Third Quarter 2019 Earnings Call

October 31, 2019

Nick Zarcone - *President & Chief Executive Officer*

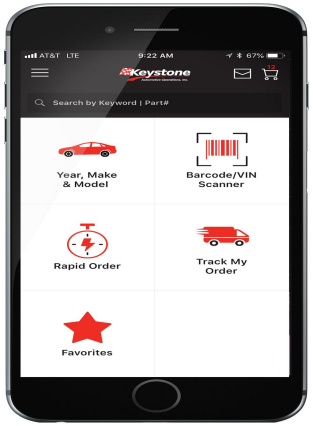
Varun Laroyia - *Executive Vice President & Chief Financial Officer*

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

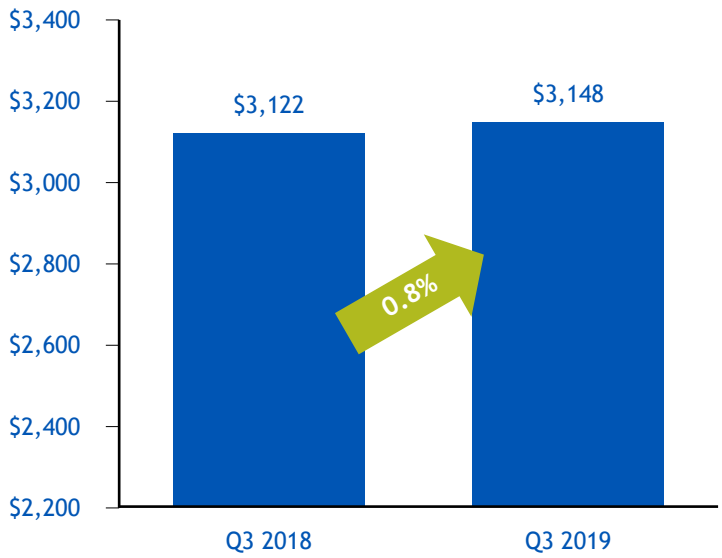
Q3 2019 Key Takeaways

- Total revenue growth of 0.8% driven by organic parts and services revenue growth of 2.3% (0.9% on a per day basis) and acquisition growth of 0.8%, partially offset by a decline due to foreign currency translation (2.3%)
    - Soft European macroeconomic conditions weighing on revenue comparisons
    - North America organic revenue growth per day exceeded the 0.5% increase in collision and liability related auto claims[(1)] for Q3 2019
- North America Segment EBITDA margin improved 60 basis points relative to Q3 2018
- Q3 Diluted EPS of $0.49 vs. $0.42; Q3 Adjusted Diluted EPS[(2)] of $0.61 vs. $0.56 (9% increase)
- Excellent operating cash conversion in Q3 2019; delivered $327 million in operating cash flows (up 70% year over year); and free cash flow[(3)] of $262 million (up 93% year over year)
- 3.9 million shares of stock repurchased for $101 million
- Paid down $109 million of debt; net leverage declined to 2.6x[(4)] EBITDA

(1) Per CCC 2019 Third Quarter Industry Update
(2) Adjusted Diluted EPS is a non-GAAP measure. Refer to Adjusted Diluted EPS reconciliation on Appendix 4
(3) Free Cash Flow is a non-GAAP measure. Refer to Free Cash Flow reconciliation on Appendix 6
(4) 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

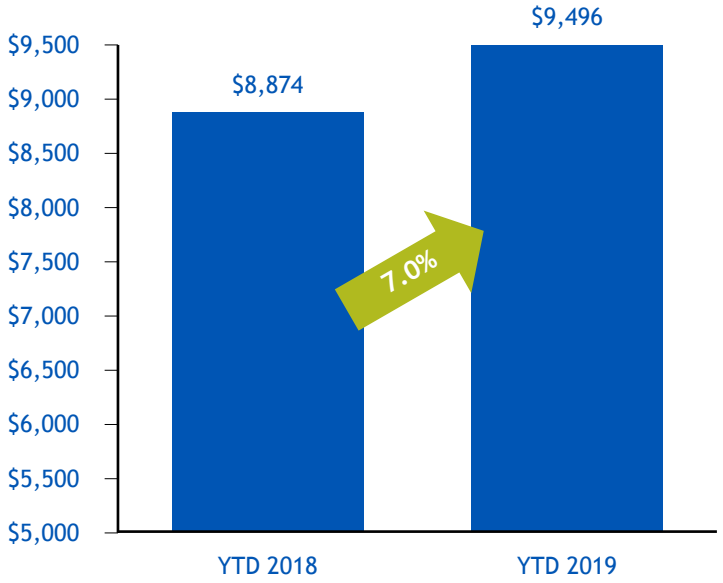
Consolidated Results - Continuing Operations

Q3 2019 Revenue[(1)]



- Organic revenue growth for parts and services was 2.3% on a reported basis; 0.9% on a per day basis

YTD 2019 Revenue[(1)]

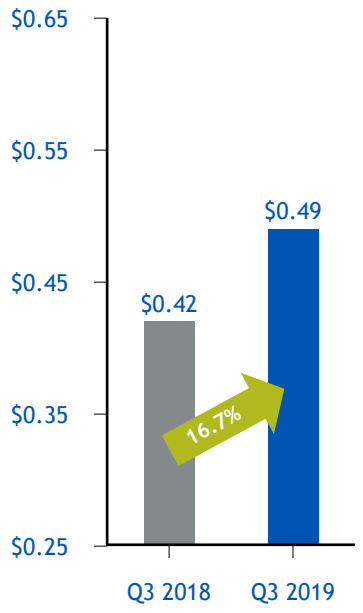


- Organic revenue growth for parts and services was 0.1% on a reported basis

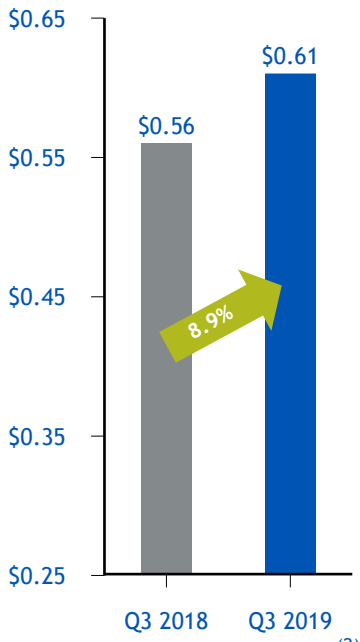
(1) Revenue in millions

Consolidated Results - Continuing Operations

Q3 2019 EPS[1]



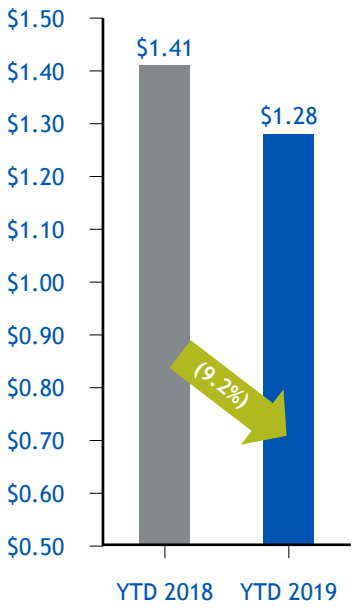
Diluted EPS



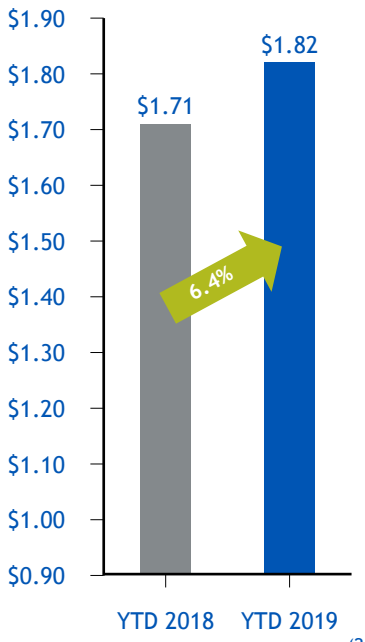
Adjusted Diluted EPS[2]

- Net income from continuing operations attributable to LKQ stockholders of $152 million (4.8% of revenue) Q3 2019 vs. $134 million (4.3% of revenue) Q3 2018
- Q3 2018 includes impairment charges totaling $23 million after tax or ($0.07) per share
- Segment EBITDA[3] of $336 million; up 3.1% YOY
- Segment EBITDA Margin[3] of 10.7% Q3 2019 vs. 10.5% Q3 2018

YTD 2019 EPS[1]



Diluted EPS



Adjusted Diluted EPS[2]

- Net income from continuing operations attributable to LKQ stockholders of $400 million (4.2% of revenue) YTD 2019 vs. $444 million (5.0% of revenue) YTD 2018
- YTD 2019 includes impairment charges totaling $74 million after tax or ($0.24) per share vs. $23 million after tax or ($0.07) per share for the same period in 2018
- Segment EBITDA[3] of $1,015 million; up 5.3% YOY
- Segment EBITDA Margin[3] of 10.7% YTD 2019 vs. 10.9% 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

Q3 2019 Revenue Growth

Revenue Changes by Source:	Organic	Acquisition	Foreign Exchange	Total[1]
North America	2.9%	0.4%	(0.1)%	3.3%
Europe	2.1%	1.3%	(4.6)%	(1.2)%
Specialty	1.5%	0.0%	(0.1)%	1.4%
Parts and Services	2.3%	0.8%	(2.3)%	0.8%
Other Revenue	0.0%	1.1%	(0.3)%	0.9%
Total	2.2%	0.8%	(2.2)%	0.8%

- Organic revenue growth for parts and services was 0.9% on a per day basis as there was one additional selling day in Q3 2019 compared to Q3 2018
- Organic revenue growth of 2.9% (1.4% on a per day basis) for parts and services in North America was primarily due to a 5.5% (3.8% on a per day basis) impact from increased revenue in our salvage business; wholesale organic revenue growth per day exceeded the 0.5% increase in collision and liability claims
- Organic revenue growth for parts and services in Europe was 2.1% (0.7% on a per day basis) impacted by ongoing macroeconomic softness
- Unfavorable F/X impact on European parts and services revenue of $67 million; European constant currency parts and services revenue growth of 3.4%[2]
- European acquisition growth for parts and services was $19 million, primarily related to the acquisitions in our Benelux and Central European operations
- Increase in other revenue was primarily attributable to higher prices for precious metals, partially offset by lower prices of scrap steel and other metals. Scrap steel prices were down 26% versus Q3 2018 and down 14% from last quarter

(1) The sum of the individual revenue change components may not equal the total percentage due to rounding
(2) Constant currency is a non-GAAP financial measure. Refer to constant currency reconciliation on Appendix 1

YTD 2019 Revenue Growth

Revenue Changes by Source:	Organic	Acquisition	Foreign Exchange	Total[1]
North America	0.4%	0.4%	(0.2)%	0.6%
Europe	(0.3)%	22.2%	(5.6)%	16.3%
Specialty	0.8%	—%	(0.3)%	0.5%
Parts and Services	0.1%	10.2%	(2.7)%	7.7%
Other Revenue	(5.0)%	1.2%	(0.3)%	(4.1)%
Total	(0.1)%	9.7%	(2.5)%	7.0%

- Organic revenue growth for parts and services was 0.1% driven by increases in the North America and Specialty business mostly offset by Europe
- Organic revenue growth of 0.4% for parts and services in North America was primarily due a 4.5% benefit from increased revenue in our salvage business; revenue growth positive though adversely impacted by a decline in accident frequency accompanied by mild winter weather
- Organic revenue declined 0.3% for parts and services in Europe impacted by ongoing macroeconomic softness and mild winter weather conditions
- Unfavorable F/X impact on European parts and services revenue of $211 million; European constant currency parts and services revenue growth of 21.9%[2]
- European acquisition growth for parts and services was $838 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 precious metals. 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

Q3 2019 Operating Highlights

North America

- Sold the net assets of AeroVision International, LLC and its affiliates
- Agreed to end our battery contract with FCA Mopar in November 2019
- Successfully negotiated a new 3-year contract with a top tier customer
- Operational emphasis on working capital yielding improvement in generating free cash flow
- Acquired another diagnostics and calibration business on October 1, 2019

Europe

- On October 1st, announced a merger of our subsidiary Auto Kelly Bulgaria EOOD with Elit Kar OOD, creating one of Bulgaria's leading distributors of automotive spare parts. LKQ owns a 20% equity interest in the combined business
- Continued efforts to rationalize our branch network in Europe by closing six underperforming branches related to our UK operations and two in Eastern Europe.
- Work continues on the 1 LKQ Europe integration project; incurred transformation costs of $3 million
- Vendor financing program progressing per plan
- Deliberate inventory purchases owing to softer macroeconomic conditions yielding working capital benefit

Specialty

- RV OEM Warranty Fulfillment Program roll-out continues, well-received at September RV Open House Event in Elkhart, IN
- Implemented designated supplier agreement to be aftermarket parts and services provider to Cap-IT Genuine Truck Ware stores

Inventory

Inventory Procurement:	Q3			YTD		
($ in millions, Vehicles purchased in 000s)	2019	2018	% Change	2019	2018	% Change
Total aftermarket procurement	$1,623	$1,701	(4.6)%	$4,762	$4,488	6.1%
Wholesale salvage cars and trucks	78	73	6.8%	230	229	0.4%
Europe wholesale salvage cars and trucks	5	6	(16.7)%	19	21	(9.5)%
Self service and "crush only" cars	151	136	11.0%	455	427	6.6%

- Decrease in aftermarket Q3 2019 purchases driven by:
  - Decrease in the Q3 2019 value of euro and pound sterling YOY
  - Reduced inventory levels in Europe owing to softer macroeconomic conditions
- Cost per vehicle in our self service operations decreased 4% YOY due primarily to lower scrap steel prices
- Average cost per vehicle in our full service salvage operations was flat YOY

Financial Results

Operating Results - Continuing Operations

($ in millions, except per share data)	Third Quarter			YTD		
	2019	2018	Change	2019	2018	Change
Revenue	$3,148	$3,122	0.8%	$9,496	$8,874	7.0%
Gross Margin	1,200	1,197	0.3%	3,656	3,413	7.1%
Operating Income	231	235	(1.4)%	690	718	(3.9)%
Pre-tax Income	205	201	2.2%	601	620	(3.0)%
Net income from continuing operations attributable to LKQ stockholders[(1)]	152	134	13.2%	400	444	(9.9)%
Segment EBITDA[(2)]	336	326	3.1%	1,015	964	5.3%
Diluted EPS from continuing operations attributable to LKQ stockholders:						
Reported	$0.49	$0.42	16.7%	$1.28	$1.41	(9.2)%
Adjusted[(3)]	$0.61	$0.56	8.9%	$1.82	$1.71	6.4%

- Gross Margin for 2019 Q3 and YTD includes the effect of a $17 million Cost of Goods Sold restructuring charge
- Effective income tax rate for the three months and nine months ended September 30, 2019 was 28.1% and 27.5%,respectively, compared to 22.9% and 25.2% for the three months and nine months ended September 30, 2018, respectively. The increase was primarily due to a $10 million discrete credit due to the Tax Act transition tax in Q3 2018
- Q3 2019 and YTD 2019 includes $4 million reversal and $45 million, respectively, of pretax impairment charges included in Operating Income

(1) YTD 2019 and 2018 impacted by impairment charges associated with Mekonomen equity investment and assets held for sale of $74 million and $23 million, respectively, after tax
(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

Q3 2019 Consolidated Margins - Continuing Operations

(as a % of Revenue)	Q3 2019	Q3 2018	Change F/(U)	Q3 Commentary
Revenue	100.0%	100.0%	—%	
Gross Margin	38.1%	38.3%	(0.2)%	Decrease primarily due to a 0.5% restructuring charge for inventory write-downs related to our Andrew Page integration plus 0.2% from other individually immaterial factors, partially offset by a 0.5% improvement in North America
Adjusted Gross Margin[1]	38.7%	38.3%	0.4%	Excludes COGS restructuring charge noted above
Selling, General and Administrative Expenses	28.3%	28.2%	(0.1)%	Increase primarily attributable to North America (0.2%), partially offset by Specialty (0.2%) decrease
Impairment of net assets held for sale	(0.1)%	—%	0.1%	Reversals of $4M impairment charges for assets sold in Q3 that were previously classified as held for sale
Restructuring and Acquisition Related Expenses	0.3%	0.2%	(0.1)%	Higher 2019 expenses due to restructuring program announced in Q2
Depreciation and Amortization	2.3%	2.5%	0.2%	
Operating Income	7.4%	7.5%	(0.1)%	
Segment EBITDA[2]	10.7%	10.5%	0.2%	

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

(1) Adjusted Gross Margin is a non-GAAP measure. Refer to Reconciliation of Gross Margin to Adjusted Gross Margin on Appendix 7

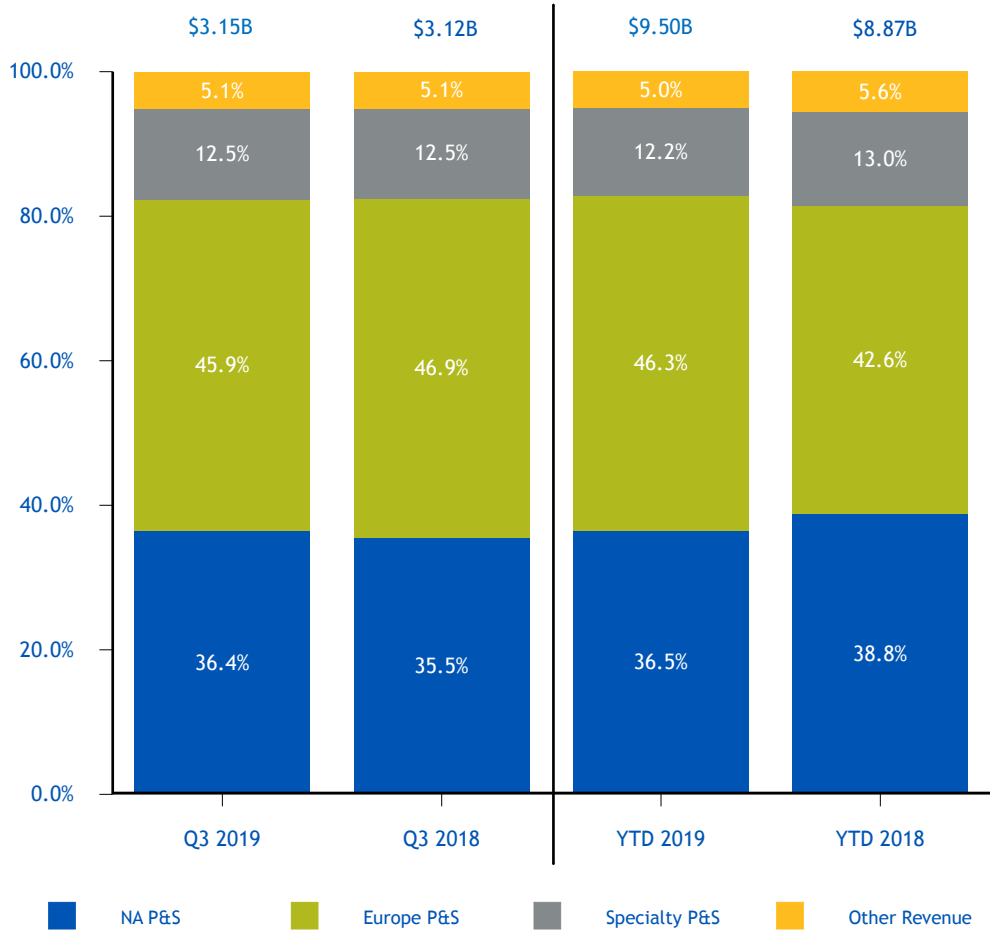
(2) Segment EBITDA is a non-GAAP measure. Refer to Segment EBITDA reconciliation on Appendix 3. Segment EBITDA is a measure of segment profitability. Refer to individual segment slides for drivers of Segment EBITDA.

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	38.5%	38.5%	—%	Gross margin was flat to prior year; increase in North America was offset by a negative mix impact primarily from the growth of Europe, which has a lower gross margin percentage than our consolidated figure, COGS restructuring charge in Europe, and a decrease to Gross Margin for Specialty
Adjusted Gross Margin[(1)]	38.7%	38.5%	0.2%	Excludes COGS restructuring charge noted above
Selling, General and Administrative Expenses	28.3%	27.9%	(0.4)%	Increase primarily attributable to Europe (0.3%) and North America (0.2%)
Impairment of net assets held for sale	0.5%	—%	(0.5)%	Reflects $45 million pretax impairment charges on net assets held for sale
Restructuring and Acquisition Related Expenses	0.2%	0.3%	0.1%	
Depreciation and Amortization	2.2%	2.2%	—%	
Operating Income	7.3%	8.1%	(0.8)%	
Segment EBITDA[(2)]	10.7%	10.9%	(0.2)%	

Note: In the table above, the sum of the individual percentages may not equal the total due to rounding
(1) Adjusted Gross Margin is a non-GAAP measure. Refer to Reconciliation of Gross Margin to Adjusted Gross Margin on Appendix 7
(2) 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



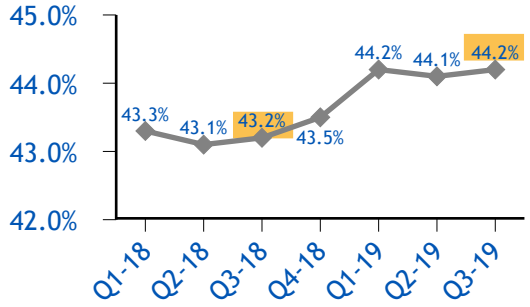
- North America historically has the highest gross margins and EBITDA margins relative to the other segments
- Increase in YTD 2019 revenue as a percentage of consolidated revenue for our European businesses reflects the impact from the Stahlgruber acquisition in Q2 2018
- Other revenue continues to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

North America – Q3 2019 Results

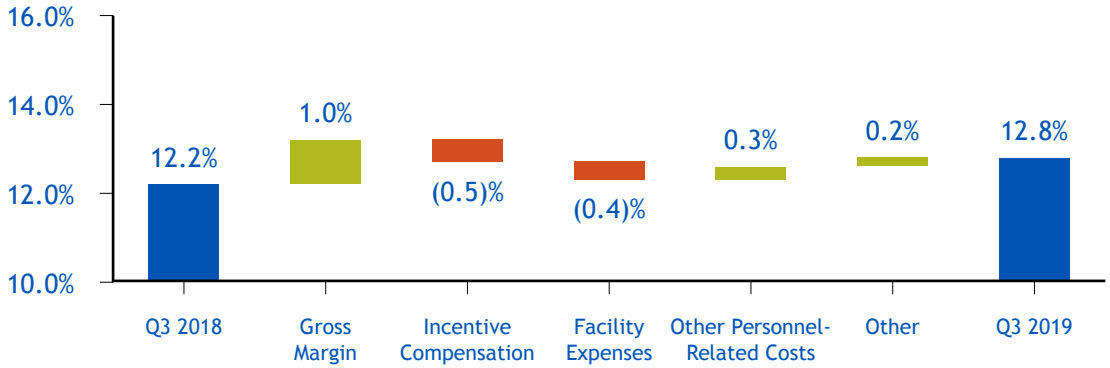
($ in millions)	2019	2018	Change F/(U)	% of Revenue 2019	% of Revenue 2018
Total Revenue	$1,302	$1,263	3.1%		
Gross Margin	$576	$546	5.5%	44.2%	43.2%
Operating Expenses	$417	$397	(4.9)%	32.0%	31.5%
Other Income, net	$5	$4			
Segment EBITDA[(1)]	$166	$154	8.0%	12.8%	12.2%

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

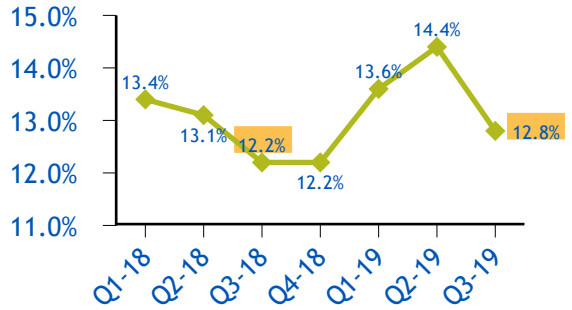
Gross Margin



North America Segment EBITDA Margin Bridge



Segment EBITDA Margin



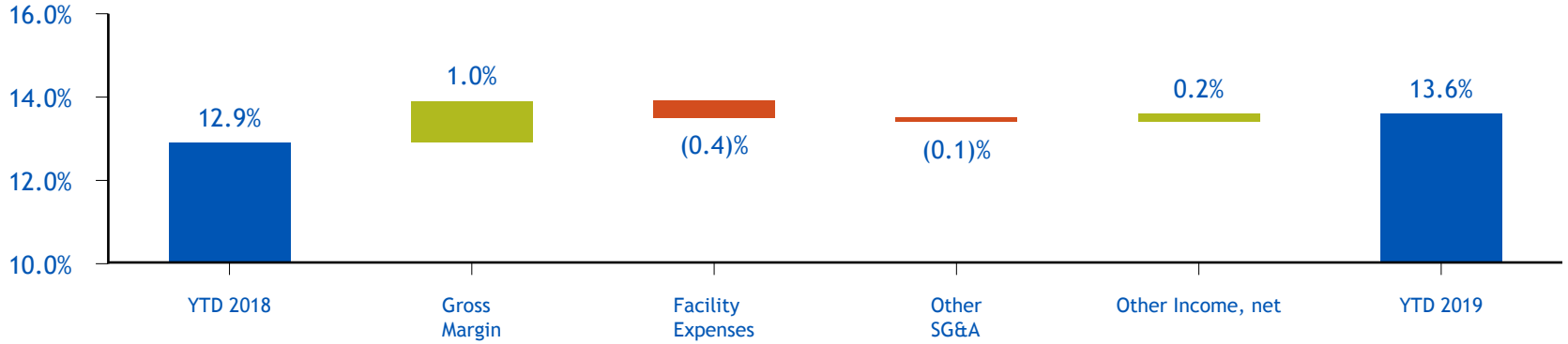
Note: In the table above, the sum of the individual percentages may not equal the total due to rounding

North America - YTD 2019 Results

($ in millions)	2019	2018	Change F/(U)	% of Revenue 2019	% of Revenue 2018
Total Revenue	$3,926	$3,928	(0.0)%		
Gross Margin	$1,735	$1,697	2.2%	44.2%	43.2%
Operating Expenses	$1,222	$1,202	(1.6)%	31.1%	30.6%
Other Income, net	$15	$9			
Segment EBITDA[(1)]	$533	$507	5.2%	13.6%	12.9%

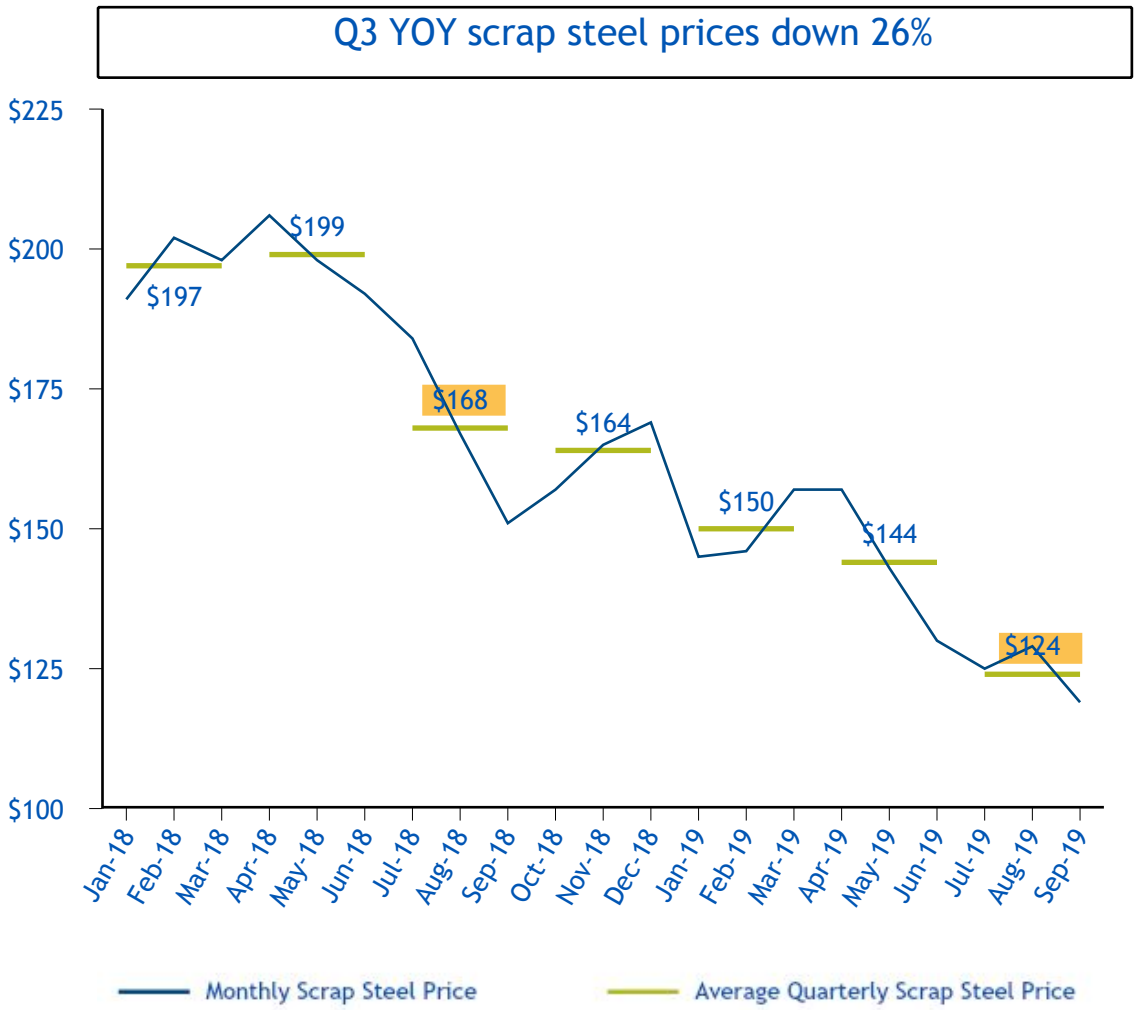
(1) Segment EBITDA for each respective segment is a GAAP measure, while total Segment EBITDA is a non-GAAP measure. Refer to total Segment EBITDA reconciliation on Appendix 3 and the breakout of Segment EBITDA for each respective segment on Appendix 2.

North America Segment EBITDA Margin Bridge



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

Scrap Steel Prices



- Average price realized for scrap steel decreased by 26% from $168 per ton in Q3 2018 to $124 per ton in Q3 2019
- Sequential change was negative $20 per ton, or down 14%
- Changes in scrap steel prices had an unfavorable impact on segment EBITDA of $8 million ($0.02 per share) in Q3 2019, compared to $7 million unfavorable impact in Q3 2018

Europe – Q3 2019 Results

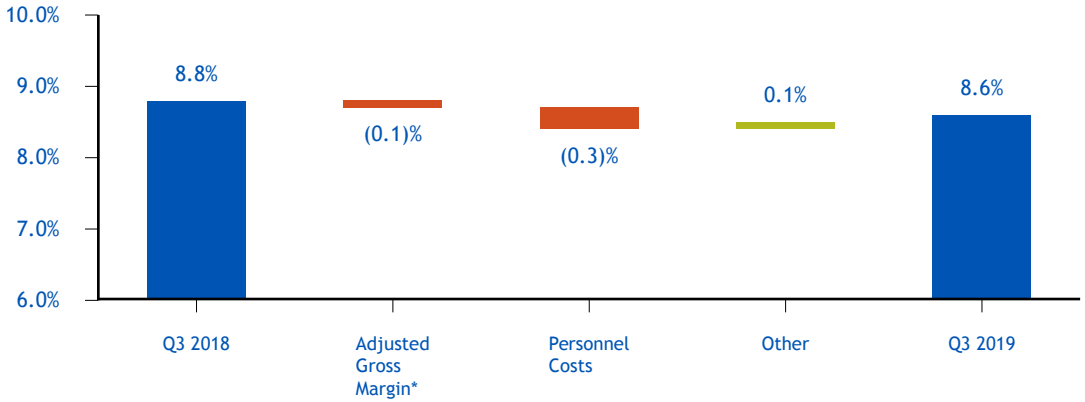
($ in millions)	2019	2018	Change F/(U)	% of Revenue 2019	% of Revenue 2018
Total Revenue	$1,451	$1,471	(1.3)%		
Gross Margin	$513	$538	(4.8)%	35.3%	36.6%
Adjusted Gross Margin*	$530	$538	(1.6)%	36.5%	36.6%
Operating Expenses	$409	$411	0.5%	28.2%	27.9%
Other Income, net	$1	$2			
Segment EBITDA[(1)]	$125	$129	(3.6)%	8.6%	8.8%
Branches	1,111	1,090	21		

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

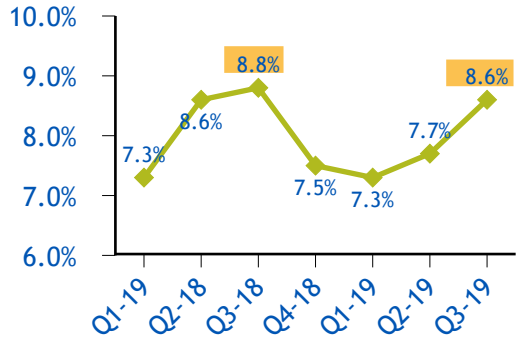
Gross Margin



Europe Segment EBITDA Margin Bridge



Segment EBITDA Margin



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

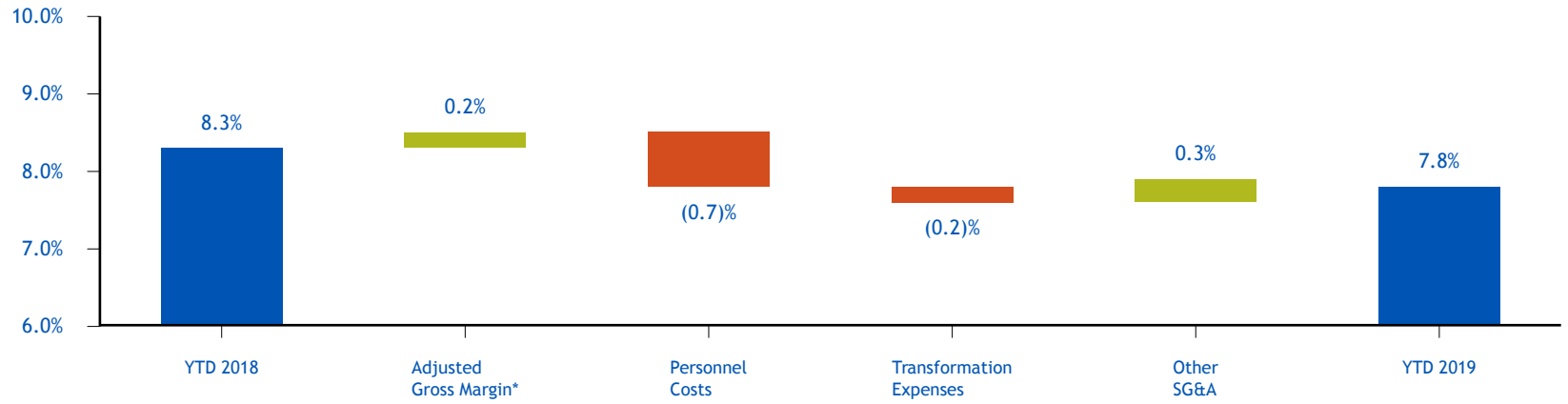
*Adjusted Gross Margin is a non-GAAP measure. Refer to Reconciliation of Gross Margin to Adjusted Gross Margin on Appendix 7. Reported Gross Margin % decline of 1.3% was negatively impacted by 1.2% for COGS related restructuring expenses which are excluded from the bridge above

Europe - YTD 2019 Results

($ in millions)	2019	2018	Change F/(U)	% of Revenue 2019	% of Revenue 2018
Total Revenue	$4,413	$3,795	16.3%		
Gross Margin	$1,590	$1,373	15.8%	36.0%	36.2%
Adjusted Gross Margin*	$1,607	$1,373	17.0%	36.4%	36.2%
Operating Expenses	$1,268	$1,065	(19.0)%	28.7%	28.1%
Other Income, net	$(1)	$(0)			
Segment EBITDA[(1)]	$346	$316	9.7%	7.8%	8.3%

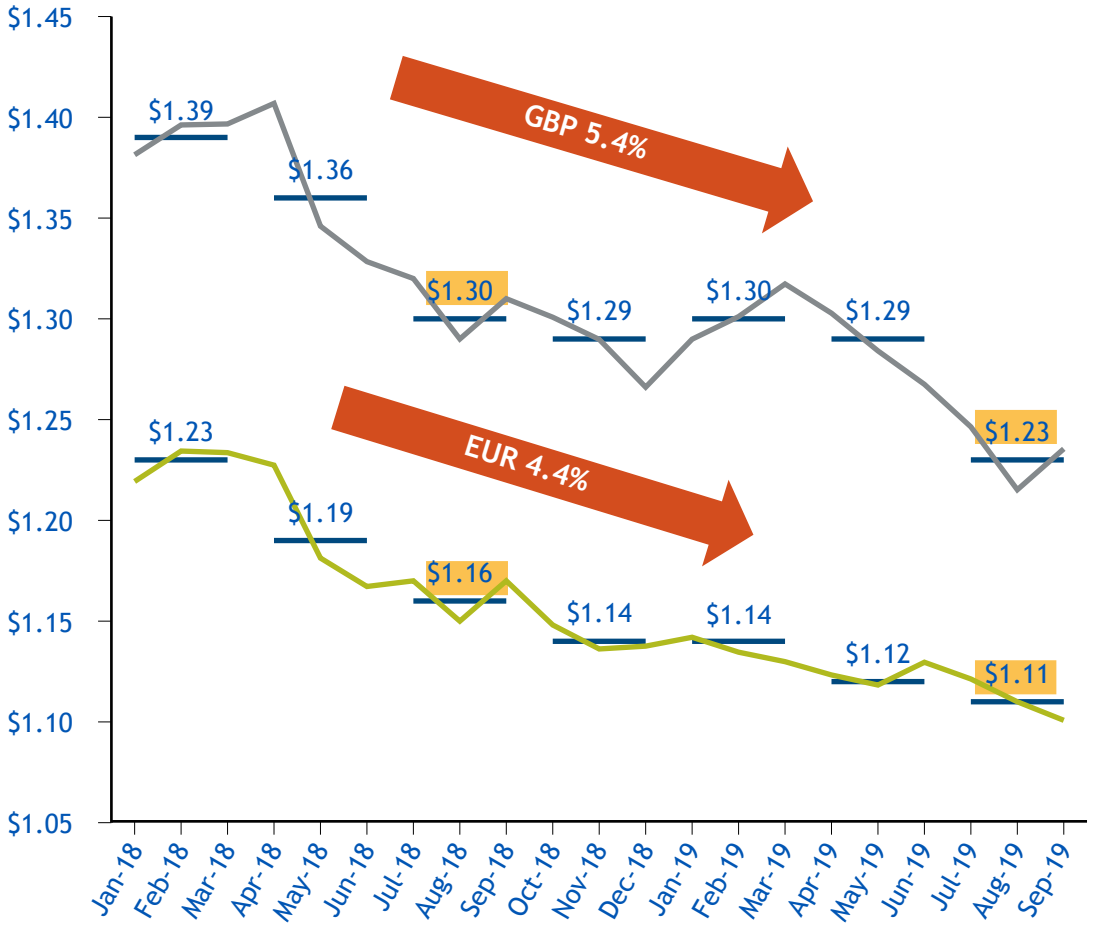
(1) Segment EBITDA for each respective segment is a GAAP measure, while total Segment EBITDA is a non-GAAP measure. Refer to total Segment EBITDA reconciliation on Appendix 3 and the breakout of Segment EBITDA for each respective segment on Appendix 2.

Europe Segment EBITDA Margin Bridge



Note: In the table above, the sum of the individual percentages may not equal the total due to rounding
*Adjusted Gross Margin is a non-GAAP measure. Refer to Reconciliation of Gross Margin to Adjusted Gross Margin on Appendix 7. Reported Gross Margin % change of 0.2% is negatively impacted by 0.4% for COGS related restructuring expenses which are excluded from the bridge above

Foreign Exchange



- £ down 5.4% Q3 2019 vs Q3 2018
- € down 4.4% Q3 2019 vs Q3 2018
- $67 million unfavorable impact of translation of weaker Q3 rates relative to the US dollar on European parts and services revenue growth
- European constant currency[(1)] parts and services revenue growth of 3.4% Q3 2019 vs Q3 2018 and 21.9% for YTD 2019 vs 2018
- Negative impact of foreign currency was less than half a penny for Q3 2019 ($0.01 for adjusted diluted EPS) and $0.02 YTD 2019 ($0.03 for adjusted diluted EPS)

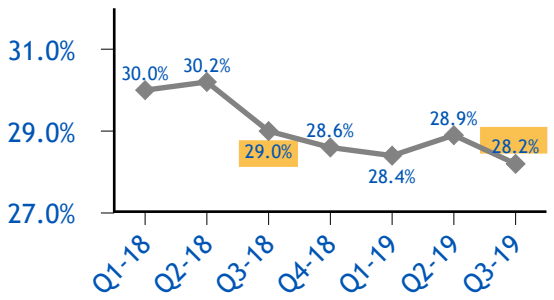
(1) Constant currency is a non-GAAP financial measure. Refer to constant currency reconciliation on Appendix 1

Specialty - Q3 2019 Results

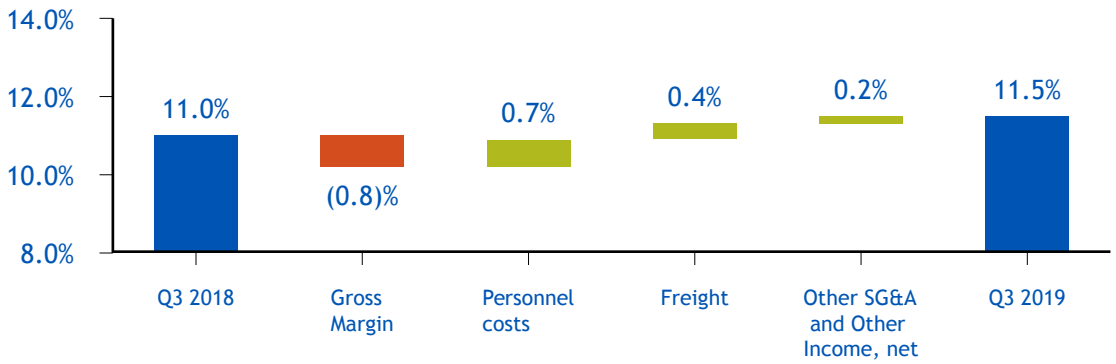
($ in millions)	2019	2018	Change F/(U)	% of Revenue 2019	% of Revenue 2018
Total Revenue	$395	$390	1.3%		
Gross Margin	$111	$113	(1.3)%	28.2%	29.0%
Operating Expenses	$67	$71	5.8%	16.9%	18.2%
Other Income, net	$(0)	$(1)			
Segment EBITDA(1)	$45	$43	5.9%	11.5%	11.0%

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

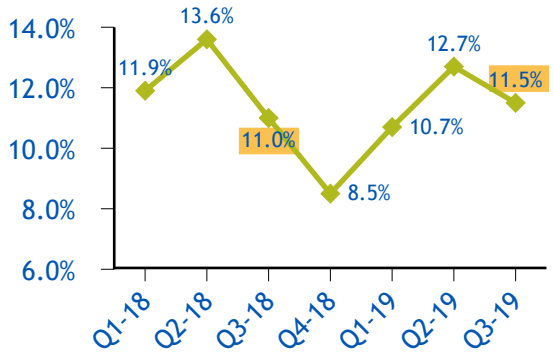
Gross Margin



Specialty Segment EBITDA Margin Bridge



Segment EBITDA Margin



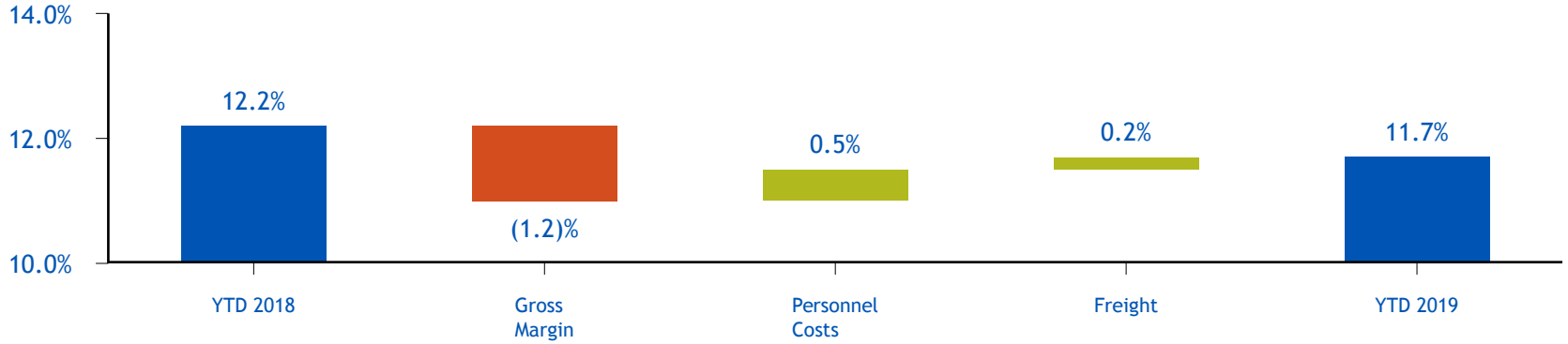
Note: In the table above, the sum of the individual percentages may not equal the total due to rounding

Specialty - YTD 2019 Results

($ in millions)	2019	2018	Change F/(U)	% of Revenue 2019	% of Revenue 2018
Total Revenue	$1,161	$1,155	0.5%		
Gross Margin	$331	$343	(3.6)%	28.5%	29.7%
Operating Expenses	$198	$205	3.5%	17.0%	17.7%
Other Income, net	$1	$1			
Segment EBITDA[(1)]	$136	$141	(3.7)%	11.7%	12.2%

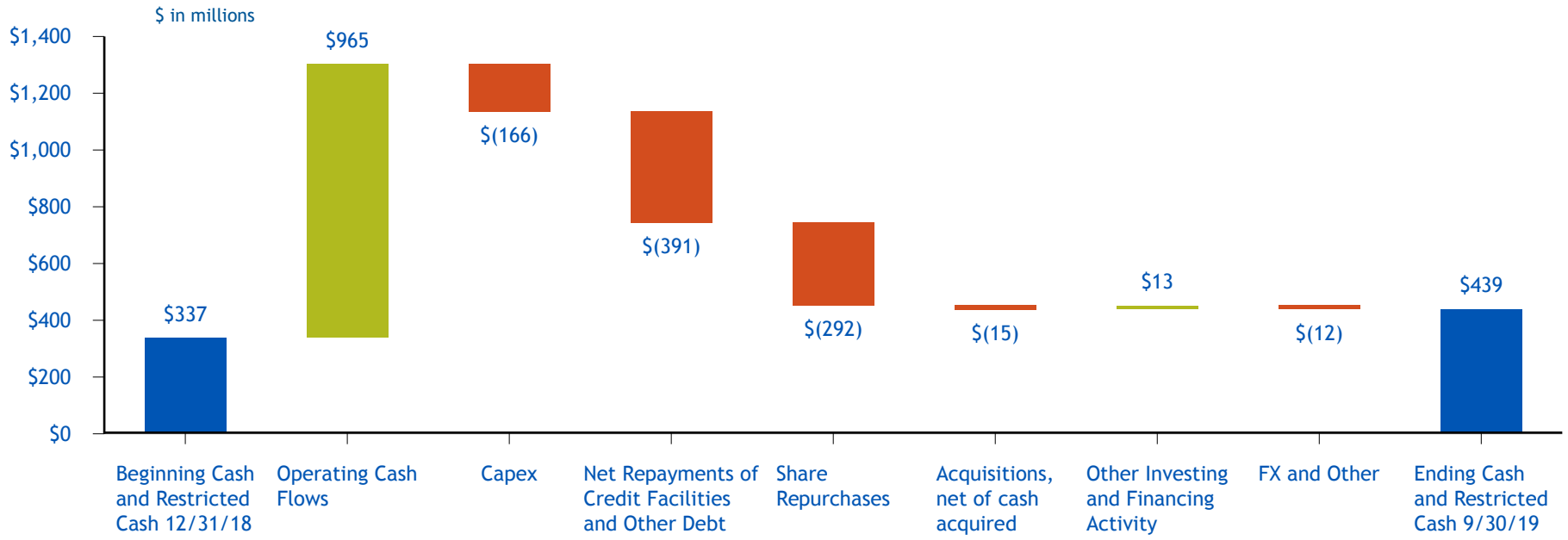
(1) Segment EBITDA for each respective segment is a GAAP measure, while total Segment EBITDA is a non-GAAP measure. Refer to total Segment EBITDA reconciliation on Appendix 3 and the breakout of Segment EBITDA for each respective segment on Appendix 2.

Specialty Segment EBITDA Margin Bridge



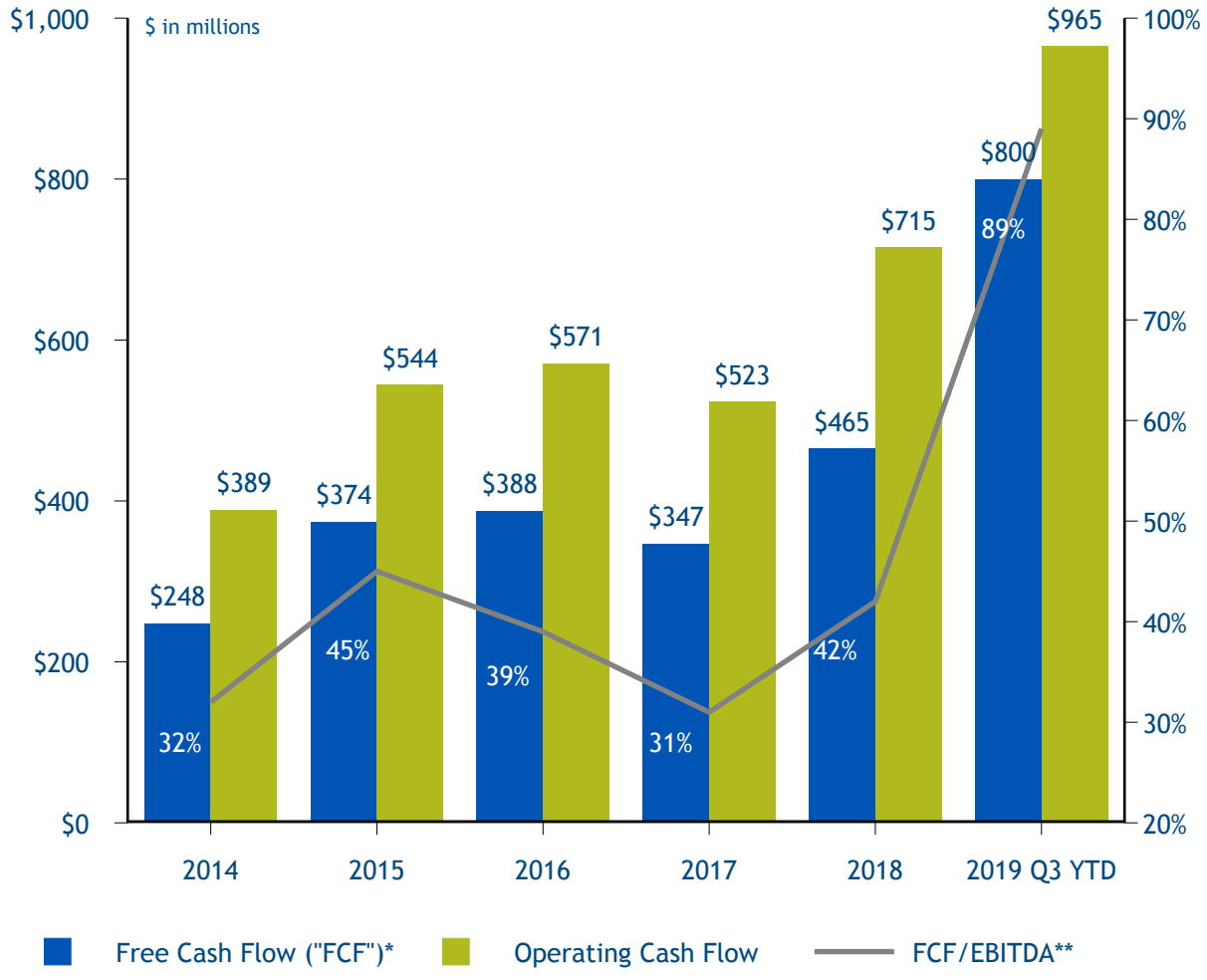
Note: In the table above, the sum of the individual percentages may not equal the total due to rounding

2019 Capital Allocation



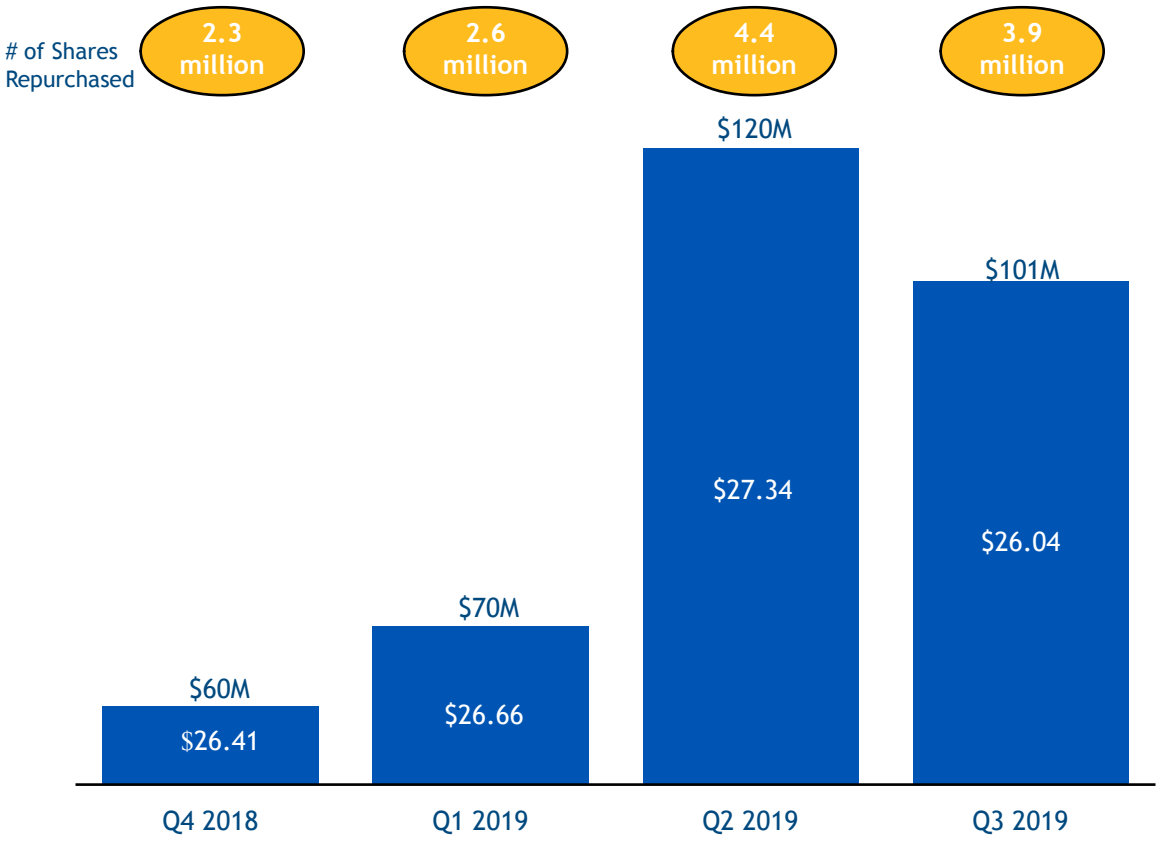
- Operating cash flows:
  - Operating cash flows of $965 million represent a $444 million year over year increase, primarily driven by a $351 million decrease in trade working capital (inventory $219 million and payables $163 million, partially offset by an outflow in trade receivables of ($31 million)) compared to prior year
- Investing cash flows:
  - Capex of $166 million (compared to $172 million in 2018), including $64 million in Q3, mainly due to our North America and Europe segments
  - Cash outlay for acquisitions of $15 million; total YTD consideration of $48 million includes notes and other payables issued with the acquisitions
  - Includes $20 million of business disposal proceeds
- Financing cash flows
  - Includes $391 million of net repayments on our borrowings
  - Includes $292 million in share repurchases
  - Includes $7 million paid to minority shareholders to acquire their interest or pay dividends

Free Cash Flow



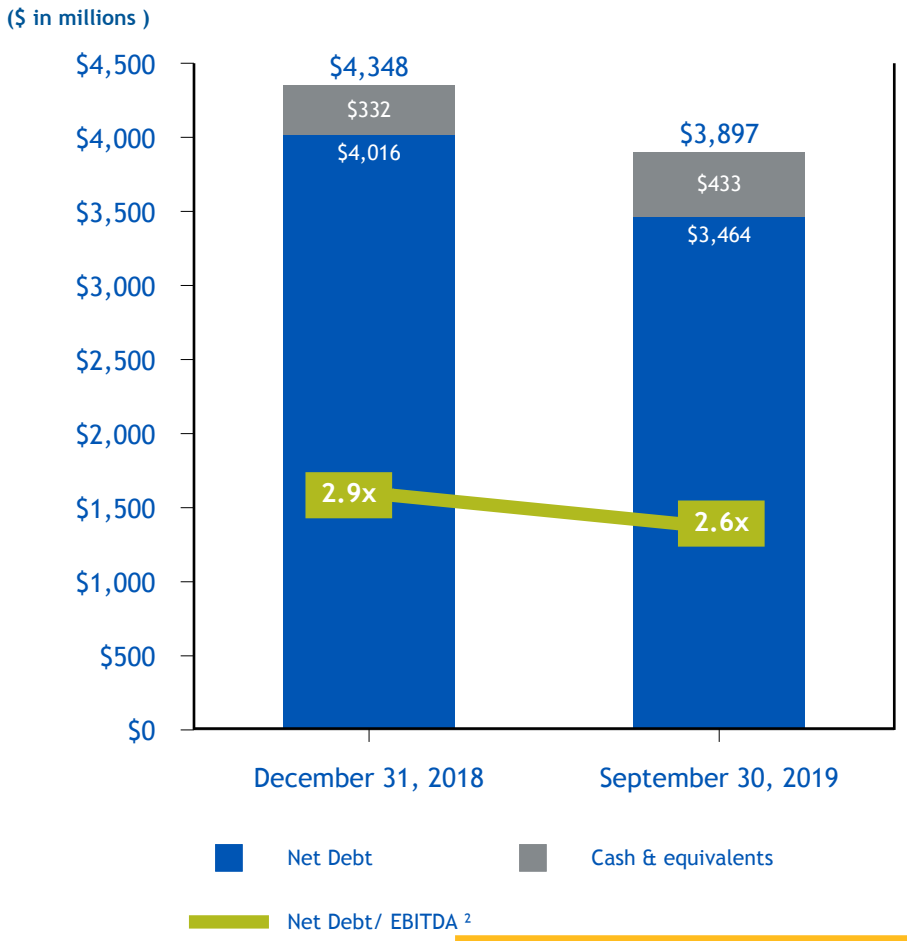
Note: FCF amounts only include FCF generated by continuing operations
* Free Cash Flow is a non-GAAP measure. Refer to Free Cash Flow reconciliation on Appendix 6
** EBITDA is a non-GAAP measure. Refer to EBITDA reconciliation on Appendix 3

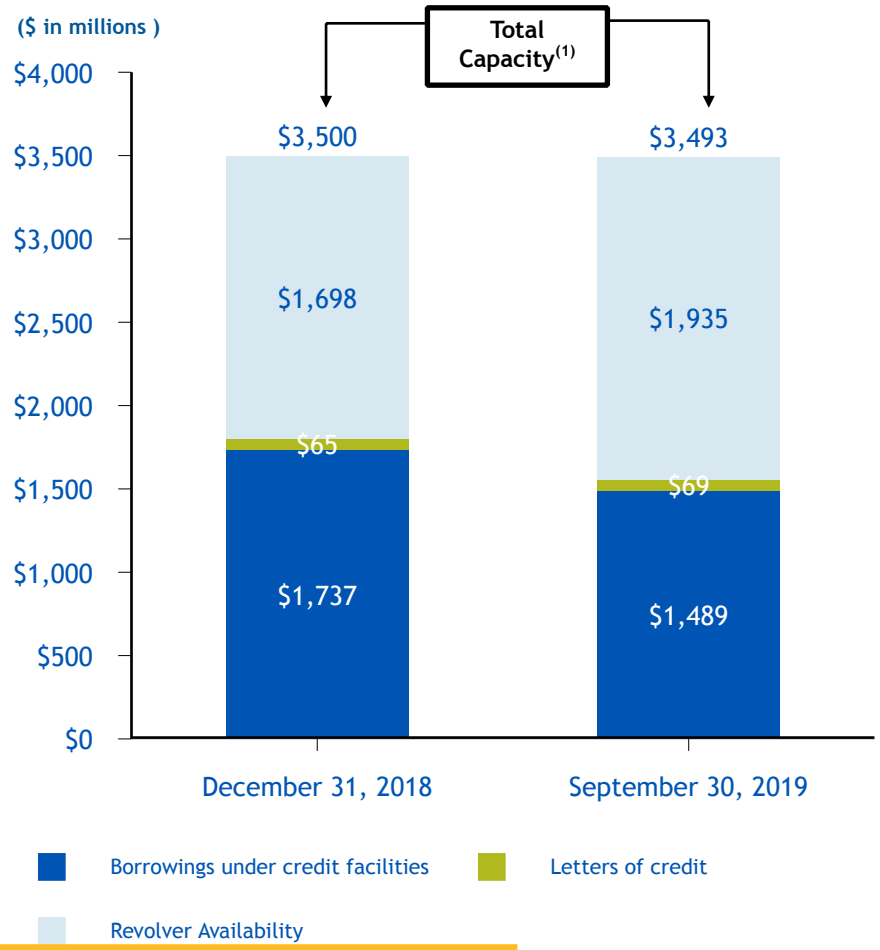
Share Repurchase Program



- We have used approximately 70% of our $500 million share repurchase program instituted in October 2018
- Repurchased 13.2 million shares through September 30, 2019 with an average purchase cost of $26.66
- Board authorized a $500 million expansion of the program on October 25, 2019
- Able to repurchase approximately up to $650 million in LKQ shares anytime through October 2022

Leverage & Liquidity

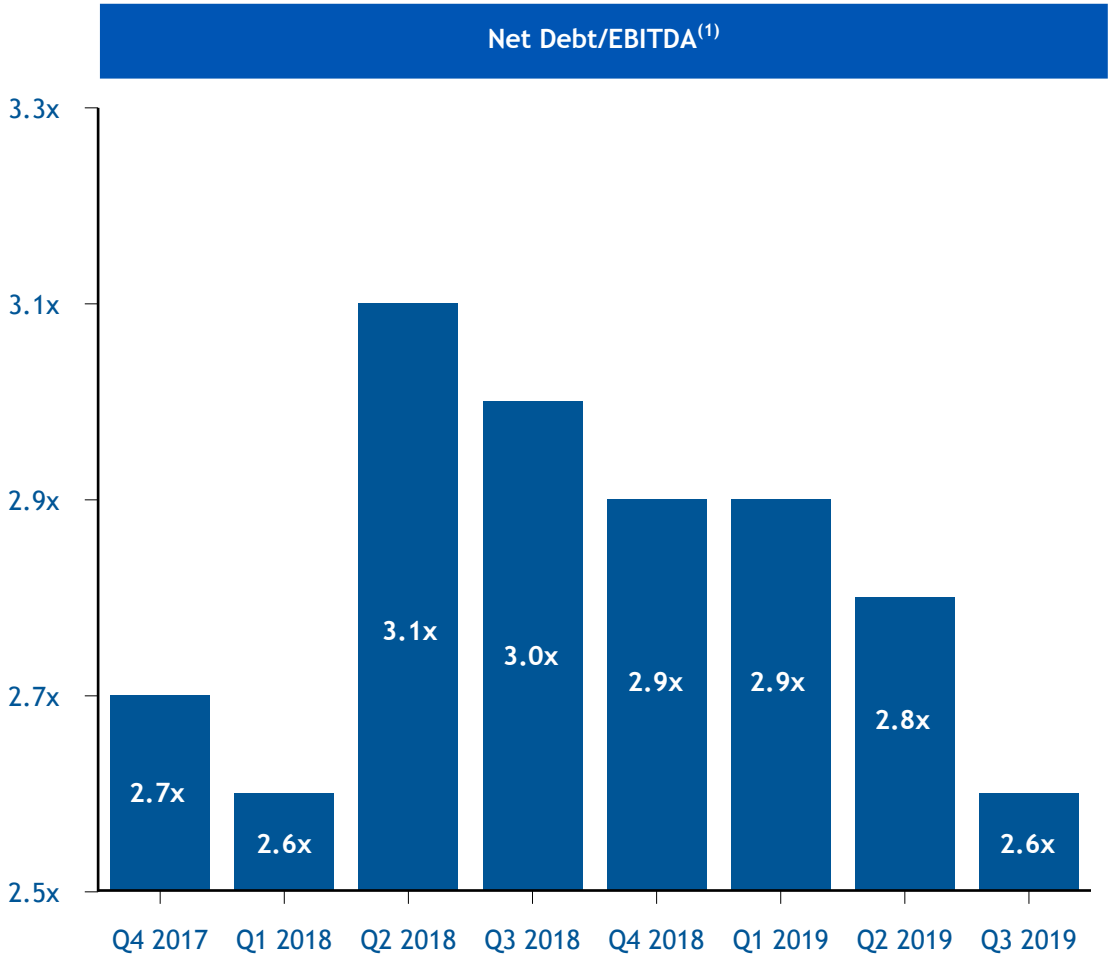




Effective borrowing rate for Q3 2019 was 3.3%(3)

(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 90% of our outstanding debt at September 30, 2019 is effectively at a fixed interest rate

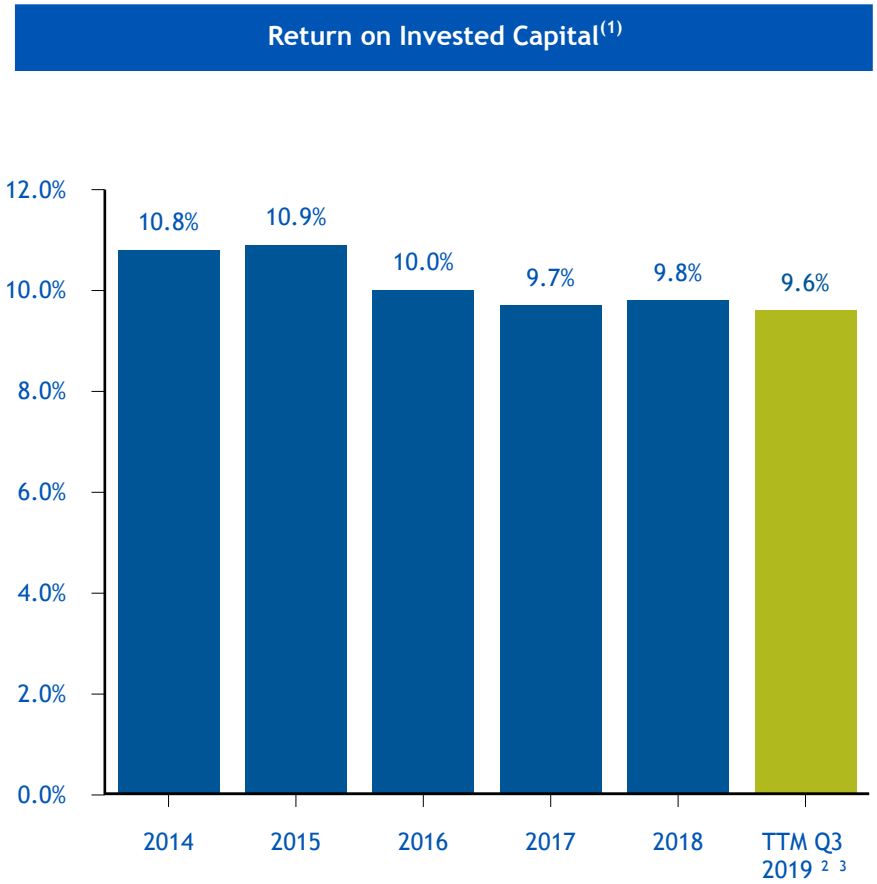
Net Leverage Trend



- Net Debt/EBITDA increased in Q2 2018 due to the Stahlgruber acquisition
- Strong cash flow generation has allowed us to reduce our net leverage to pre-Stahlgruber levels
- Able to de-lever while also repurchasing $352 million in LKQ stock in the last twelve months
- Credit facility margin of 125 basis points at net leverage between 2.0x and 3.0x

(1) 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

Return on Invested Capital



(1) Amortization of acquired intangibles and lease obligations have been excluded from the calculation of Return on Invested Capital
(2) All income, transaction costs, capital and equity related to Stahlgruber GmbH are excluded from Q2 2018 to Q2 2019
(3) 2018 and TTM 2019 excludes the effect of the Mekonomen and other impairment charges on income

Guidance 2019
(effective only on the date issued: October 31, 2019)

($ in millions excluding EPS)	Full Year 2018 Actual	Full Year 2019 Guidance[1][2]
Organic Growth, Parts and Services	4.4%	0.25% - 1.00%
Net Income attributable to LKQ stockholders	$485	$526 - $546
Adjusted Net Income attributable to LKQ stockholders[3]	$691	$718 - $738
Diluted EPS attributable to LKQ stockholders	$1.53	$1.69 - $1.76
Adjusted Diluted EPS attributable to LKQ stockholders[3]	$2.19	$2.31 - $2.37
Cash Flow from Operations	$711	$950 - $1,000
Capital Expenditures	$250	$240 - $260

(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, amortization expense related to acquired intangibles, and gains on debt extinguishment. 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 27.5%. 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 October 31, 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 EPS 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 September 30, 2019		Nine Months Ended September 30, 2019	
	Consolidated	Europe	Consolidated	Europe
Parts & Services				
Revenue growth as reported	0.8%	(1.2)%	7.7%	16.3%
Less: Currency impact	(2.3)%	(4.6)%	(2.7)%	(5.6)%
Revenue growth at constant currency	3.1%	3.4%	10.4%	21.9%

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 September 30[1] 2019	% of revenue	2018	% of revenue	Nine Months Ended September 30[1] 2019	% of revenue	2018	% of revenue
Revenue								
North America	$1,302		$1,263		$3,926		$3,928	
Europe	1,451		1,471		4,413		3,795	
Specialty	395		390		1,161		1,155	
Eliminations	(1)		(1)		(4)		(4)	
Total Revenue	$3,148		$3,122		$9,496		$8,874	
Segment EBITDA								
North America	$166	12.8%	$154	12.2%	$533	13.6%	$507	12.9%
Europe	125	8.6%	129	8.8%	346	7.8%	316	8.3%
Specialty	45	11.5%	43	11.0%	136	11.7%	141	12.2%
Total Segment EBITDA	$336	10.7%	$326	10.5%	$1,015	10.7%	$964	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 continuing and discontinued noncontrolling interest, excluding discontinued operations and discontinued noncontrolling interest, depreciation, amortization, interest (which includes gains and losses on debt extinguishment) 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 September 30[1]		Nine Months Ended September 30[1]	
	2019	2018	2019	2018
Net income	$153	$134	$404	$445
Subtract:				
Net (loss) income attributable to continuing noncontrolling interest	(0)	0	2	1
Net income attributable to discontinued noncontrolling interest	0	—	1	—
Net income attributable to LKQ stockholders	$152	$134	$401	$444
Subtract:				
Net income from discontinued operations	1	—	1	—
Net income attributable to discontinued noncontrolling interest	(0)	—	(1)	—
Net income from continuing operations attributable to LKQ stockholders	$152	$134	$400	$444
Add:				
Depreciation and amortization	72	77	213	196
Depreciation and amortization - cost of goods sold	5	5	16	15
Depreciation and amortization - restructuring expenses - cost of goods sold	0	—	0	—
Depreciation and amortization - restructuring expenses	1	—	1	—
Interest expense, net of interest income	32	41	104	108
Provision for income taxes	58	46	165	156
EBITDA	$319	$303	$900	$919
Subtract:				
Equity in earnings (losses) of unconsolidated subsidiaries	4	(20)	(34)	(18)
Fair value gain on Mekonomen derivative instrument	—	3	—	3
Gains on bargain purchase	—	—	—	0
Add:				
Restructuring and acquisition related expenses	8	7	20	27
Restructuring expenses - cost of goods sold	17	—	17	—
Inventory step-up adjustment - acquisition related	—	—	—	0
Impairment of net assets held for sale	(4)	—	45	2
Change in fair value of contingent consideration liabilities	(0)	(1)	0	(0)
Segment EBITDA	$336	$326	$1,015	$964
Net income from continuing operations attributable to LKQ stockholders as a percentage of revenue	4.8%	4.3%	4.2%	5.0%
EBITDA as a percentage of revenue	10.1%	9.7%	9.5%	10.4%
Segment EBITDA as a percentage of revenue	10.7%	10.5%	10.7%	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 continuing and discontinued noncontrolling interest, excluding discontinued operations and discontinued noncontrolling interest, depreciation, amortization, interest (which includes gains and losses on debt extinguishment) 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 (which includes gains and losses on debt extinguishment) 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 September 30[1] 2019	Three Months Ended September 30[1] 2018	Nine Months Ended September 30[1] 2019	Nine Months Ended September 30[1] 2018
Net income	$153	$134	$404	$445
Subtract:				
Net (loss) income attributable to continuing noncontrolling interest	(0)	0	2	1
Net income attributable to discontinued noncontrolling interest	0	—	1	—
Net income attributable to LKQ stockholders	$152	$134	$401	$444
Subtract:				
Net income from discontinued operations	1	—	1	—
Net income attributable to discontinued noncontrolling interest	(0)	—	(1)	—
Net income from continuing operations attributable to LKQ stockholders	$152	$134	$400	$444
Adjustments - continuing operations attributable to LKQ stockholders:				
Amortization of acquired intangibles	31	39	94	89
Restructuring and acquisition related expenses	9	7	21	27
Restructuring expenses - cost of goods sold	17	—	17	—
Inventory step-up adjustment - acquisition related	—	—	—	0
Change in fair value of contingent consideration liabilities	(0)	(1)	0	(0)
Gains on bargain purchase	—	—	—	(0)
Gain on debt extinguishment	(0)	—	(0)	—
Impairment of net assets held for sale	(4)	—	45	2
Impairment of Mekonomen equity method investment	—	23	40	23
Fair value gain on Mekonomen derivative instrument	—	(3)	—	(3)
U.S. tax law change 2017	—	(10)	—	(10)
Excess tax benefit from stock-based payments	(1)	(1)	(1)	(4)
Tax effect of adjustments	(16)	(12)	(46)	(29)
Adjusted net income from continuing operations attributable to LKQ stockholders	$189	$177	$569	$539
Weighted average diluted common shares outstanding	307,960	319,402	312,204	314,951
Diluted earnings per share from continuing operations attributable to LKQ stockholders:				
Reported	$0.49	$0.42	$1.28	$1.41
Adjusted	$0.61	$0.56	$1.82	$1.71

(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 all acquired intangible assets, gains and losses on debt extinguishment, 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, 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. Our adjustment of the amortization of all acquisition-related intangible assets does not exclude the amortization of other assets, which represents expense that is directly attributable to ongoing operations. Management believes that the adjustment relating to amortization of acquisition-related intangible assets supplements the GAAP information with a measure that can be used to assess the comparability of operating performance. The acquired intangible assets were recorded as part of purchase accounting and contribute to revenue generation. Amortization of intangible assets that relate to past acquisitions will recur in future periods until such intangible assets have been fully amortized. Any future acquisitions may result in the amortization of additional intangible assets. 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	$526	$546
Adjustments:		
Amortization of acquired intangibles	125	125
Restructuring expenses - cost of goods sold	17	17
Restructuring and acquisition related expenses	21	21
Impairment of net assets held for sale	45	45
Impairment of Mekonomen equity method investment	40	40
Other	(1)	(1)
Tax effect of adjustments	(55)	(55)
Adjusted net income from continuing operations attributable to LKQ stockholders	$718	$738
Weighted average diluted common shares outstanding	311	311
Diluted EPS from continuing operations attributable to LKQ stockholders:		
U.S. GAAP	$1.69	$1.76
Non-GAAP (Adjusted)	$2.31	$2.37

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 September 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 September 30[1]		Nine Months Ended September 30[1]	
	2019	2018	2019	2018
Net cash provided by operating activities	$327	$192	$965	$521
Less: purchases of property, plant and equipment	64	56	166	172
Free cash flow	$262	$136	$800	$349

(in millions)	Year Ended December 31[1]				
	2014	2015	2016	2017	2018
Operating Cash Flows	$389	$544	$635	$519	$711
Less: Operating Cash Flows - Discontinued Operations	—	—	64	(4)	(4)
Operating Cash Flows from Continuing Operations	$389	$544	$571	$523	$715
Capital Expenditures	141	170	207	179	250
Less: Capital Expenditures - Discontinued Operations	—	—	24	4	—
Continuing Capital Expenditures	$141	$170	$183	$175	$250
Free Cash Flow from Continuing Operations	$248	$374	$388	$347	$465

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.

Appendix 7 - Reconciliation of Gross Margin to Adjusted Gross Margin

Consolidated Adjusted Gross Margin	Three Months Ended September 30[1]		Nine Months Ended September 30[1]	
(in millions)	2019	2018	2019	2018
Gross margin	$1,200	$1,197	$3,656	$3,413
Add: Restructuring expenses - cost of goods sold	17	—	17	—
Adjusted gross margin	$1,218	$1,197	$3,673	$3,413
Gross margin %	38.1%	38.3%	38.5%	38.5%
Adjusted gross margin %	38.7%	38.3%	38.7%	38.5%

Europe Adjusted Gross Margin	Three Months Ended September 30[1]		Nine Months Ended September 30[1]	
(in millions)	2019	2018	2019	2018
Gross margin	$513	$538	$1,590	$1,373
Add: Restructuring expenses - cost of goods sold	17	—	17	—
Adjusted gross margin	$530	$538	$1,607	$1,373
Gross margin %	35.3%	36.6%	36.0%	36.2%
Adjusted gross margin %	36.5%	36.6%	36.4%	36.2%

We have presented adjusted gross margin solely as a supplemental disclosure that offers investors, securities analysts and other interested parties useful information to evaluate our operating performance of our continuing business across reporting periods and in analyzing our historical operating results. We calculate adjusted gross margin as gross margin plus restructuring expenses recorded in cost of goods sold. Adjusted gross margin provides insight into our operating performance and provides useful information to management and investors concerning our gross margins. We believe adjusted gross margin is used by investors, securities analysts and other interested parties in evaluating the operating performance of other companies, many of which present adjusted gross margin when reporting their results. Adjusted gross margin should not be construed as an alternative to gross margin, as determined in accordance with accounting principles generally accepted in the United States. In addition, not all companies that report adjusted gross margin information calculate adjusted gross margin 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 performance relative to other companies.

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