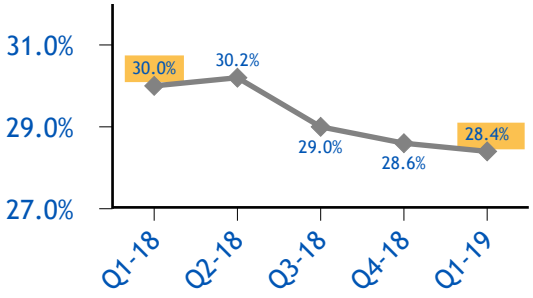
($ in millions)	2019	2018	Change	% of Revenue 2019	% of Revenue 2018
Total Revenue	$354	$352	0.6%		
Gross Margin	$100	$105	(4.8)%	28.4%	30.0%
Operating Expenses	$63	$65	(1.8)%	17.9%	18.4%
Other Income, net	$0	$0	n/m	0.1%	0.0%
Segment EBITDA[(1)]	$38	$42	(9.6)%	10.7%	11.9%

(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

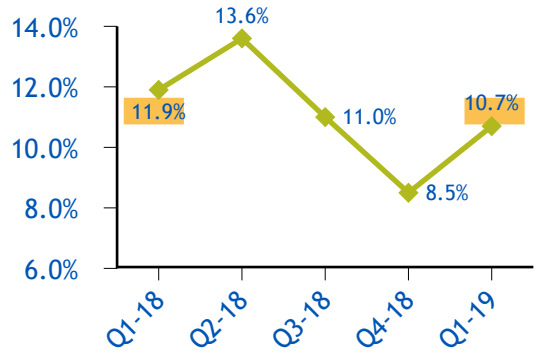
Specialty Segment EBITDA Margin Bridge



Gross Margin

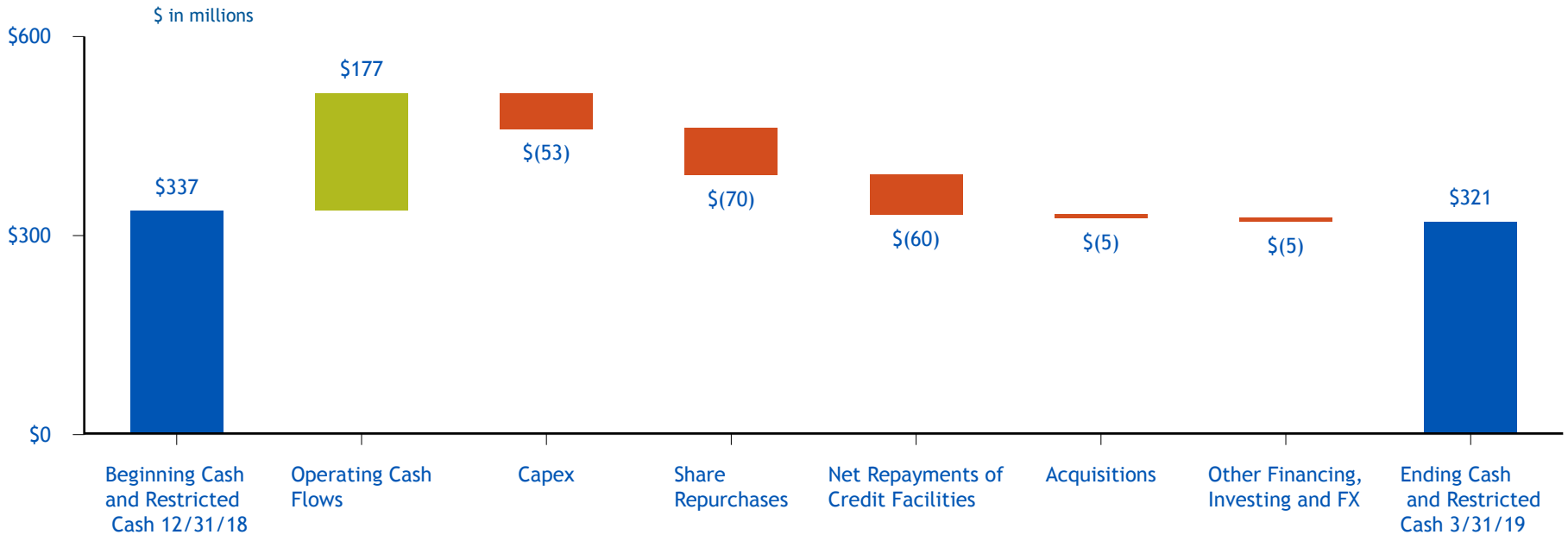


Segment EBITDA Margin



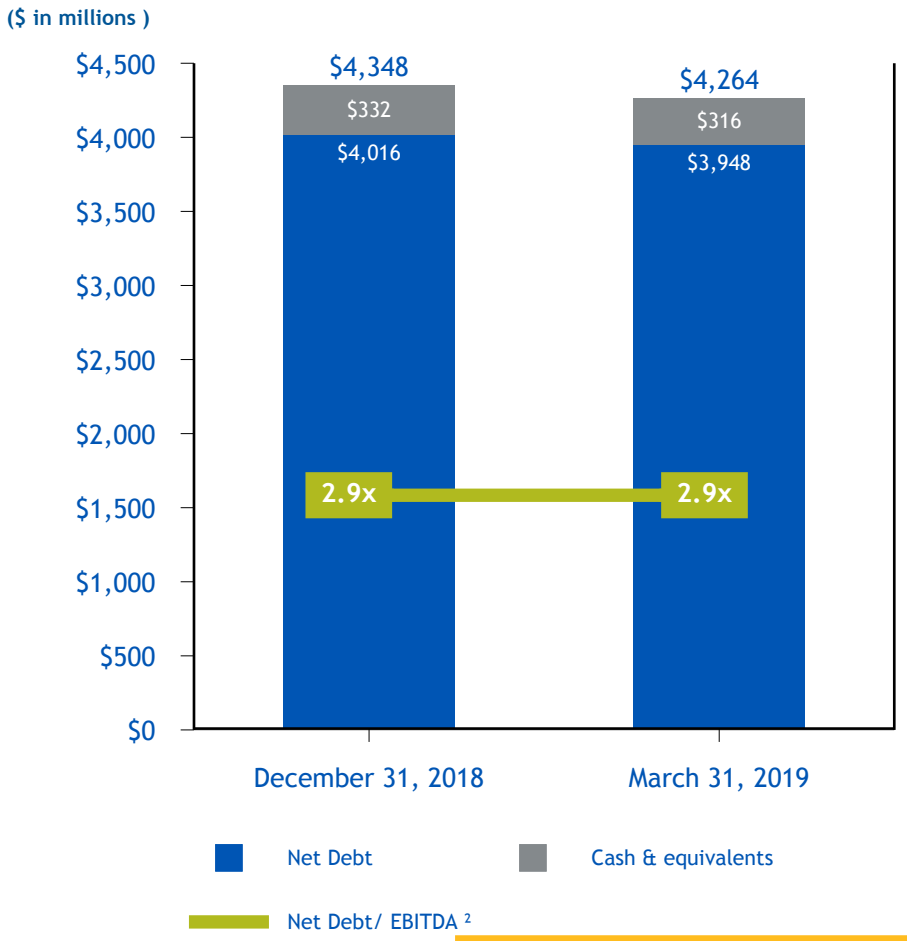
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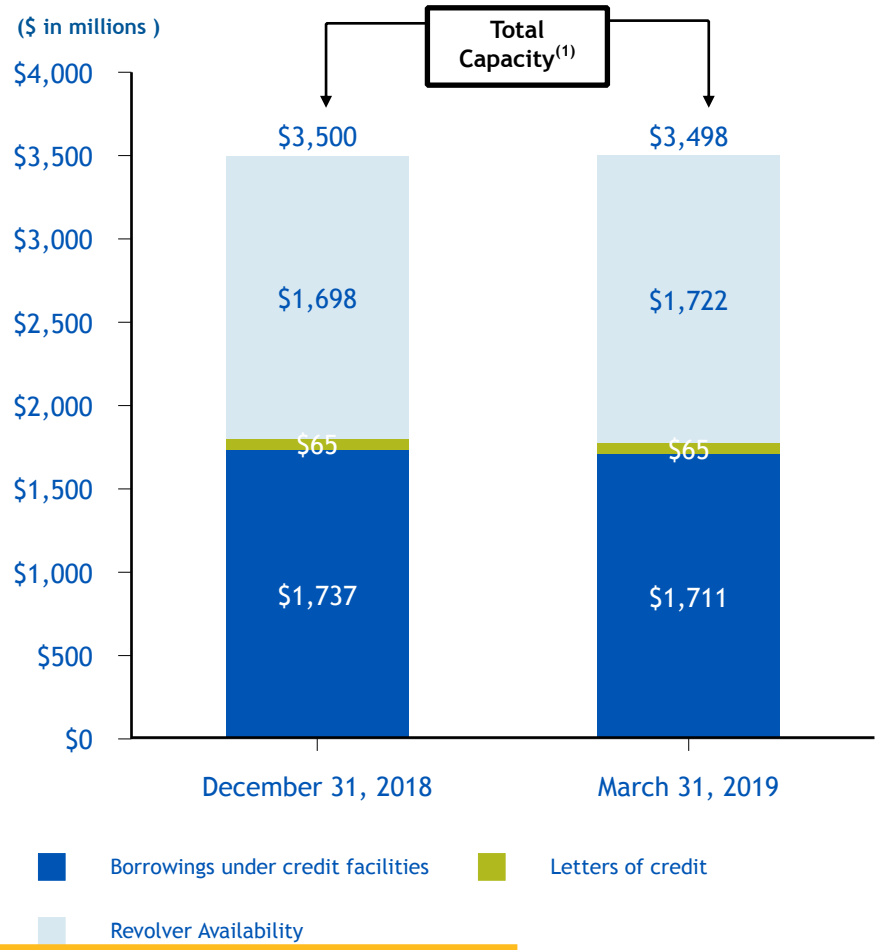
2019 Capital Allocation



- Operating cash flows:
  - The $32 million year over year increase is primarily driven by a $26 million increase in operating income excluding $30 million of non-cash depreciation and amortization expense and impairment of net assets held for sale increases compared to prior year
- Investing cash flows:
  - Capex of $53 million mainly due to our North America and Europe segments
- Financing cash flows
  - Includes $60 million of net repayments on our credit facilities
  - Includes $70 million in share repurchases

Leverage & Liquidity

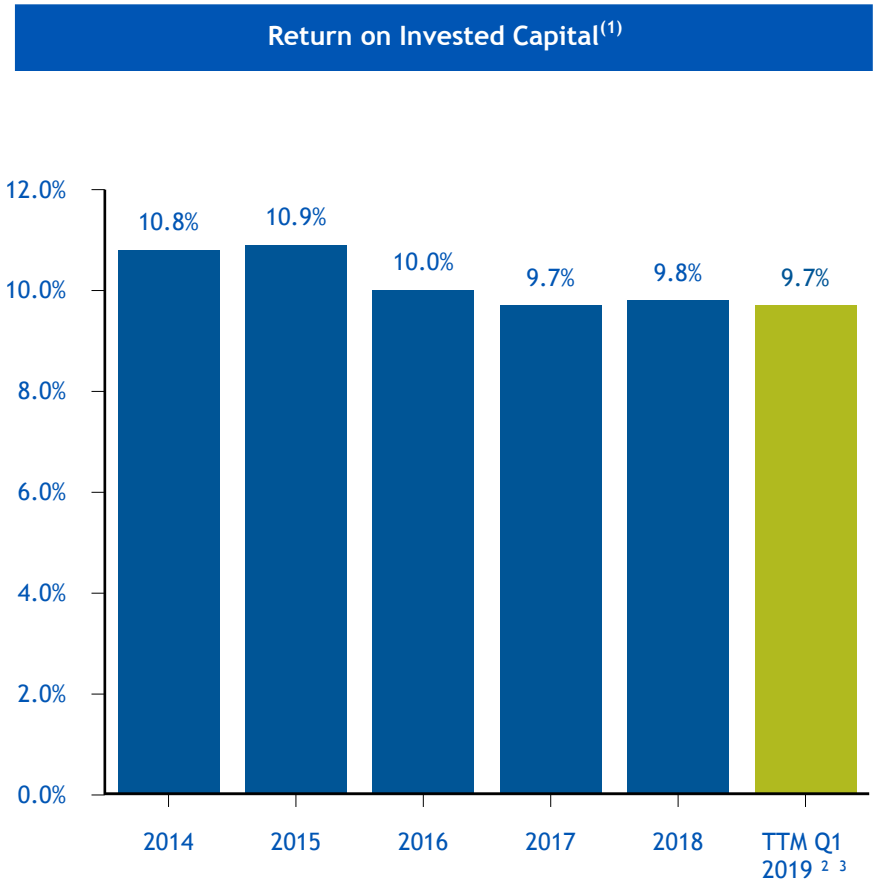




Effective borrowing rate for Q1 2019 was 3.4%(3)

(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 March 31, 2019 is effectively at a fixed interest rate

Return on Invested Capital



(1) Amortization of acquired intangibles and lease obligations have been excluded from the calculation of Return on Invested Capital
(2) TTM 2019 excludes all income, transaction costs, capital and equity related to Stahlgruber GmbH
(3) TTM 2019 excludes the effect of the Mekonomen and other impairment charges on income

Guidance 2019
(effective only on the date issued: April 25, 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 attributable to LKQ stockholders	$485	$586 - $625
Adjusted Net Income attributable to LKQ stockholders[2]	$691	$732 - $771
Diluted EPS attributable to LKQ stockholders	$1.53	$1.87 - $2.00
Adjusted Diluted EPS 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 April 25, 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 net 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 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 March 31, 2019	
	Consolidated	Europe
Parts & Services		
Revenue growth as reported	15.2%	38.9%
Less: Currency impact	(3.2%)	(7.3%)
Revenue growth at constant currency	18.4%	46.2%

We have presented the growth of our revenue on both an as reported and a constant currency basis. The constant currency presentation, which is a non-GAAP financial measure, excludes the impact of fluctuations in foreign currency exchange rates. We believe providing constant currency revenue information provides valuable supplemental information regarding our growth, consistent with how we evaluate our performance, as this statistic removes the translation impact of exchange rate fluctuations, which are outside of our control and do not reflect our operational performance. Constant currency revenue results are calculated by translating prior year revenue in local currency using the current year's currency conversion rate. This non-GAAP financial measure has limitations as an analytical tool and should not be considered in isolation or as a substitute for an analysis of our results as reported under GAAP. Our use of this term may vary from the use of similarly-titled measures by other issuers due to the potential inconsistencies in the method of calculation and differences due to items subject to interpretation. 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[1] 2019	% of revenue	2018	% of revenue
Revenue				
North America	$1,302		$1,330	
Europe	1,446		1,040	
Specialty	354		352	
Eliminations	(1)		(1)	
Total Revenue	$3,100		$2,721	
Segment EBITDA				
North America	$177	13.6%	$178	13.4%
Europe	105	7.3%	76	7.3%
Specialty	38	10.7%	42	11.9%
Total Segment EBITDA	$320	10.3%	$295	10.9%

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, equity in losses and earnings of unconsolidated subsidiaries and impairment charges. EBITDA, which is the basis for Segment EBITDA, is calculated as net income, less net income (loss) attributable to noncontrolling interest, excluding 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. This financial measure is included in the metrics used to determine incentive compensation for our senior management. 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 March 31[1] 2019	2018
Net income	$99	$153
Subtract:		
Net income (loss) attributable to noncontrolling interest	1	(0)
Net income attributable to LKQ stockholders	$98	$153
Add:		
Depreciation and Amortization	71	56
Depreciation and Amortization - cost of goods sold	5	5
Interest expense, net of interest income	36	29
Provision for income taxes	52	50
EBITDA	$262	$292
Subtract:		
Equity in (losses) earnings of unconsolidated subsidiaries	(40)	1
Add:		
Restructuring and acquisition related expenses	3	4
Inventory step-up adjustment - acquisition related	—	0
Impairment of net assets held for sale	15	—
Change in fair value of contingent consideration liabilities	0	0
Segment EBITDA	$320	$295
Net income attributable to LKQ stockholders as a percentage of revenue	3.2%	5.6%
EBITDA as a percentage of revenue	8.4%	10.7%
Segment EBITDA as a percentage of revenue	10.3%	10.9%

(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 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 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 charges. 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. This financial measure is included in the metrics used to determine incentive compensation for our senior management. 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 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

(in millions, except per share data)	Three Months Ended March 31[1] 2019	2018
Net income	$99	$153
Subtract:		
Net income (loss) attributable to noncontrolling interest	1	(0)
Net income attributable to LKQ stockholders	$98	$153
Adjustments - attributable to LKQ stockholders:		
Amortization of acquired intangibles	32	22
Restructuring and acquisition related expenses	3	4
Inventory step-up adjustment - acquisition related	—	0
Change in fair value of contingent consideration liabilities	0	0
Impairment of net assets held for sale	15	—
Impairment of Mekonomen equity method investment	40	—
Excess tax benefit from stock-based payments	(0)	(3)
Tax effect of adjustments	(12)	(7)
Adjusted net income attributable to LKQ stockholders	$176	$170
Weighted average diluted common shares outstanding	316,018	311,347
Diluted earnings per share attributable to LKQ stockholders:		
Reported	$0.31	$0.49
Adjusted	$0.56	$0.55

(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

We have presented Adjusted Net Income and Adjusted Diluted Earnings per Share 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 our historical operating results. We define Adjusted Net Income and Adjusted Diluted Earnings per Share Attributable to LKQ Stockholders as Net Income and Diluted Earnings per Share adjusted to eliminate the impact of noncontrolling interest, 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 charges, excess tax benefits and deficiencies from stock-based payments and any tax effect of these adjustments. The tax effect of these adjustments is calculated using the effective tax rate for the applicable period or for certain discrete items the specific tax expense or benefit for the adjustment. 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 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 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 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 attributable to LKQ stockholders	$586	$625
Adjustments:		
Amortization of acquired intangibles	125	125
Restructuring and acquisition related expenses	3	3
Impairment of net assets held for sale	15	15
Impairment of Mekonomen equity method investment	40	40
Other	0	0
Tax effect of adjustments	(37)	(37)
Adjusted net income attributable to LKQ stockholders	$732	$771
Weighted average diluted common shares outstanding	313	313
Diluted EPS attributable to LKQ stockholders:		
U.S. GAAP	$1.87	$2.00
Non-GAAP (Adjusted)	$2.34	$2.46

We have presented forecasted Adjusted Net Income and forecasted Adjusted Diluted Earnings per Share Attributable to LKQ Stockholders in our financial guidance. Refer to the discussion of Adjusted Net Income and Adjusted Diluted Earnings per Share 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 Attributable to LKQ Stockholders, we included estimates of income attributable to LKQ stockholders, amortization of acquired intangibles for the full fiscal year 2019 and the related tax effect; we included for all other components the amounts incurred through March 31, 2019.

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

Appendix 6 - Reconciliation of Net Cash Provided by Operating Activities to Free Cash Flow

(in millions)	Three Months Ended March 31[1] 2019	2018
Net cash provided by operating activities	$177	$145
Less: purchases of property, plant and equipment	53	62
Free cash flow	$124	$83

We have presented free cash flow solely as a supplemental disclosure that offers investors, securities analysts and other interested parties useful information to evaluate our liquidity. We calculate free cash flow as net cash provided by operating activities, less purchases of property, plant and equipment. Free cash flow provides insight into our liquidity and provides useful information to management and investors concerning our cash flow available to meet future debt service obligations and working capital requirements, make strategic acquisitions and repurchase stock. We believe free cash flow is used by investors, securities analysts and other interested parties in evaluating the liquidity of other companies, many of which present free cash flow when reporting their results. This financial measure is included in the metrics used to determine incentive compensation for our senior management. Free cash flow should not be construed as an alternative to net cash provided by operating activities, as determined in accordance with accounting principles generally accepted in the United States. In addition, not all companies that report free cash flow information calculate free cash flow in the same manner as we do and, accordingly, our calculation is not necessarily comparable to similarly named measures of other companies and may not be an appropriate measure for liquidity relative to other companies.

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