Second Quarter 2019 Earnings Call

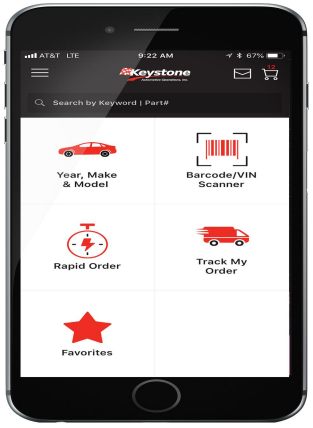
July 25, 2019

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

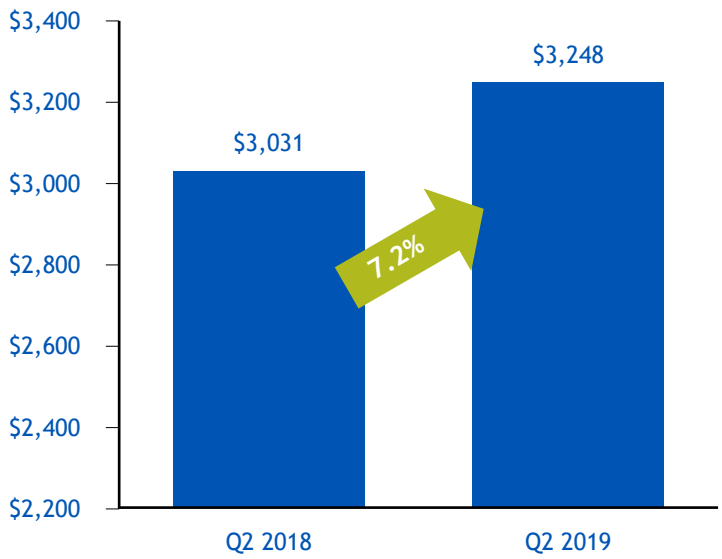
Q2 2019 Key Takeaways

- Total revenue growth of 7.2% driven by Stahlgruber acquisition[1]; organic parts and services revenue declined 2.1% (1.3% on a per day basis)
  - Soft European macroeconomic conditions weighing on revenue comparisons
  - Automotive aftermarket and salvage operations were up 0.7% on a per day basis despite a 2.6% reduction in collision and liability related auto claims[2]
- North America Segment EBITDA margin improved 130 basis points relative to Q2 2018
- Q2 Diluted EPS of $0.48 vs. $0.50; Q2 Adjusted Diluted EPS[3] of $0.65 vs. $0.61
  - Q2 2019 includes impairment charges of $25 million after tax, or $0.08 per share
  - Scrap impact of ($0.01) in Q2 2019 compared to a benefit of $0.01 in Q2 2018
  - Initiated restructuring program to enhance competitiveness and improve profitability
- Excellent operating cash conversion in Q2 2019; delivered $461 million in operating cash flows (up 151% year over year); and free cash flow[4] of $413 million (up 217% year over year); both represent record highs for the company
- 4.4 million units of stock repurchased for $120 million
- Paid down $220 million of debt; net leverage declined to 2.8x[5] EBITDA

(1) Stahlgruber GmbH ("Stahlgruber") acquired on May 30, 2018
(2) Per CCC 2019 Second Quarter Industry Update
(3) Adjusted Diluted EPS is a non-GAAP measure. Refer to Adjusted Diluted EPS reconciliation on Appendix 4
(4) Free Cash Flow is a non-GAAP measure. Refer to Free Cash Flow reconciliation on Appendix 6
(5) 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

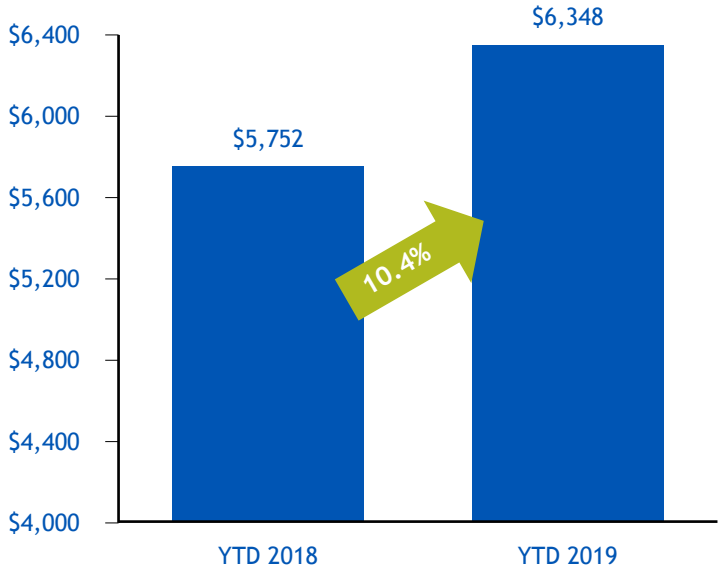
Consolidated Results - Continuing Operations

Q2 2019 Revenue[(1)]



- Organic revenue decline for parts and services was 2.1% on a reported basis; 1.3% on a per day basis

YTD 2019 Revenue[(1)]

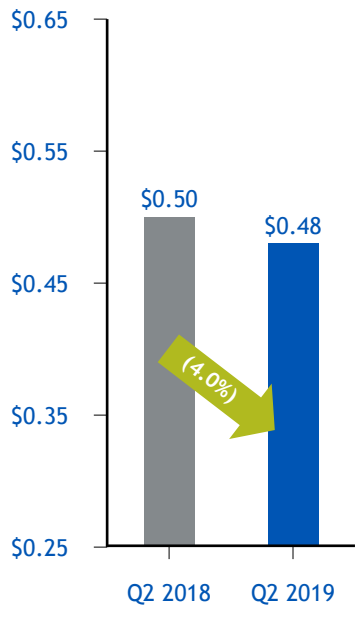


- Organic revenue decline for parts and services was 1.1% on a reported basis; 0.1% on a per day basis

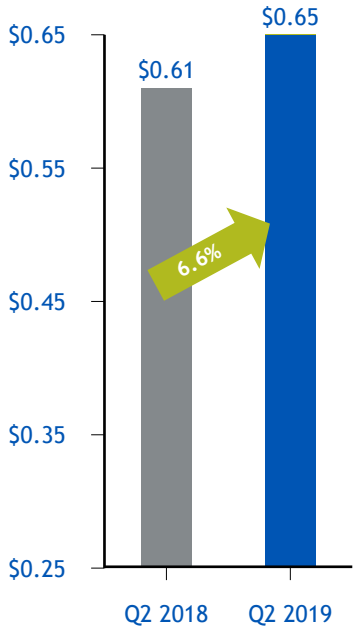
(1) Revenue in millions

Consolidated Results - Continuing Operations

Q2 2019 EPS[1]



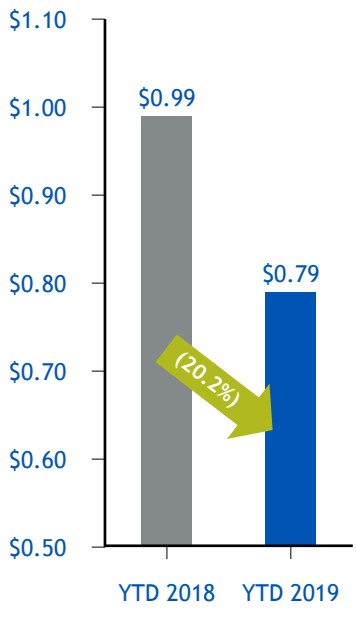
Diluted EPS



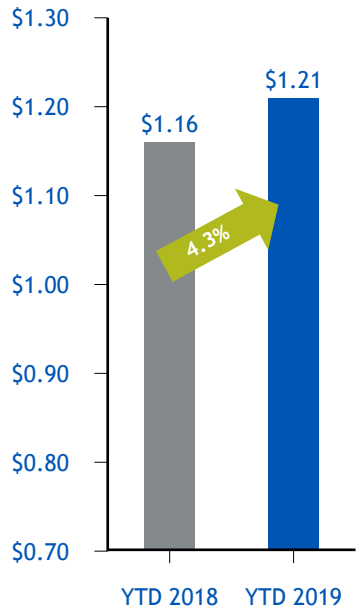
Adjusted Diluted EPS[2]

- Net income from continuing operations attributable to LKQ stockholders of $150 million (4.6% of revenue) Q2 2019 vs. $157 million (5.2% of revenue) Q2 2018
- Q2 2019 includes impairment charges totaling $25 million after tax or ($0.08) per share
- Segment EBITDA[3] of $359 million; up 4.9% YOY
- Segment EBITDA Margin[3] of 11.0% Q2 2019 vs. 11.3% Q2 2018; decrease reflects the larger European mix

YTD 2019 EPS[1]



Diluted EPS



Adjusted Diluted EPS[2]

- Net income from continuing operations attributable to LKQ stockholders of $248 million (3.9% of revenue) YTD 2019 vs. $310 million (5.4% of revenue) YTD 2018
- YTD 2019 includes impairment charges totaling $77 million after tax or ($0.25) per share
- Segment EBITDA[3] of $679 million; up 6.5% YOY
- Segment EBITDA Margin[3] of 10.7% YTD 2019 vs. 11.1% YTD 2018; decrease reflects the larger European mix

(1) Net Income and Earnings per share figures refer to net 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
(3) Segment EBITDA is a non-GAAP financial measure. Refer to Segment EBITDA reconciliation on Appendix 3

Q2 2019 Revenue Growth

Revenue Changes by Source:	Organic	Acquisition	Foreign Exchange	Total[1]
North America	(0.4)%	0.6%	(0.2)%	0.0%
Europe	(4.3)%	27.7%	(5.3)%	18.0%
Specialty	0.1%	—%	(0.4)%	(0.3)%
Parts and Services	(2.1)%	12.6%	(2.5)%	8.0%
Other Revenue	(8.4)%	1.6%	(0.2)%	(7.0)%
Total	(2.4)%	12.0%	(2.4)%	7.2%

- Organic revenue declined 1.3% for parts and services on a per day basis as there, on average, was one fewer selling day in Europe in Q2 2019 compared to Q2 2018
- Organic revenue for parts and services declined in North America primarily due to a 0.4% impact from lower revenue in our aviation recycling business; and a further 0.6% impact due to lower glass revenue on a per day basis; auto revenue growth positive though impacted by a decline in accident frequency accompanied with mild winter weather which had a negative effect
- Organic revenue declined 4.3% (2.8% on a per day basis) for parts and services in Europe; impacted by macroeconomic softness and mild winter weather conditions
- Unfavorable F/X impact on European parts and services revenue of $68 million; European constant currency parts and services revenue growth of 23.3%[2]
- European acquisition growth for parts and services was $354 million, primarily related to the acquisition of Stahlgruber
- Decrease in other revenue was primarily attributable to lower prices of scrap steel and other metals, partially offset by increased volumes of scrap steel and higher prices from other catalytic converters. Scrap steel prices were down 28% versus Q2 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

YTD 2019 Revenue Growth

Revenue Changes by Source:	Organic	Acquisition	Foreign Exchange	Total[1]
North America	(0.9)%	0.4%	(0.3)%	(0.7)%
Europe	(1.8)%	35.4%	(6.2)%	27.4%
Specialty	0.5%	—%	(0.4)%	0.1%
Parts and Services	(1.1)%	15.3%	(2.8)%	11.4%
Other Revenue	(7.5)%	1.3%	(0.3)%	(6.4)%
Total	(1.4)%	14.5%	(2.7)%	10.4%

- Organic revenue for parts and services on a per day basis was down 10 basis points as there was, on average, one fewer selling day in the first half 2019 compared to the first half of 2018
- Organic revenue for parts and services declined in North America primarily due to a 0.6% impact from lower revenue in our aviation recycling business; and a further 0.7% impact due to lower glass revenue on a per day basis; auto revenue growth positive though impacted by a decline in accident frequency accompanied with mild winter weather had a negative effect
- Organic revenue declined 1.8% (0.6% on a per day basis) for parts and services in Europe; impacted by macroeconomic softness and mild winter weather conditions
- Unfavorable F/X impact on European parts and services revenue of $144 million; European constant currency parts and services revenue growth of 33.6%[2]
- European acquisition growth for parts and services was $819 million, primarily related to the acquisition of Stahlgruber
- Decrease in other revenue was primarily attributable to lower prices of scrap steel and other metals, partially offset by increased volumes of scrap steel and higher prices from catalytic converters. Scrap steel prices were down 26% versus 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

Q2 2019 Operating Highlights

North America

- Pricing initiatives driving gross margin favorability
- Proactive spending controls to offset inflationary pressures
- Operational emphasis on working capital yielding strong results
- NSF announced the exit of certification - inventory in stock still approved. Working with CAPA to minimize any potential impact to fill-rates of certified parts.

Europe

- Revenue impacted by soft macroeconomic conditions across the continent
- European procurement initiatives delivered 50 basis points year over year
- Effective hiring freeze and cost reductions implemented
- Prudent purchasing program aligned to soften the impact of macroeconomic conditions

Specialty

- Canadian economy impacting regional sales unfavorably in Q2 and YTD
- RV business off slightly due to lower dealer retail sales
- Focus on working capital showing favorable results through first half of year
- Proactive spending controls helping to offset impact of lower sales and margin challenges

Inventory

Inventory Procurement:	Q2			YTD		
($ in millions, Vehicles purchased in 000s)	2019	2018	% Change	2019	2018	% Change
Total aftermarket procurement	$1,614	$1,487	8.5%	$3,139	$2,787	12.6%
Wholesale salvage cars and trucks	78	83	(6.0)%	152	156	(2.6)%
Europe wholesale salvage cars and trucks	6	7	(14.3)%	14	15	(6.7)%
Self service and "crush only" cars	165	150	10.0%	304	291	4.5%

- Increase in aftermarket Q2 2019 purchases driven by:
  - Incremental purchases from acquisitions (primarily Stahlgruber)
  - Partially offset by decrease in the Q2 2019 value of euro and pound sterling YOY and reduced inventory levels in North America and Specialty
- Cost per vehicle in our self service operations decreased 3% YOY due primarily to lower scrap steel prices
- Average cost per vehicle in our full service salvage operations decreased by 1% YOY

Financial Results

Operating Results - Continuing Operations

($ in millions,except per share data)	Second Quarter 2019	Second Quarter 2018	Second Quarter Change	YTD 2019	YTD 2018	YTD Change
Revenue	$3,248	$3,031	7.2%	$6,348	$5,752	10.4%
Gross Margin	1,247	1,162	7.3%	2,455	2,216	10.8%
Operating Income	236	257	(8.1)%	459	483	(5.1)%
Pre-tax Income	206	218	(5.6)%	396	419	(5.5)%
Net income from continuing operations attributable to LKQ stockholders[1]	150	157	(4.2)%	248	310	(19.9)%
Segment EBITDA[2]	359	342	4.9%	679	637	6.5%
Diluted EPS from continuing operations attributable to LKQ stockholders:						
Reported	$0.48	$0.50	(4.0)%	$0.79	$0.99	(20.2)%
Adjusted[3]	$0.65	$0.61	6.6%	$1.21	$1.16	4.3%

- Effective income tax rate for both the three months and six months ended June 30, 2019 was 27.1% compared to 27.9% and 26.3% for three months and six months ended June 20, 2018, respectively.
- Q2 2019 and YTD 2019 includes $33 million and $49 million, respectively, of pretax impairment charges, included in Operating Income

(1) Q2 2019 and YTD 2019 Impacted by impairment charges associated with Mekonomen equity investment and assets held for sale of $25 million and $77 million after tax, respectively
(2) Segment EBITDA is a non-GAAP measure. Refer to Segment EBITDA reconciliation on Appendix 3
(3) Adjusted Diluted EPS is a non-GAAP measure. Refer to the Adjusted Diluted EPS reconciliation on Appendix 4

Q2 2019 Consolidated Margins - Continuing Operations

(as a % of Revenue)	Q2 2019	Q2 2018	Change F/(U)	Q2 Commentary
Revenue	100.0%	100.0%	—%	
Gross Margin	38.4%	38.3%	0.1%	Increased due to our North America segment; 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	27.7%	27.3%	(0.4)%	Increase primarily attributable to Europe (0.6%)
Impairment of net assets held for sale	1.0%	—%	(1.0)%	Reflects $33 million pretax impairment charges on net assets held for sale
Restructuring and Acquisition Related Expenses	0.3%	0.5%	0.2%	Higher 2018 expenses due to acquisition related costs for the Stahlgruber transaction
Depreciation and Amortization	2.2%	2.1%	(0.1)%	Increased in dollar terms due to the Stahlgruber acquisition on May 30, 2018
Operating Income	7.3%	8.5%	(1.2)%	The impairment of net assets held for sale ($33 million) is 1.0% of revenue
Segment EBITDA[1]	11.0%	11.3%	(0.3)%	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.

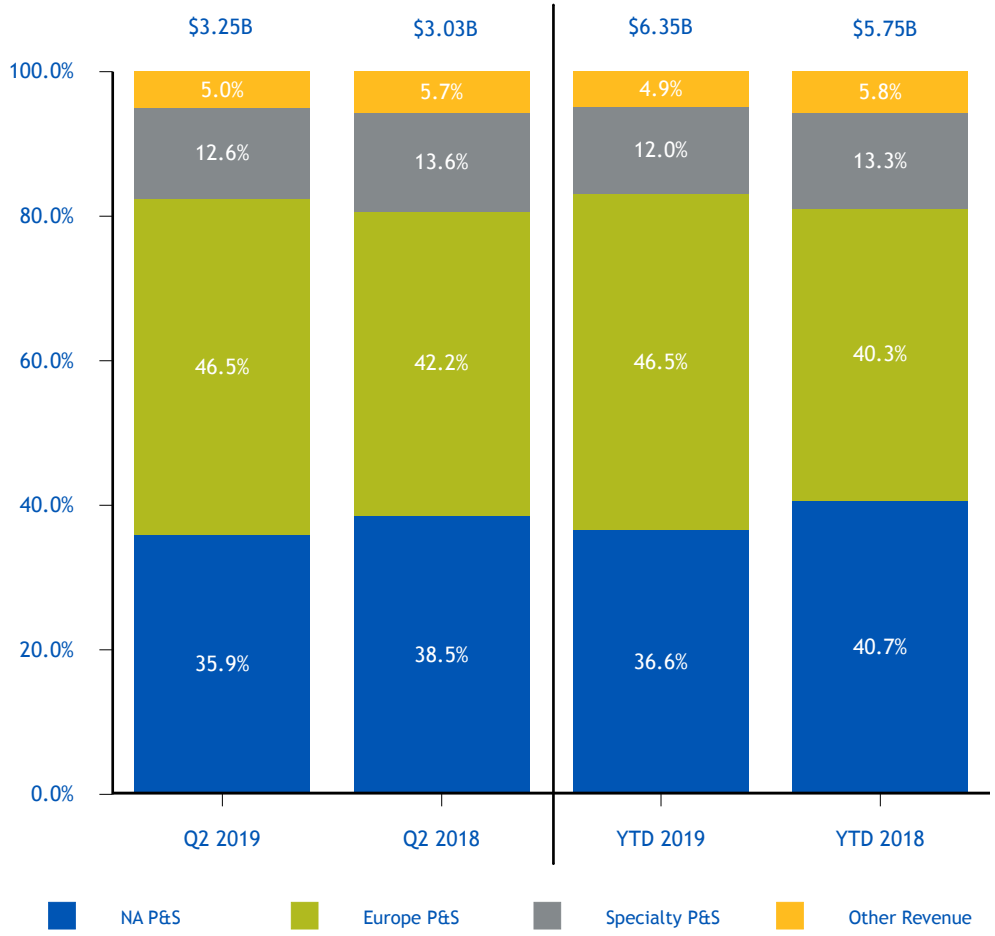
YTD 2019 Consolidated Margins - Continuing Operations

(as a % of Revenue)	YTD 2019	YTD 2018	Change F/(U)	YTD Commentary
Revenue	100.0%	100.0%	—%	
Gross Margin	38.7%	38.5%	0.2%	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	28.3%	27.7%	(0.6)%	Increase primarily attributable to Europe (0.4%) and North America (0.2%)
Impairment of net assets held for sale	0.8%	—%	(0.8)%	Reflects $49 million pretax impairment charges on net assets held for sale
Restructuring and Acquisition Related Expenses	0.2%	0.3%	0.1%	Higher 2018 expenses due to acquisition related costs for the Stahlgruber transaction
Depreciation and Amortization	2.2%	2.1%	(0.1)%	Increased in dollar terms due to the Stahlgruber acquisition on May 30, 2018
Operating Income	7.2%	8.4%	(1.2)%	The impairment of net assets held for sale ($49 million) is 0.8% of revenue
Segment EBITDA[1]	10.7%	11.1%	(0.4)%	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

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Components of Revenue



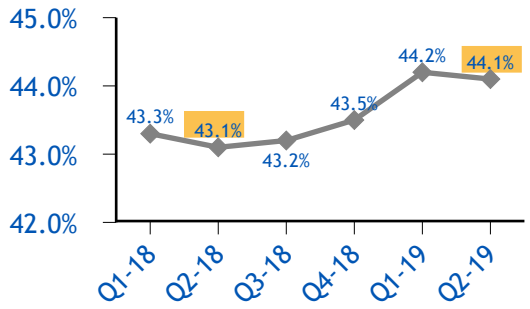
- North America historically has the highest gross margins and EBITDA margins relative to the other segments
- Increase in Q2 and YTD 2019 revenue as a percentage of consolidated revenue for our European businesses reflects the impact from the Stahlgruber acquisition in Q2 2018
- Other revenue continues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

North America - Q2 2019 Results

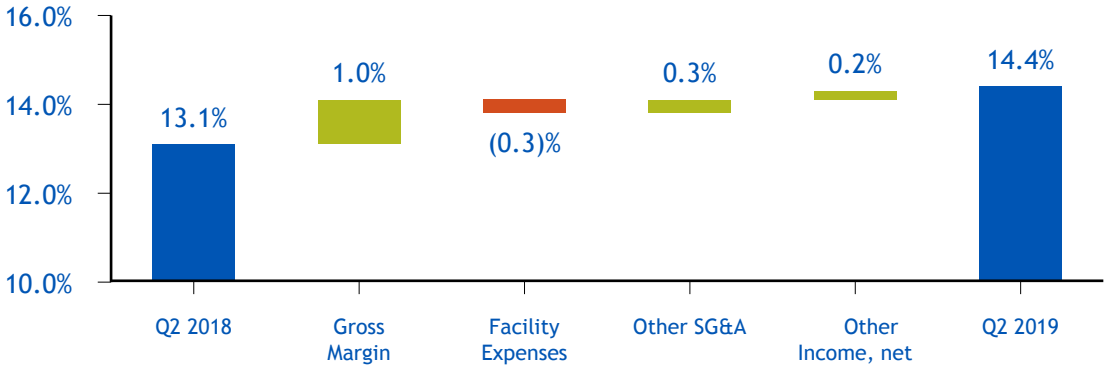
($ in millions)	2019	2018	Change	% of Revenue 2019	% of Revenue 2018
Total Revenue	$1,322	$1,335	(1.0)%		
Gross Margin	$583	$575	1.3%	44.1%	43.1%
Operating Expenses	$398	$402	(1.2)%	30.1%	30.1%
Other Income, net	$3	$2			
Segment EBITDA[(1)]	$190	$175	8.6%	14.4%	13.1%

(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

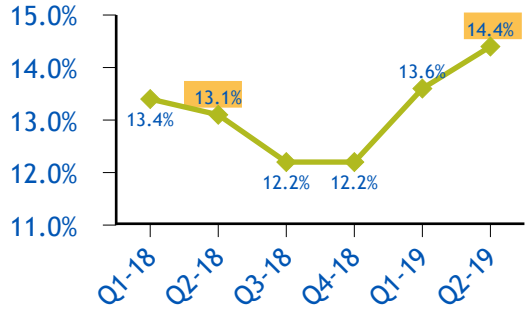


North America Segment EBITDA Margin Bridge



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

Segment EBITDA Margin

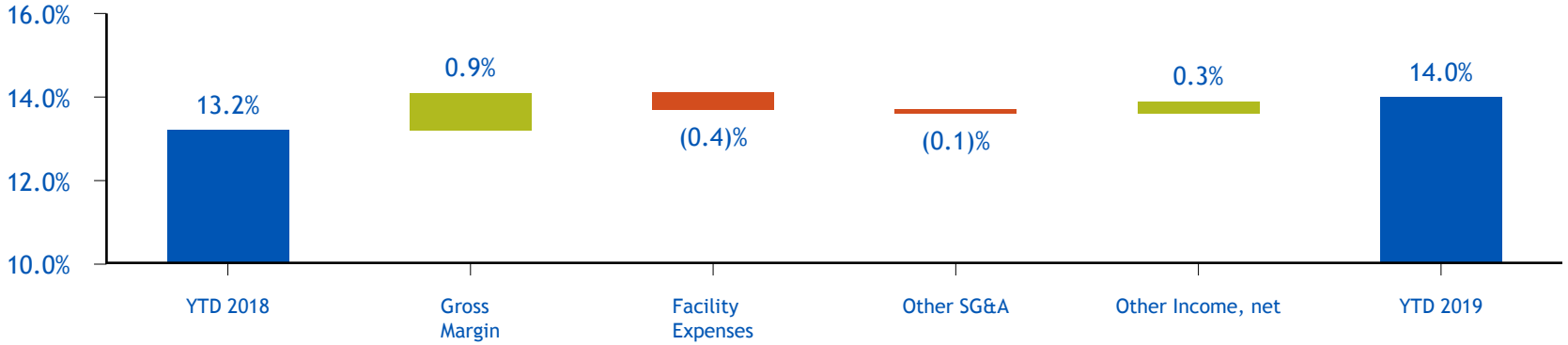


North America - YTD 2019 Results

($ in millions)	2019	2018	Change	% of Revenue 2019	% of Revenue 2018
Total Revenue	$2,624	$2,665	(1.5)%		
Gross Margin	$1,158	$1,151	0.7%	44.1%	43.2%
Operating Expenses	$805	$805	0.0%	30.7%	30.2%
Other Income, net	$11	$5			
Segment EBITDA[(1)]	$367	$353	4.0%	14.0%	13.2%

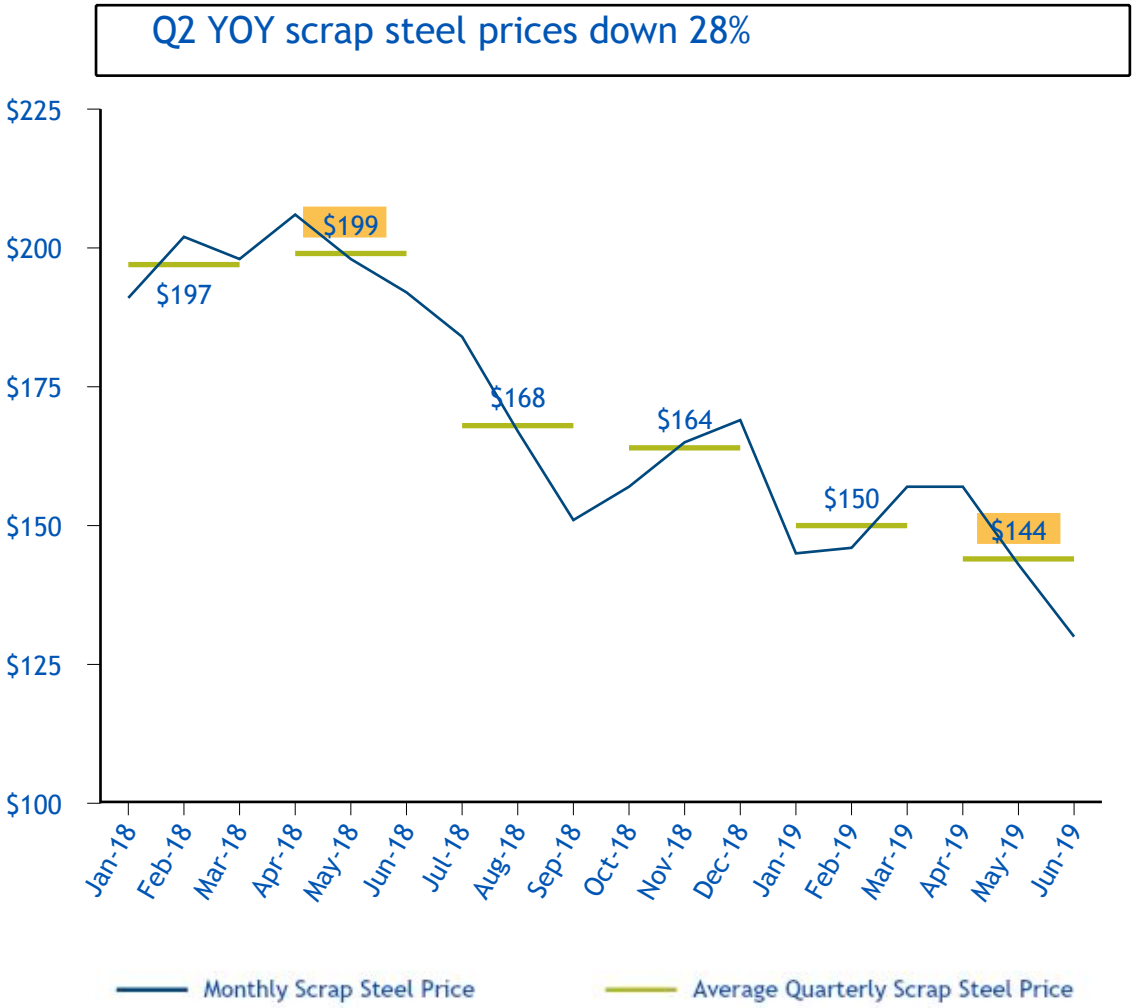
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North America Segment EBITDA Margin Bridge



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Scrap Steel Prices



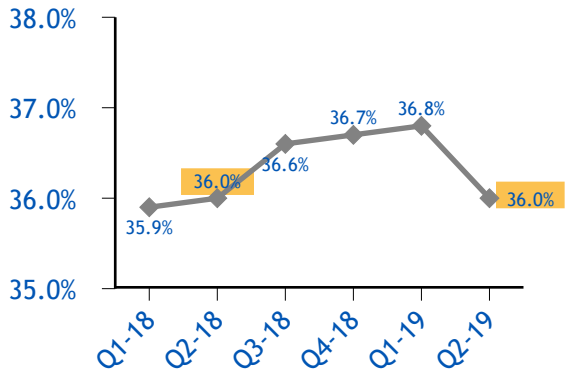
- Average price realized for scrap steel decreased by 28% from $199 per ton in Q2 2018 to $144 per ton in Q2 2019
- Sequential change was negative $6 per ton, or down 4.0%
- Changes in scrap steel prices had an unfavorable impact to segment EBITDA of $2 million ($0.01 per share) in Q2 2019, compared to $4 million ($0.01 per share) favorable impact in Q2 2018

Europe – Q2 2019 Results

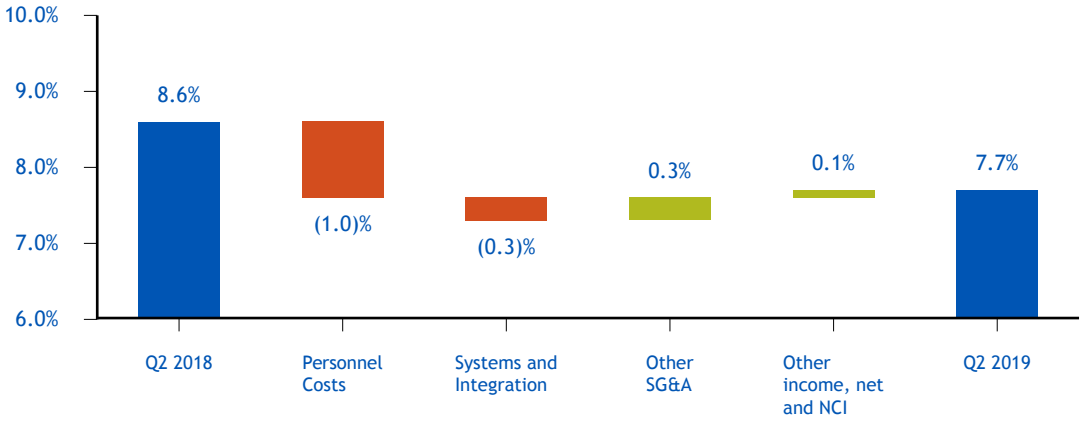
($ in millions)	2019	2018	Change	% of Revenue 2019	% of Revenue 2018
Total Revenue	$1,516	$1,284	18.1%		
Gross Margin	$545	$462	18.1%	36.0%	36.0%
Operating Expenses	$433	$354	22.3%	28.6%	27.6%
Other Income, net	$2	$(2)			
Segment EBITDA[(1)]	$116	$111	4.9%	7.7%	8.6%
Branches	1,119	1,094	25		

(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

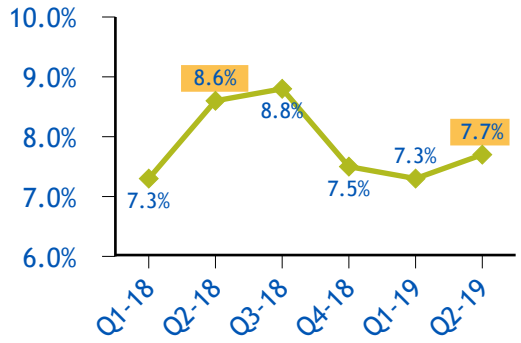


Europe Segment EBITDA Margin Bridge



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

Segment EBITDA Margin

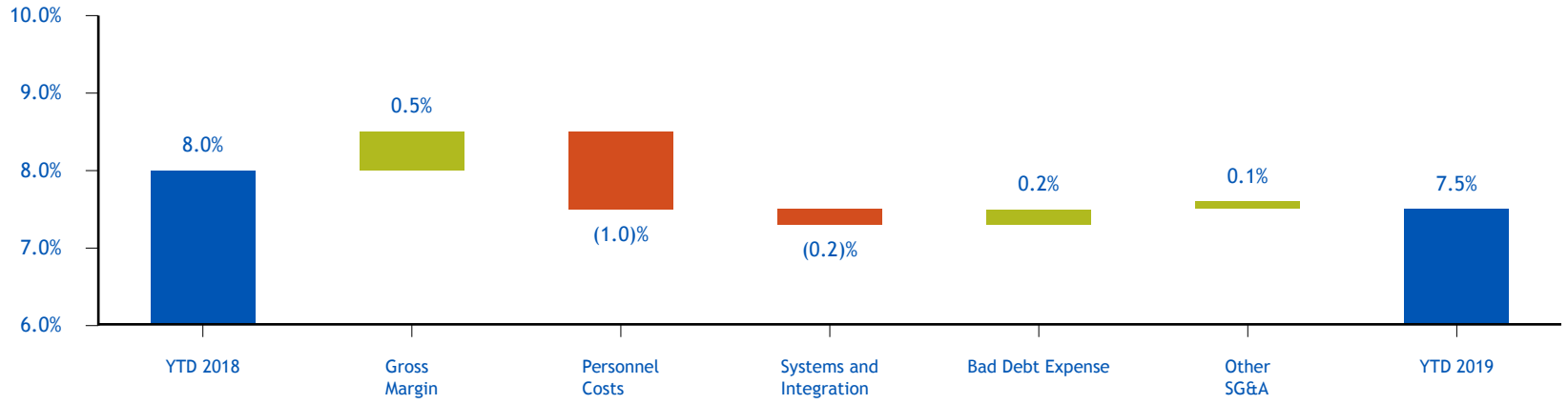


Europe – YTD 2019 Results

($ in millions)	2019	2018	Change	% of Revenue 2019	% of Revenue 2018
Total Revenue	$2,962	$2,325	27.4%		
Gross Margin	$1,078	$835	29.1%	36.4%	35.9%
Operating Expenses	$859	$654	31.3%	29.0%	28.1%
Other Income, net	$(2)	$(3)			
Segment EBITDA[(1)]	$222	$186	18.9%	7.5%	8.0%

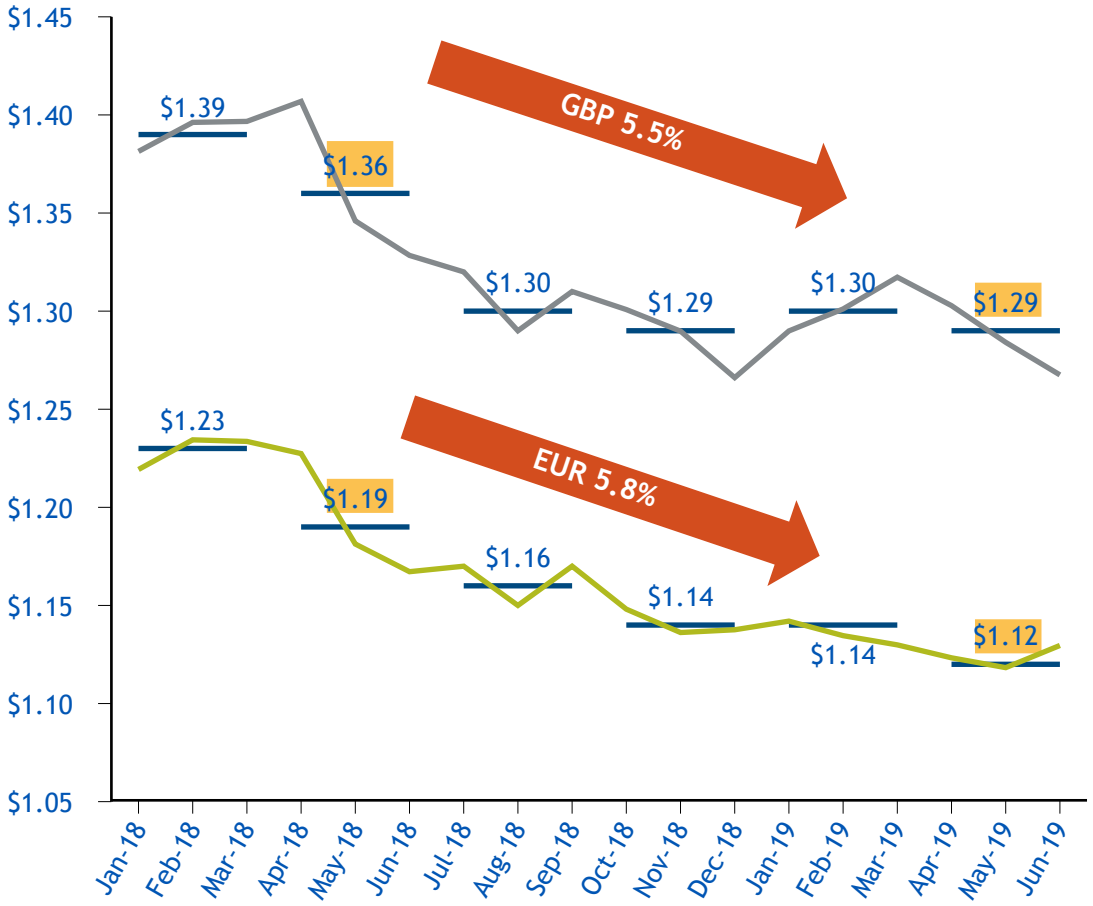
(1) Segment EBITDA is a non-GAAP measure. Refer to total Segment EBITDA reconciliation on Appendix 3 and the breakout of Segment EBITDA by each respective segment on Appendix 2

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 5.5% Q2 2019 vs Q2 2018
- € down 5.8% Q2 2019 vs Q2 2018
- $68 million unfavorable impact of translation of weaker Q2 rates relative to the US dollar on Europe parts and services revenue growth
- Europe constant currency(1) parts and services revenue growth of 23.3% Q2 2019 vs Q2 2018 and 33.6% for YTD 2019 vs 2018
- Translation negative impact offset by foreign currency transaction gains was less than half a penny for Q2 2019; Translation negative impact and foreign currency transaction losses impact was $0.02 YTD 2019

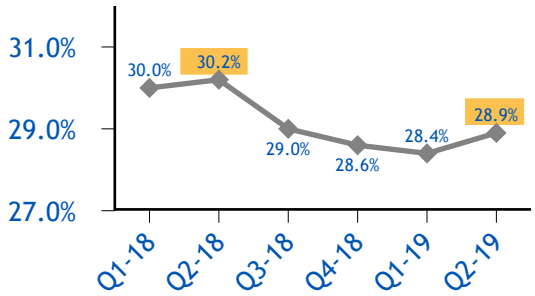
(1) Constant currency is a non-GAAP financial measure. Refer to constant currency reconciliation on Appendix 1

Specialty - Q2 2019 Results

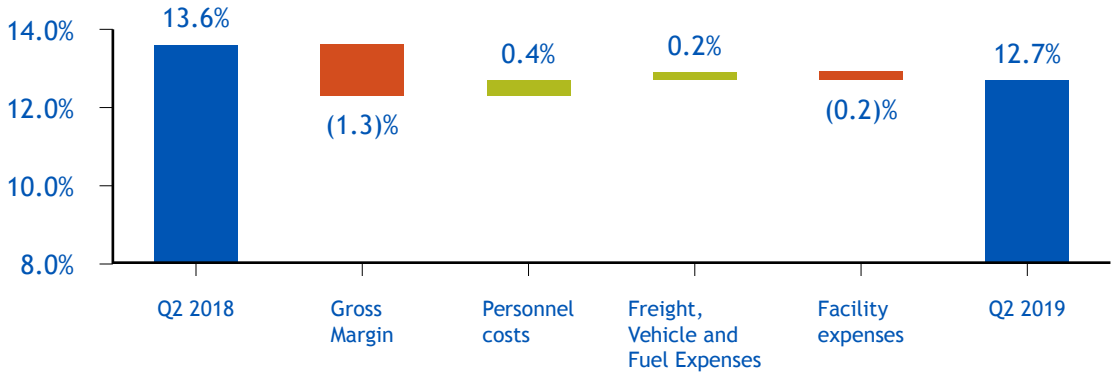
($ in millions)	2019	2018	Change	% of Revenue 2019	% of Revenue 2018
Total Revenue	$412	$413	(0.3)%		
Gross Margin	$119	$125	(4.7)%	28.9%	30.2%
Operating Expenses	$68	$69	(2.6)%	16.4%	16.8%
Other Income, net	$0	$(0)			
Segment EBITDA[(1)]	$52	$56	(6.6)%	12.7%	13.6%

(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

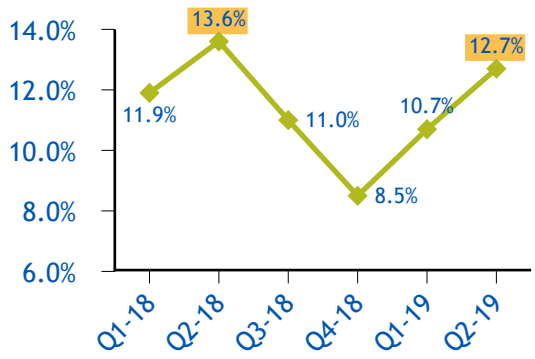
Gross Margin



Specialty Segment EBITDA Margin Bridge



Segment EBITDA Margin



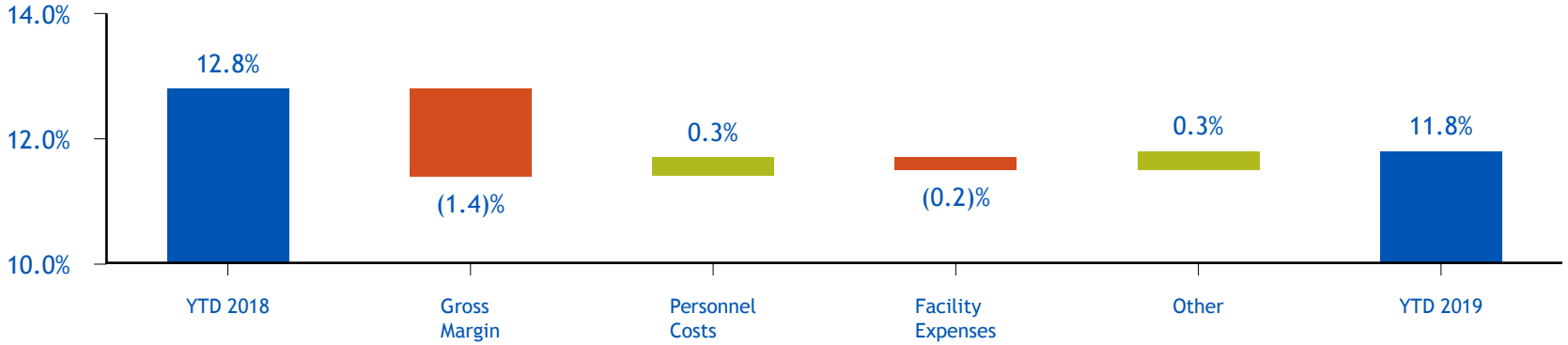
Note: In the table above, the sum of the individual percentages may not equal the total due to rounding

Specialty - YTD 2019 Results

($ in millions)	2019	2018	Change	% of Revenue 2019	% of Revenue 2018
Total Revenue	$765	$765	0.1%		
Gross Margin	$219	$230	(4.7)%	28.7%	30.1%
Operating Expenses	$131	$134	(2.2)%	17.1%	17.5%
Other Income, net	$1	$0			
Segment EBITDA[(1)]	$90	$98	(7.9)%	11.8%	12.8%

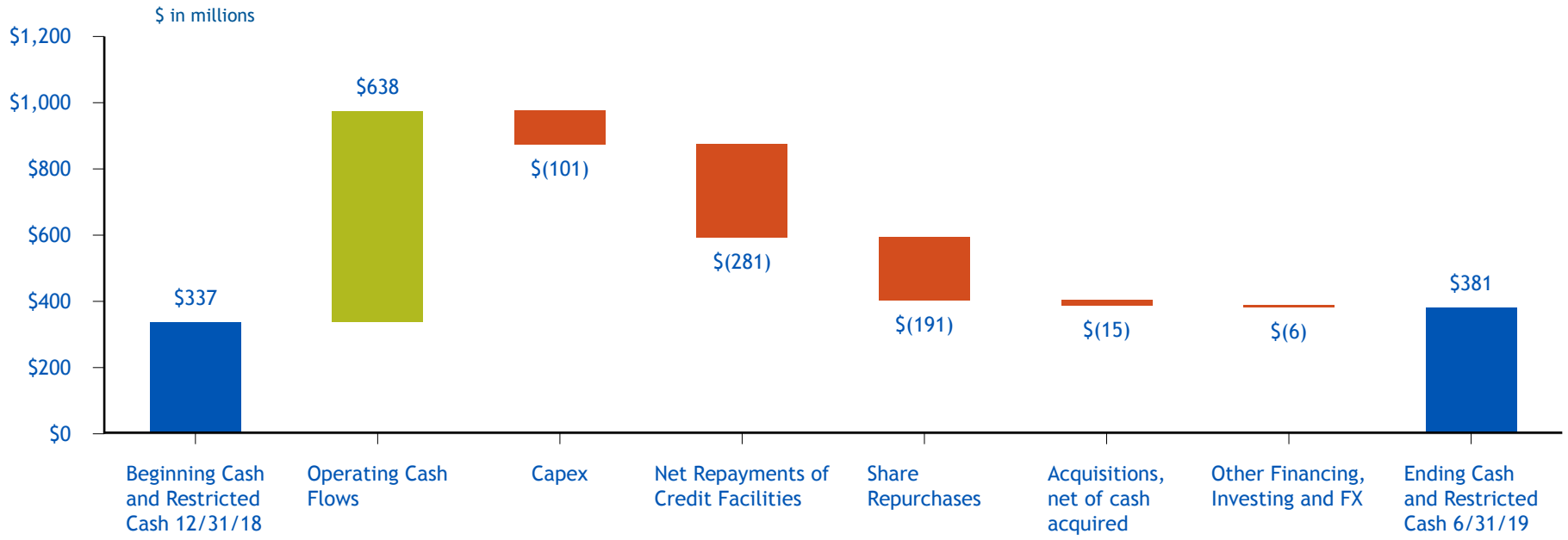
(1) Segment EBITDA is a non-GAAP measure. Refer to total Segment EBITDA reconciliation on Appendix 3 and the breakout of Segment EBITDA by each respective segment on Appendix 2

Specialty Segment EBITDA Margin Bridge



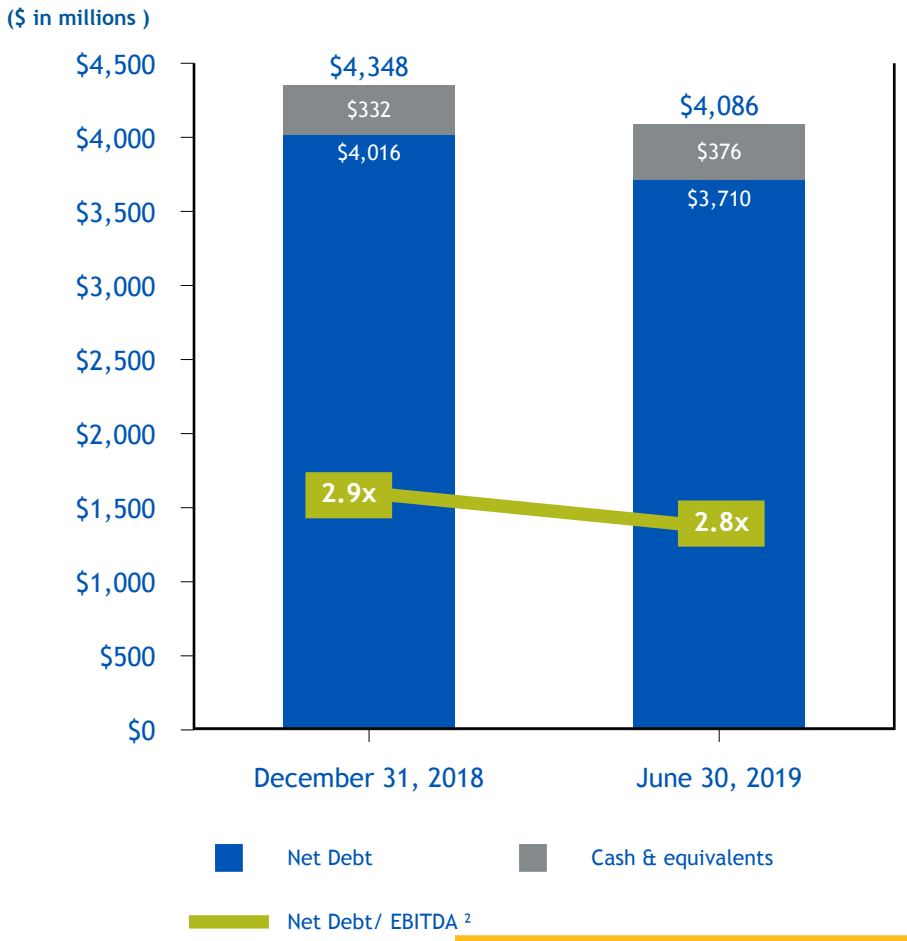
Note: In the table above, the sum of the individual percentages may not equal the total due to rounding

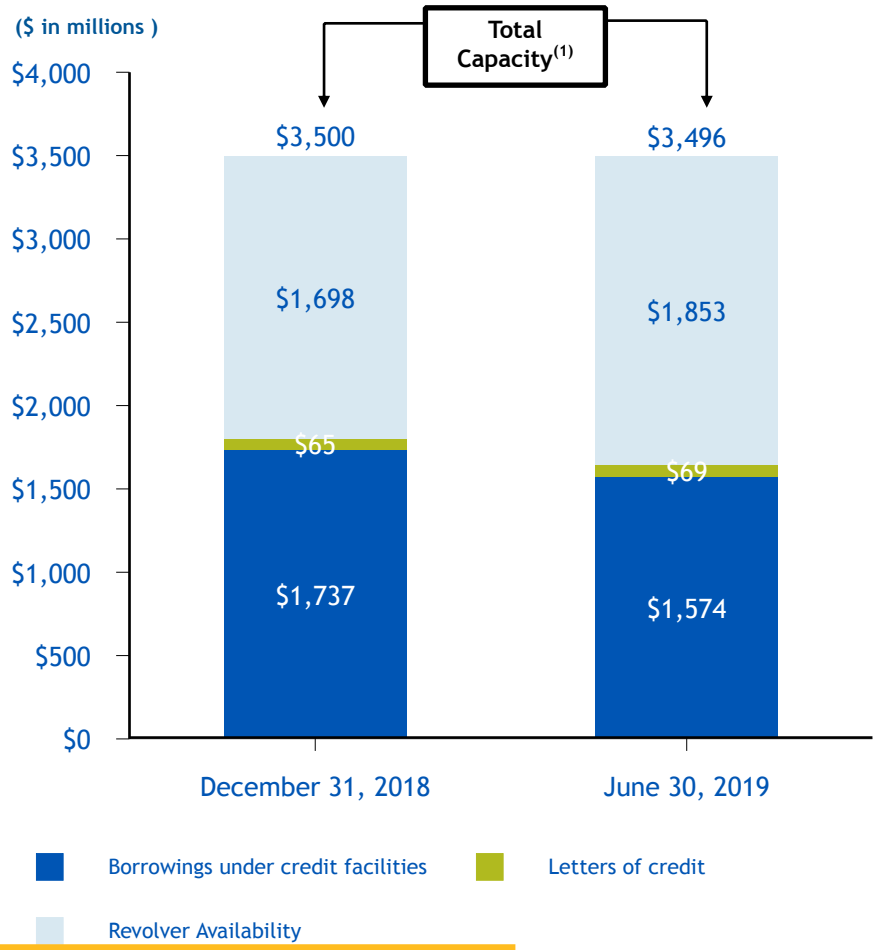
2019 Capital Allocation



- Operating cash flows:
  - Operating cash flows of $638 million represent a $310 million year over year increase, primarily driven by a $229 million increase in working capital cash inflows (inventory $144 million and payables $122 million, partially offset by trade receivables $37 million) compared to prior year
  - Q2 operating cash inflow of $461 million represents the highest quarterly amount in company history
- Investing cash flows:
  - Capex of $101 million (compared to $115 million in 2018), including $48 million in Q2, mainly due to our North America and Europe segments
  - Cash outlay for acquisitions of $15 million; total consideration of $48 million includes notes and other payables issued with the acquisitions
- Financing cash flows
  - Includes $281 million of net repayments on our borrowings
  - Includes $191 million in share repurchases

Leverage & Liquidity

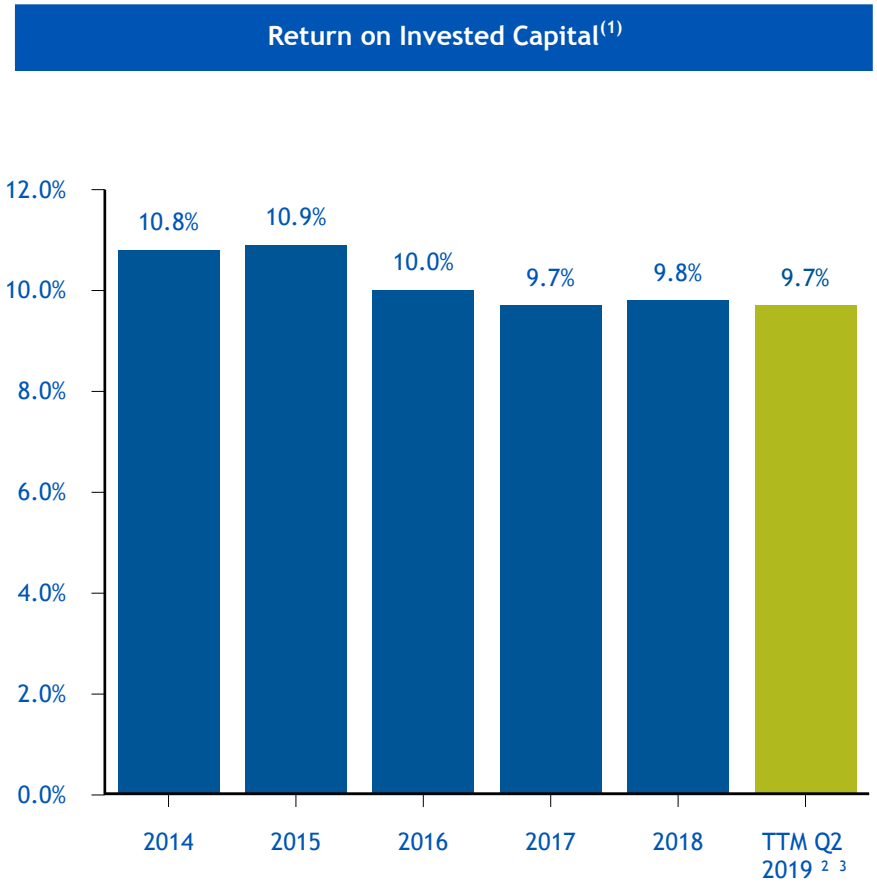




Effective borrowing rate for Q2 2019 was 3.3%(3)

(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 86% of our outstanding debt at June 30, 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: July 25, 2019)

($ in millions excluding EPS)	Full Year 2018 Actual	Full Year 2019 Guidance[1][2]
Organic Growth, Parts and Services	4.4%	0.5% - 2.0%
Net Income attributable to LKQ stockholders	$485	$540 - $565
Adjusted Net Income attributable to LKQ stockholders[3]	$691	$718 - $743
Diluted EPS attributable to LKQ stockholders	$1.53	$1.73 - $1.81
Adjusted Diluted EPS attributable to LKQ stockholders[3]	$2.19	$2.30 - $2.38
Cash Flow from Operations	$711	$800 - $875
Capital Expenditures	$250	$225 - $275

(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 July 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) All guidance figures are for continuing operations with the exception of cash flow from operations.

(3) 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 June 30, 2019		Six Months Ended June 30, 2019	
	Consolidated	Europe	Consolidated	Europe
Parts & Services				
Revenue growth as reported	8.0%	18.0%	11.4%	27.4%
Less: Currency impact	(2.5)%	(5.3)%	(2.8)%	(6.2)%
Revenue growth at constant currency	10.5%	23.3%	14.2%	33.6%

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-named 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 June 30[1] 2019	% of revenue	2018	% of revenue	Six Months Ended June 30[1] 2019	% of revenue	2018	% of revenue
Revenue								
North America	$1,322		$1,335		$2,624		$2,665	
Europe	1,516		1,284		2,962		2,325	
Specialty	412		413		765		765	
Eliminations	(1)		(1)		(3)		(3)	
Total Revenue	$3,248		$3,031		$6,348		$5,752	
Segment EBITDA								
North America	$190	14.4%	$175	13.1%	$367	14.0%	$353	13.2%
Europe	116	7.7%	111	8.6%	222	7.5%	186	8.0%
Specialty	52	12.7%	56	13.6%	90	11.8%	98	12.8%
Total Segment EBITDA	$359	11.0%	$342	11.3%	$679	10.7%	$637	11.1%

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 continuing and discontinued noncontrolling interest, excluding discontinued operations and discontinued noncontrolling interest, 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 June 30[1]		Six Months Ended June 30[1]	
	2019	2018	2019	2018
Net income	$152	$158	$251	$311
Subtract:				
Net income attributable to continuing noncontrolling interest	1	1	2	1
Net income attributable to discontinued noncontrolling interest	0	—	0	—
Net income attributable to LKQ stockholders	$151	$157	$249	$310
Subtract:				
Net income from discontinued operations	0	—	0	—
Net income attributable to discontinued noncontrolling interest	(0)	—	(0)	—
Net income from continuing operations attributable to LKQ stockholders	$150	$157	$248	$310
Add:				
Depreciation and Amortization	71	63	142	120
Depreciation and Amortization - cost of goods sold	5	5	11	10
Interest expense, net of interest income	36	38	72	67
Provision for income taxes	56	61	107	110
EBITDA	$318	$324	$580	$617
Subtract:				
Equity in earnings (losses) of unconsolidated subsidiaries	2	1	(38)	2
Gains on bargain purchase	—	0	—	0
Add:				
Restructuring and acquisition related expenses	8	16	12	20
Inventory step-up adjustment - acquisition related	—	—	—	0
Impairment of net assets held for sale	33	2	49	2
Change in fair value of contingent consideration liabilities	0	0	0	0
Segment EBITDA	$359	$342	$679	$637
Net income from continuing operations attributable to LKQ stockholders as a percentage of revenue	4.6%	5.2%	3.9%	5.4%
EBITDA as a percentage of revenue	9.8%	10.7%	9.1%	10.7%
Segment EBITDA as a percentage of revenue	11.0%	11.3%	10.7%	11.1%

(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 continuing and discontinued noncontrolling interest, excluding discontinued operations and discontinued noncontrolling interest, 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 continuing noncontrolling interest and without the impact of discontinued 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, 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 from Continuing Operations

(in millions, except per share data)	Three Months Ended June 30[1] 2019	Three Months Ended June 30[1] 2018	Six Months Ended June 30[1] 2019	Six Months Ended June 30[1] 2018
Net income	$152	$158	$251	$311
Subtract:				
Net income attributable to continuing noncontrolling interest	1	1	2	1
Net income attributable to discontinued noncontrolling interest	0	—	0	—
Net income attributable to LKQ stockholders	$151	$157	$249	$310
Subtract:				
Net income from discontinued operations	0	—	0	—
Net income attributable to discontinued noncontrolling interest	(0)	—	(0)	—
Net income from continuing operations attributable to LKQ stockholders	$150	$157	$248	$310
Adjustments - continuing operations attributable to LKQ stockholders:				
Amortization of acquired intangibles	31	28	63	50
Restructuring and acquisition related expenses	8	16	12	20
Inventory step-up adjustment - acquisition related	—	—	—	0
Change in fair value of contingent consideration liabilities	0	0	0	0
Gains on bargain purchases	—	(0)	—	(0)
Impairment of net assets held for sale	33	2	49	2
Impairment of Mekonomen equity method investment	—	—	40	—
Excess tax benefit from stock-based payments	(0)	(1)	(0)	(3)
Tax effect of adjustments	(19)	(10)	(31)	(17)
Adjusted net income from continuing operations attributable to LKQ stockholders	$204	$192	$380	$362
Weighted average diluted common shares outstanding	312,719	314,012	314,360	312,688
Diluted earnings per share from continuing operations attributable to LKQ stockholders:				
Reported	$0.48	$0.50	$0.79	$0.99
Adjusted	$0.65	$0.61	$1.21	$1.16

(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 our 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 continuing and discontinued 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 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 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	$540	$565
Adjustments:		
Amortization of acquired intangibles	125	125
Restructuring and acquisition related expenses	12	12
Impairment of net assets held for sale	49	49
Impairment of Mekonomen equity method investment	40	40
Other	0	0
Tax effect of adjustments	(48)	(48)
Adjusted net income from continuing operations attributable to LKQ stockholders	$718	$743
Weighted average diluted common shares outstanding	312	312
Diluted EPS from continuing operations attributable to LKQ stockholders:		
U.S. GAAP	$1.73	$1.81
Non-GAAP (Adjusted)	$2.30	$2.38

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 included for all other components the amounts incurred through June 30, 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 June 30[1] 2019	2018	Six Months Ended June 30[1] 2019	2018
Net cash provided by operating activities	$461	$184	$638	$329
Less: purchases of property, plant and equipment	48	53	101	115
Free cash flow	$413	$130	$537	$213

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.