



# First Quarter 2021 Earnings Call

April 29, 2021

*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. 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 events or results to differ from the events or 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, 2020 and in our subsequent Quarterly Reports on Form 10-Q. These reports are available on our investor relations website at [lkqcorp.com](http://lkqcorp.com) and on the SEC website at [sec.gov](http://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.

# Q1 2021 Highlights



- Focus on operational excellence, the ongoing benefits from rightsizing actions enacted in prior periods, and the sequential rise in scrap and precious metal prices drove record profitability in Q1 2021
  - Highest diluted EPS and Segment EBITDA \$ in LKQ history
- Total revenue growth of 5.7%; organic revenue growth for parts and services of 0.6% (2.2% on a per day basis)
  - Growth driven by March results as the initial impact of COVID was annualized
  - Positive momentum in Specialty continued through the quarter, with a 30.9% reported growth rate, owing to strong demand across our recreational vehicle and auto parts lines and from drop shipment customers
  - Favorable trends in scrap steel and precious metals prices generated 26.6% of organic growth for other revenue
- Cost reduction actions and operational efficiencies contributed to a 320 basis point improvement in operating leverage compared to Q1 2020
- All three segments generated year-over-year improvements in Segment EBITDA margin
  - North America reported Q1 Segment EBITDA margin of 19.9%; highest in the Company's history
  - Europe achieved Q1 Segment EBITDA margin of 9.6% compared to 5.7% in Q1 2020; highest Q1 margin since 2016
  - Specialty achieved Q1 Segment EBITDA margin of 13.4% compared to 9.2% in Q1 2020; highest Q1 margin in the Company's history by 150 basis points
- Q1 2021 Diluted EPS from continuing operations of \$0.88 vs. \$0.48 (83.3% increase); Q1 2021 Adjusted Diluted EPS<sup>(1)</sup> of \$0.94 vs. \$0.57 (64.9% increase)
- Strong operating cash conversion; generated \$523 million in operating cash flows in Q1 2021 (up 169%); free cash flow<sup>(2)</sup> of \$481 million (up 220%)
- Net leverage declined to 1.4x EBITDA<sup>(3)</sup> as of March 31, 2021; paid down \$83 million in debt in Q1
- Redeemed 3.625% Euro Notes (2026) €750M on April 1, 2021 with cash on hand and proceeds from our revolving credit facility
- Share repurchase program continued in Q1 with \$57 million in purchases
- Credit ratings upgraded to BB+ and Ba1 by S&P and Moody's, respectively, in Q1
- Full year outlook raised

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

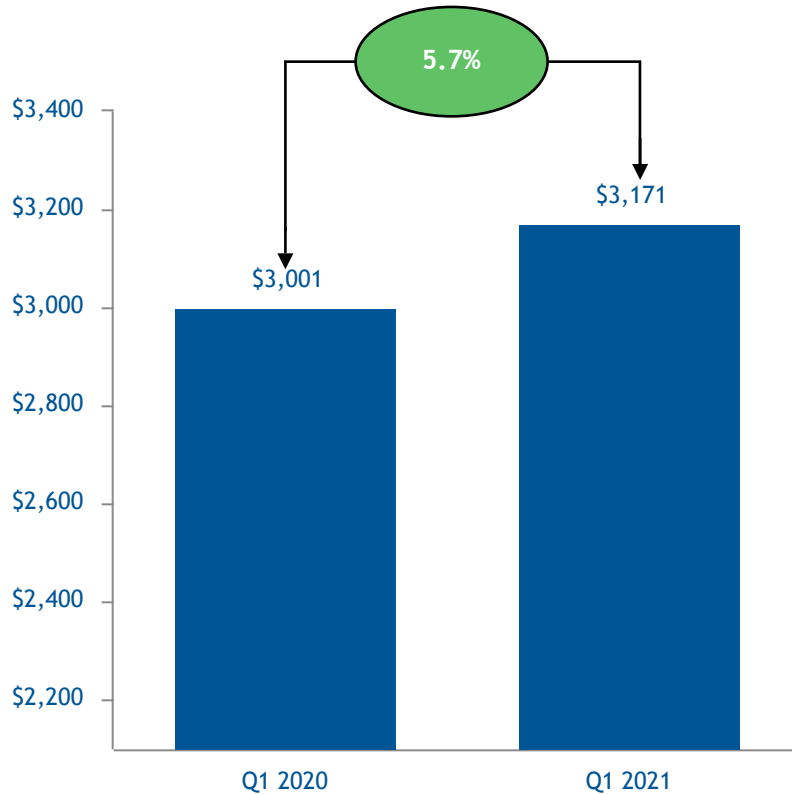
(2) Free Cash Flow is a non-GAAP measure. Refer to Appendix 6 for Free Cash Flow reconciliation

(3) 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

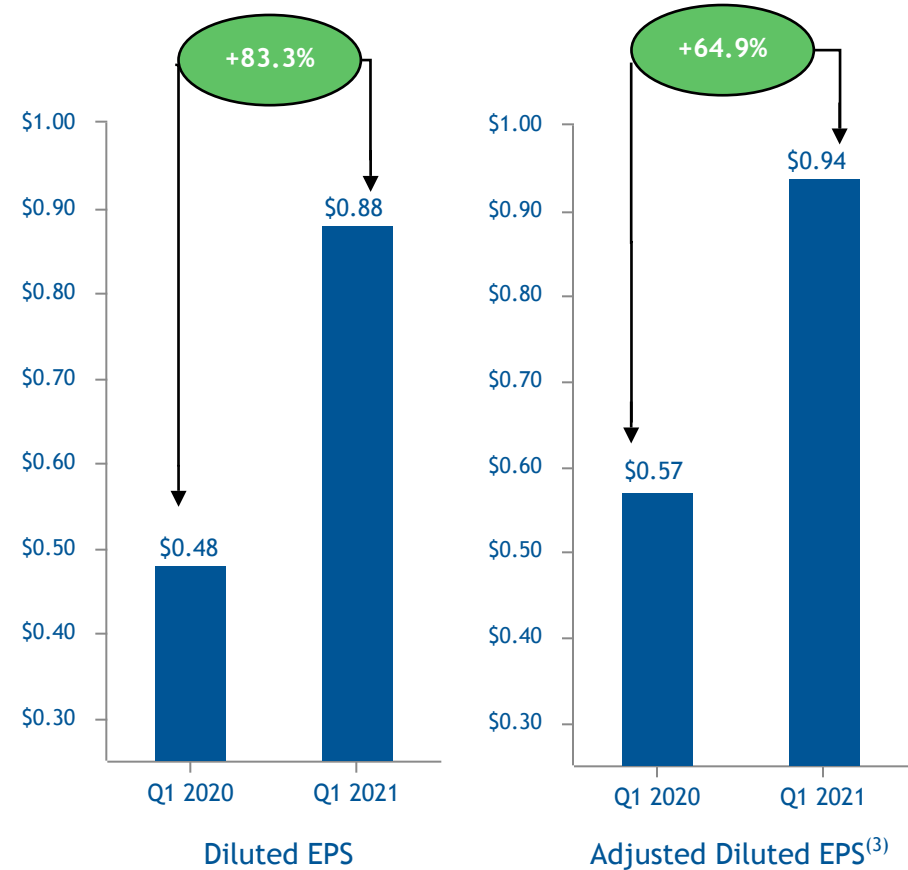
# Consolidated Results - Continuing Operations



## Q1 2021 Revenue<sup>(1)</sup>



## Q1 2021 EPS<sup>(2)</sup>



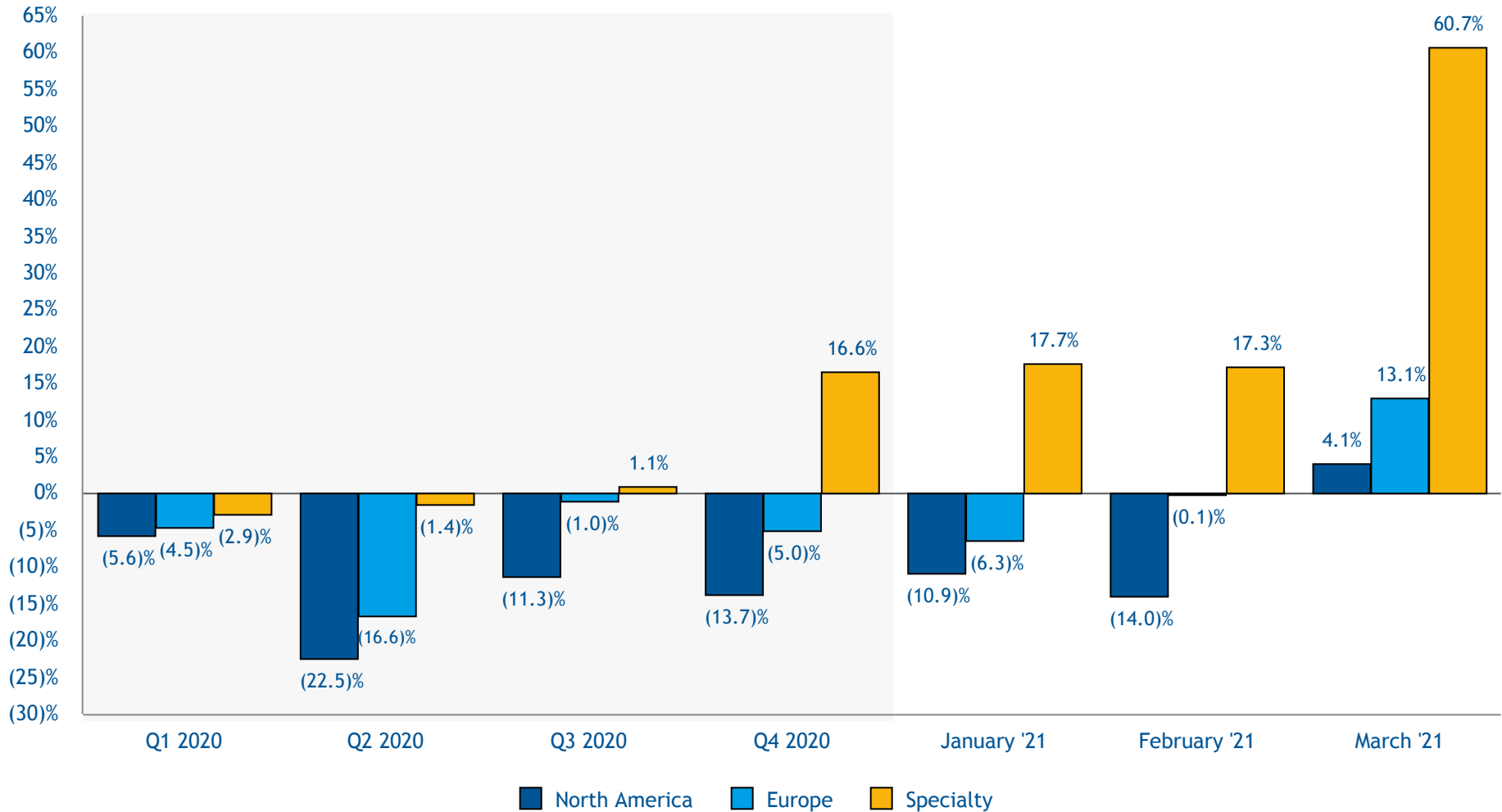
(1) Revenue in millions

(2) Earnings per share figures refer to net income from continuing operations attributable to LKQ stockholders

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

# Demand Impact

## Organic Parts & Services Revenue Change (Per Day)



**Growth rates improved in March as the initial impact was annualized**

Columns reflect the YOY organic parts and services revenue change per day.

Note: All segments had one less selling day in Q1 2021 compared to the same period of 2020

# Q1 2021 Revenue

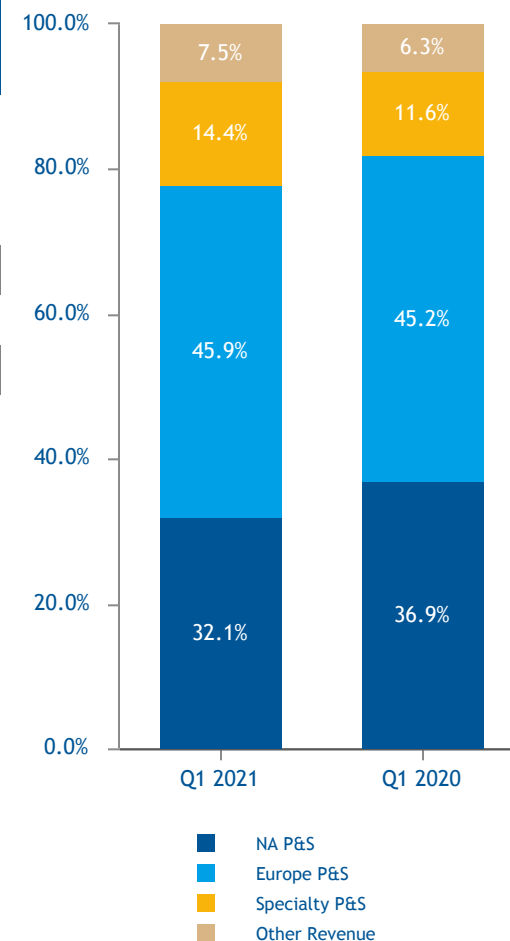


## Revenue Changes by Source:

	Organic	Acquisition and Divestiture	Foreign Exchange	Total <sup>(1)</sup>
North America	(8.4)%	0.0%	0.4%	(8.0)%
Europe	0.3%	(1.4)%	8.3%	7.2%
Specialty	30.9%	0.4%	0.5%	31.8%
Parts and Services	0.6%	(0.6)%	4.2%	4.2%
Other Revenue	26.6%	—%	0.4%	27.0%
<b>Total</b>	<b>2.3%</b>	<b>(0.6)%</b>	<b>4.0%</b>	<b>5.7%</b>

- Organic revenue for parts and services increased 0.6% (increased 2.2% on a per day basis)
- North America organic revenue for parts and services declined 8.4% (decreased 7.0% on a per day basis); collision and auto liability claims were down low teens per industry reports
- Europe organic revenue for parts and services increased 0.3% (increased 1.8% on a per day basis); not all regions were impacted by the pandemic to the same degree, creating a different profile for each of our European businesses in Q1 2020 and Q1 2021
- Favorable F/X impact on European parts and services revenue of \$113 million (see foreign exchange rate trend on page 21); European constant currency parts and services revenue declined 1.1%<sup>(2)</sup>
- Specialty organic revenue for parts and services increased 30.9% (33.0% on a per day basis); largely due to strong demand across our recreational vehicle and auto and light truck product lines and from drop shipment customers
- Other organic revenue increased 26.6%, as scrap steel prices and precious metals prices increased compared to the prior year (see price trend on page 20)

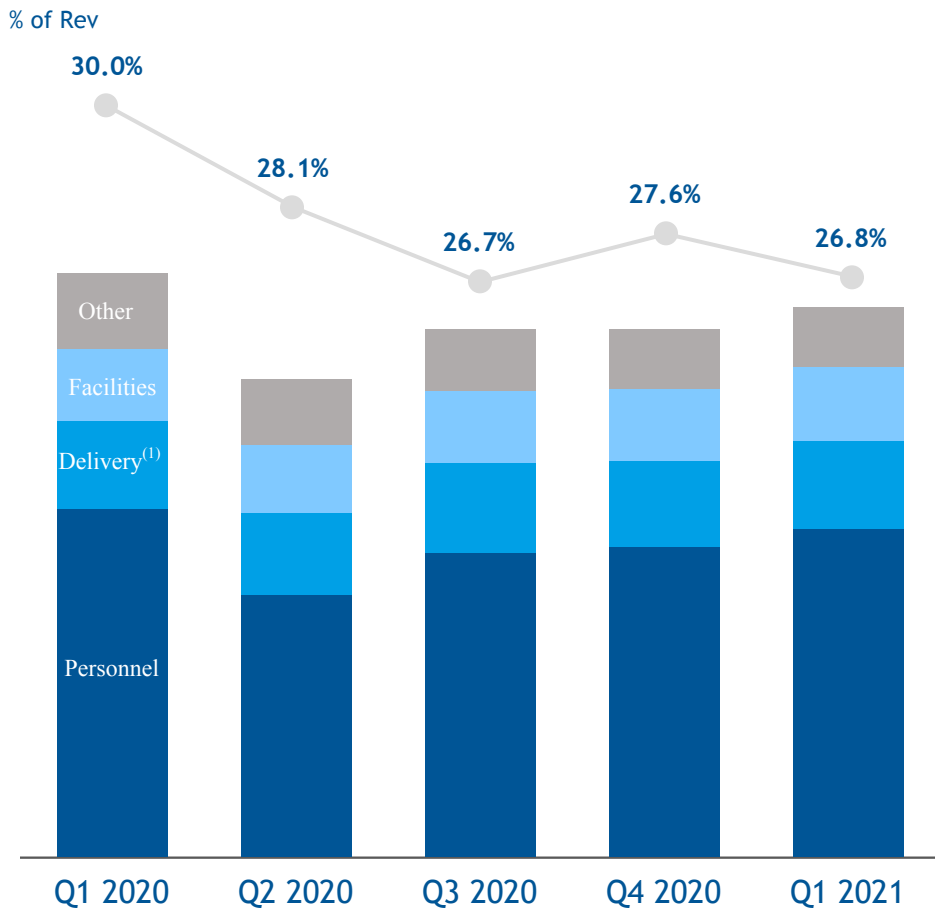
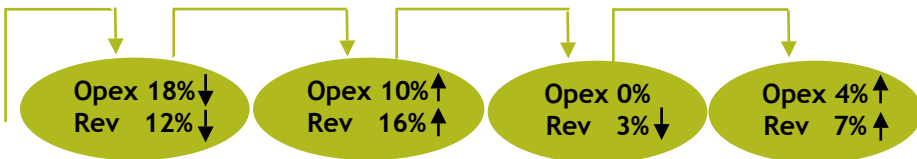
## Components of Revenue



(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 Appendix 1 for constant currency reconciliation

# Cost Structure Actions

## Opex quarterly run rate



## Key cost reductions vs Q1 2020

- **Personnel costs down 6%**
  - Headcount actions totaling ~5K FTEs include furlough, RIFs, decreased hours, reduction of overtime, temp workers and hiring freeze; leveraging European government programs (although tapering off from Q2 2020 highs)
  - Additional personnel savings reflected in COGS
- **Delivery<sup>(1)</sup> costs down 1%**
  - Optimization in number of deliveries & routes across each segment and lower vehicle expenses and fuel spend, offset by mix-driven increase in third party freight cost
- **Other costs down 20%**
  - Benefits due to lower bad debt expense, professional fees and supplies expenses, as well as other SG&A expenses
- **Unfavorable YoY foreign exchange impact of 4%**

(1) Delivery costs include freight, vehicle & fuel



# Financial Results

# Operating Results - Continuing Operations

(\$ in millions, except per share data)	First Quarter		
	2021	2020	Change
Revenue	\$3,171	\$3,001	5.7%
Gross Margin	1,294	1,214	6.6%
Operating Expenses	849	900	(5.7)%
Operating Income	371	242	53.6%
Pre-tax Income	353	207	70.9%
Net income from continuing operations attributable to LKQ stockholders	266	146	81.9%
Segment EBITDA <sup>(1)</sup>	452	322	40.3%
Segment EBITDA Margin <sup>(1)</sup>	14.2%	10.7%	350 bps
Diluted EPS from continuing operations attributable to LKQ stockholders:			
Reported	\$0.88	\$0.48	83.3%
Adjusted <sup>(2)</sup>	\$0.94	\$0.57	64.9%

- Effective income tax rate for the three months ended March 31, 2021 was 26.3%, compared to 29.2% for the three months ended March 31, 2020

(1) Segment EBITDA is a non-GAAP measure. Refer to Appendix 3 for Segment EBITDA reconciliation

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

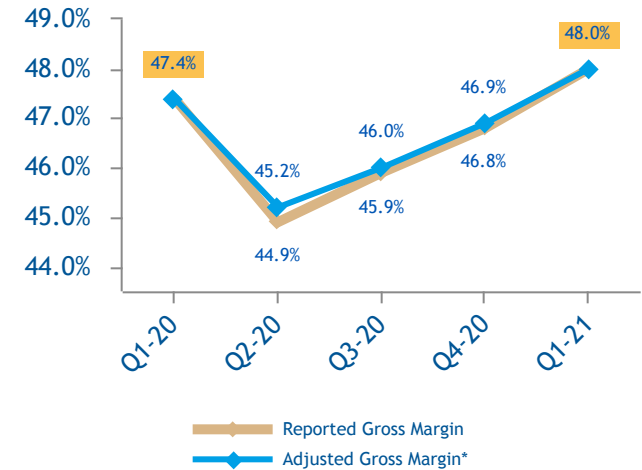
# North America - Q1 2021 Results



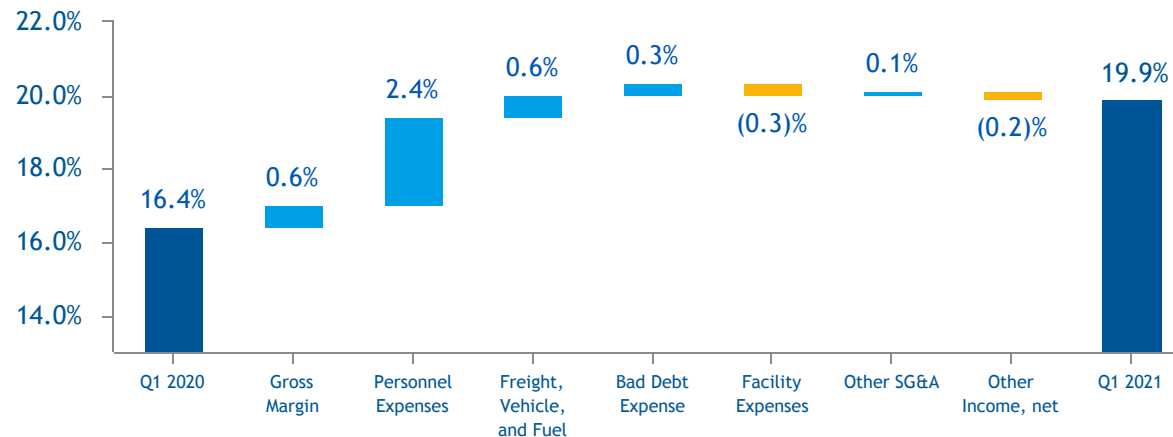
(\$ in millions)	2021	2020	Change F/(U)	% of Revenue	
				2021	2020
Total Revenue	\$1,250	\$1,290	(3.1)%		
Gross Margin	\$599	\$612	(2.0)%	48.0%	47.4%
Operating Expenses	\$353	\$405	12.7%	28.3%	31.4%
Other Income, net	\$4	\$4			
Segment EBITDA <sup>(1)</sup>	\$249	\$211	17.8%	19.9%	16.4%

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

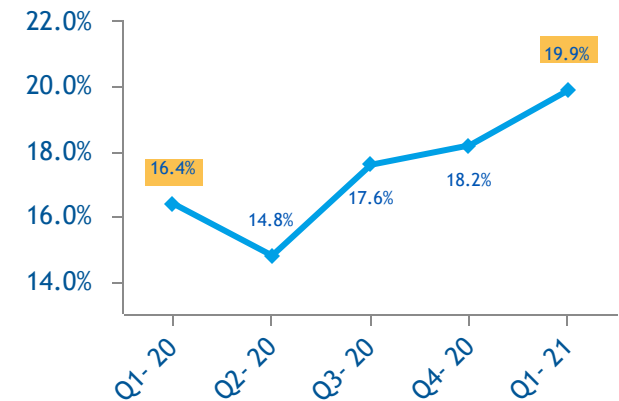
## Gross Margin



## 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  
\*Adjusted Gross Margin is a non-GAAP measure. Refer to Appendix 7 for Reconciliation of Gross Margin to Adjusted Gross Margin.

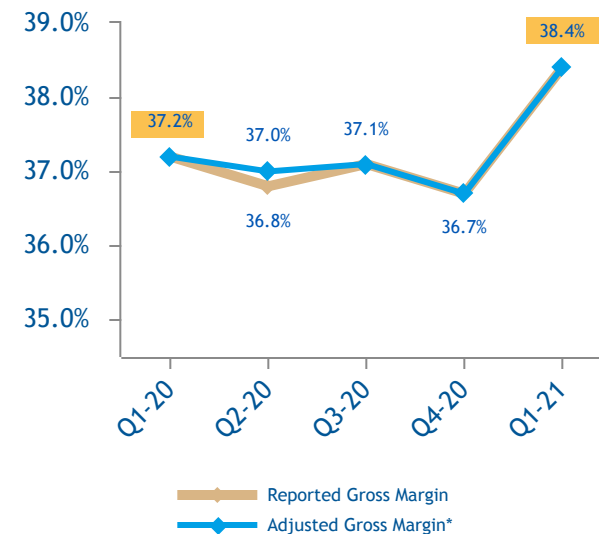
# Europe - Q1 2021 Results

(\$ in millions)	2021	2020	Change F/(U)	% of Revenue	
				2021	2020
Total Revenue	\$1,463	\$1,364	7.3%		
Gross Margin	\$562	\$507	10.8%	38.4%	37.2%
Operating Expenses	\$424	\$431	1.8%	28.9%	31.6%
Other Income (Expense), net	\$2	\$(1)			
Segment EBITDA <sup>(1)</sup>	\$141	\$78	80.1%	9.6%	5.7%
Transformation Expenses	\$4	\$7			
Segment EBITDA <sup>(1)</sup> excluding Transformation Expenses <sup>(2)</sup>	\$145	\$85	70.4%	9.9%	6.2%

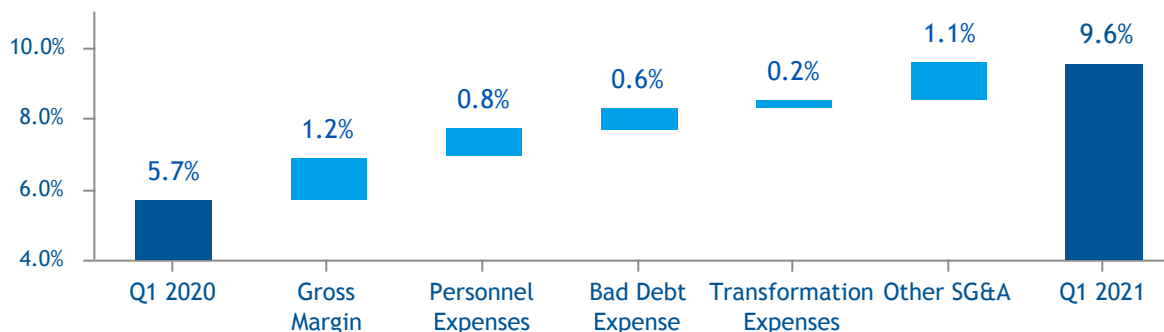
(1) Segment EBITDA for each respective segment is a GAAP measure, while total Segment EBITDA is a non-GAAP measure. Refer to Appendix 3 for total Segment EBITDA reconciliation and Appendix 2 for the breakout of Segment EBITDA for each respective segment.

(2) Transformation expenses are period costs to execute the 1 LKQ Europe program that are expected to contribute to ongoing benefits to the business (e.g. non-capitalized implementation costs related to a common ERP system). These expenses are recorded in Selling, General and Administrative expenses.

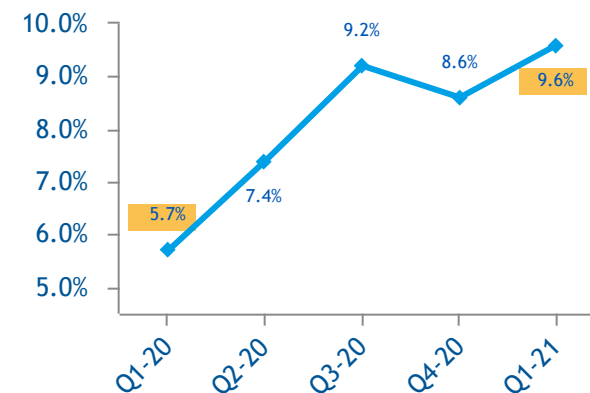
## Gross Margin



## Europe Segment EBITDA Margin Bridge



## Segment EBITDA Margin



Note: In the table and Segment EBITDA Margin Bridge above, the sum of the dollars and individual percentages may not equal the total due to rounding

\*Adjusted Gross Margin is a non-GAAP measure. Refer to Appendix 7 for Reconciliation of Gross Margin to Adjusted Gross Margin.

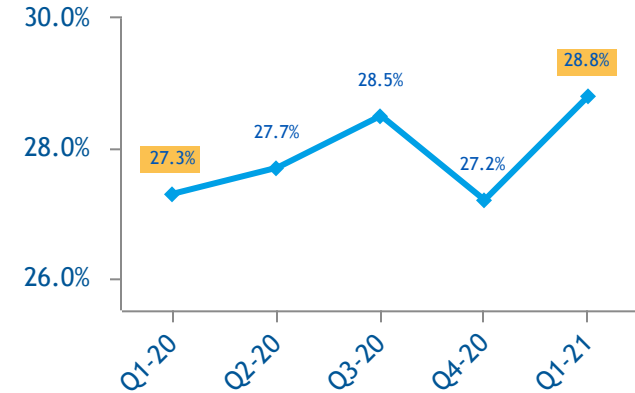
# Specialty - Q1 2021 Results



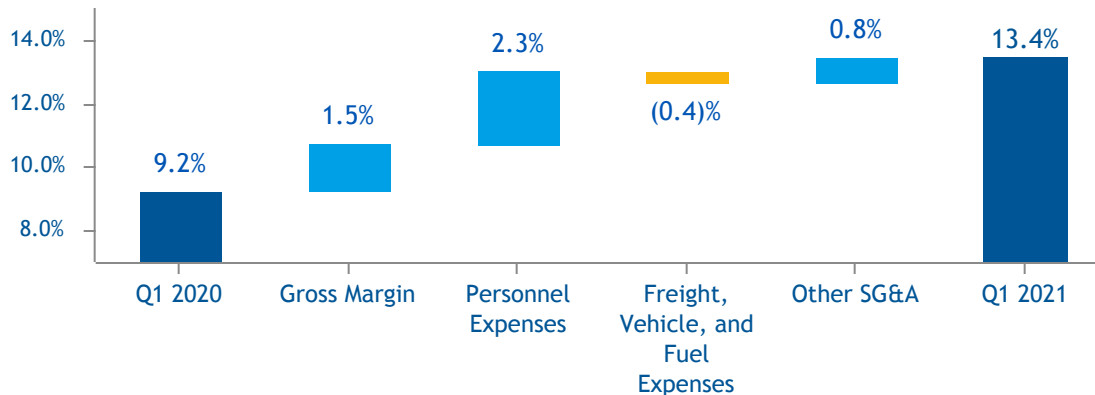
(\$ in millions)	2021	2020	Change F/(U)	% of Revenue	
				2021	2020
Total Revenue	\$459	\$349	31.7%		
Gross Margin	\$132	\$95	39.2%	28.8%	27.3%
Operating Expenses	\$72	\$64	(12.5)%	15.6%	18.3%
Segment EBITDA <sup>(1)</sup>	\$61	\$32	90.7%	13.4%	9.2%

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

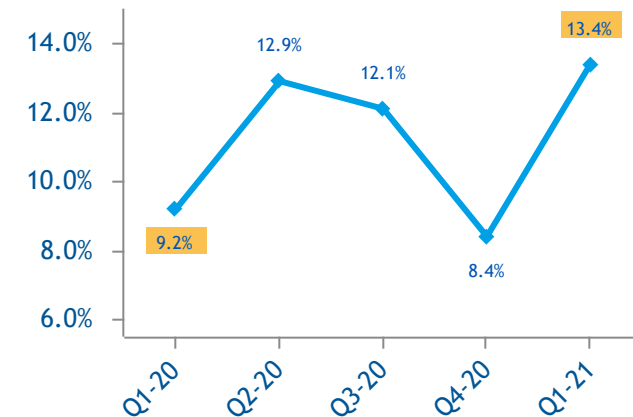
## Gross Margin



## Specialty Segment EBITDA Margin Bridge

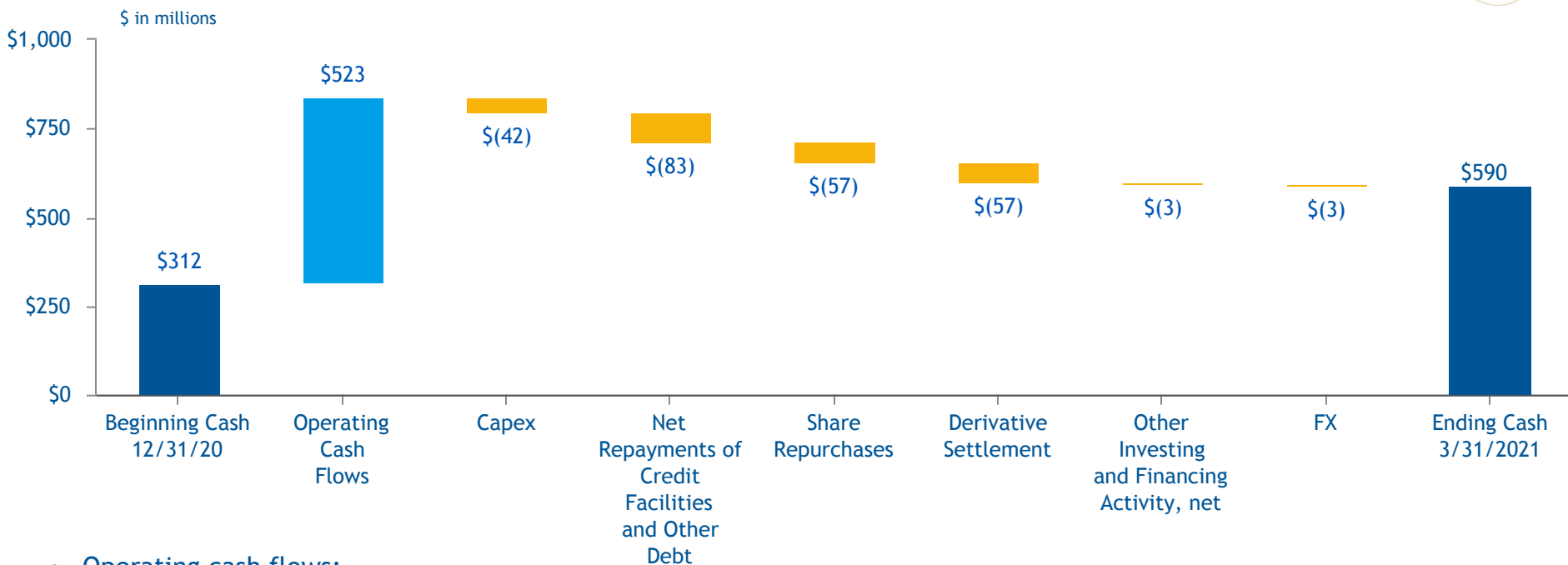


## Segment EBITDA Margin



Note: In the table and Segment EBITDA Margin Bridge above, the sum of the individual percentages may not equal the total due to rounding

# 2021 Capital Allocation



- Operating cash flows:

- Operating cash flows of \$523 million represent a \$328 million (or 169%) year over year increase owing to cash inflows from accounts payable and higher operating income partially offset by cash outflows from accounts receivable, inventory and increased tax payments

- Investing cash flows:

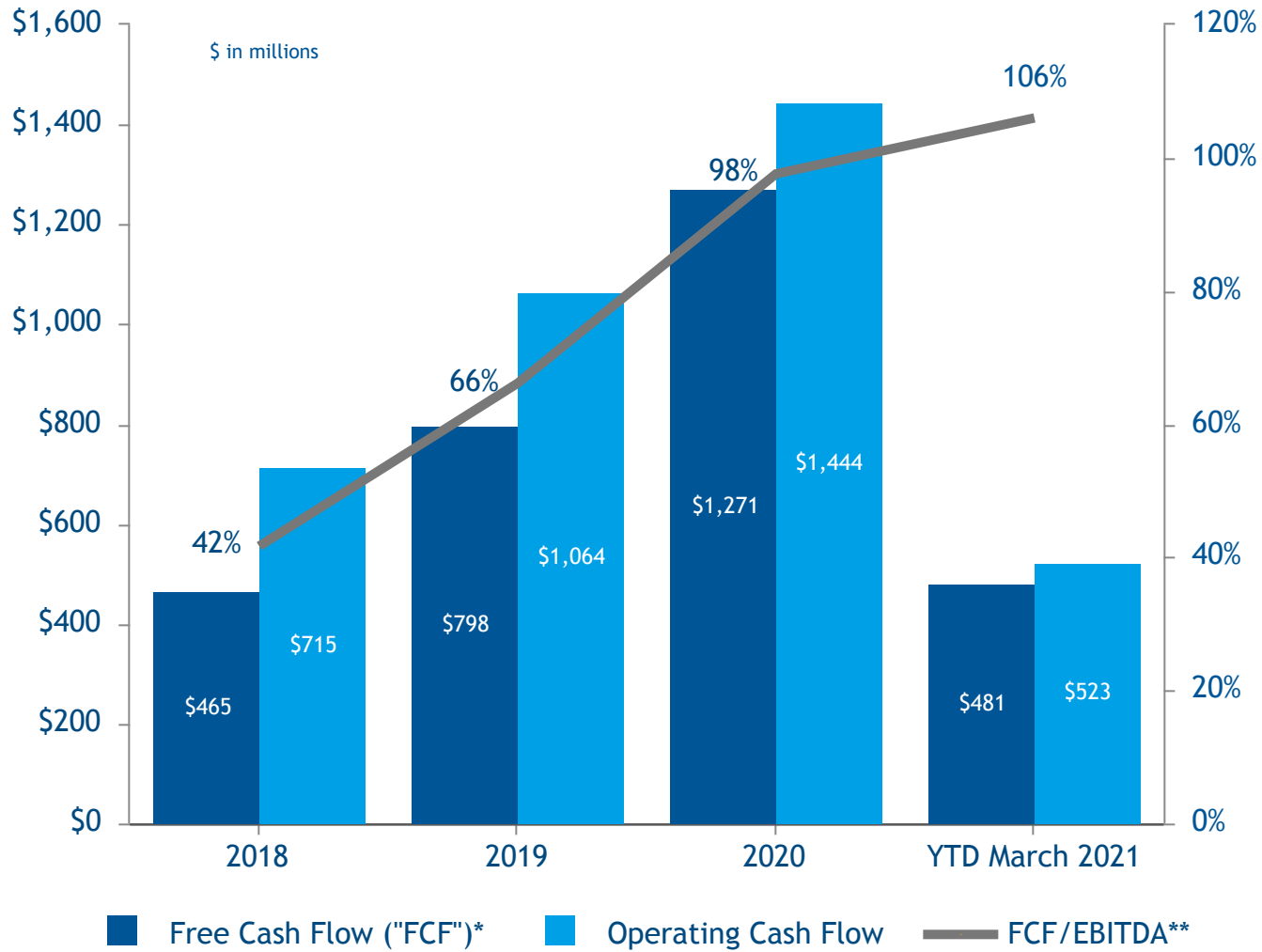
- Capex of \$42 million vs. \$45 million in 2020; down 6% year over year

- Financing cash flows:

- \$83 million of net repayments on our borrowings
  - \$57 million in share repurchases
  - \$57 million to settle a foreign currency forward contract related to a cross currency swap that, combined with related intercompany financing arrangements, effectively converted variable rate U.S. dollar-denominated borrowings into fixed rate euro-denominated borrowings

- Built cash balance in Q1 to fund a portion of the Euro notes redemption on April 1, 2021

# Operating Cash Flow and Free Cash Flow\*

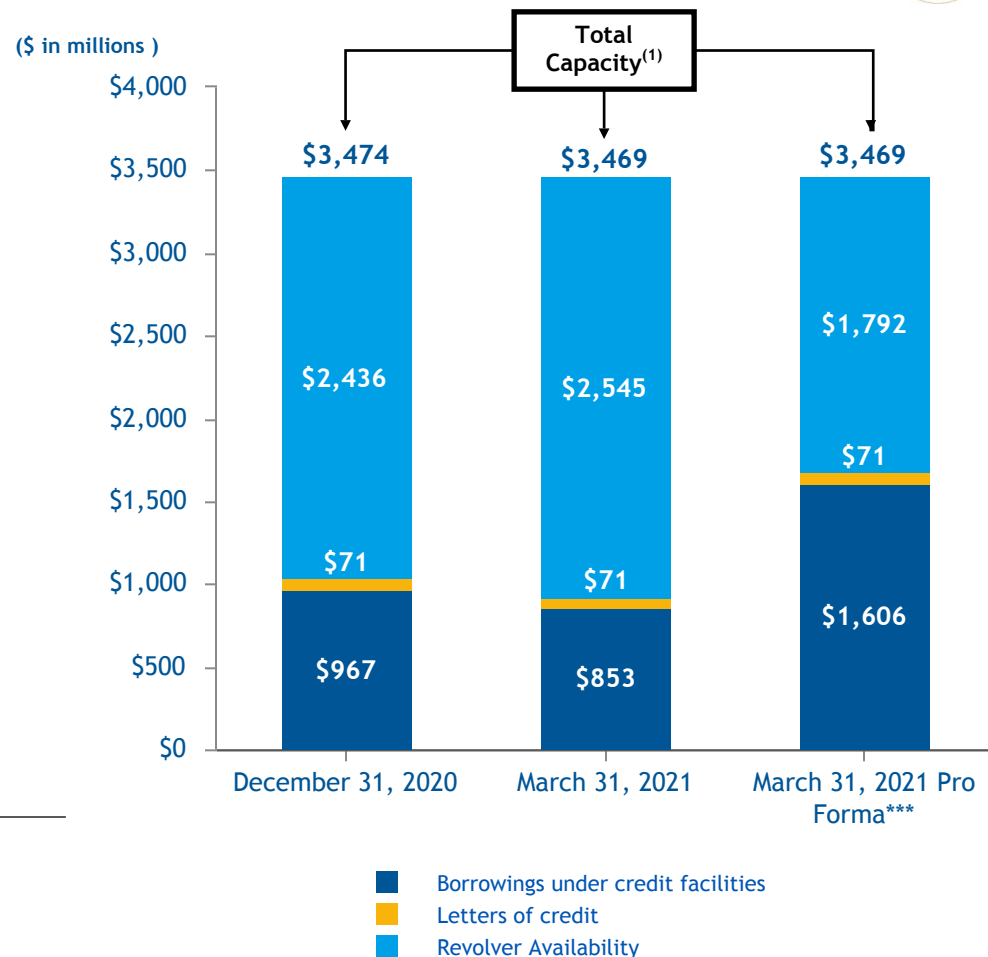
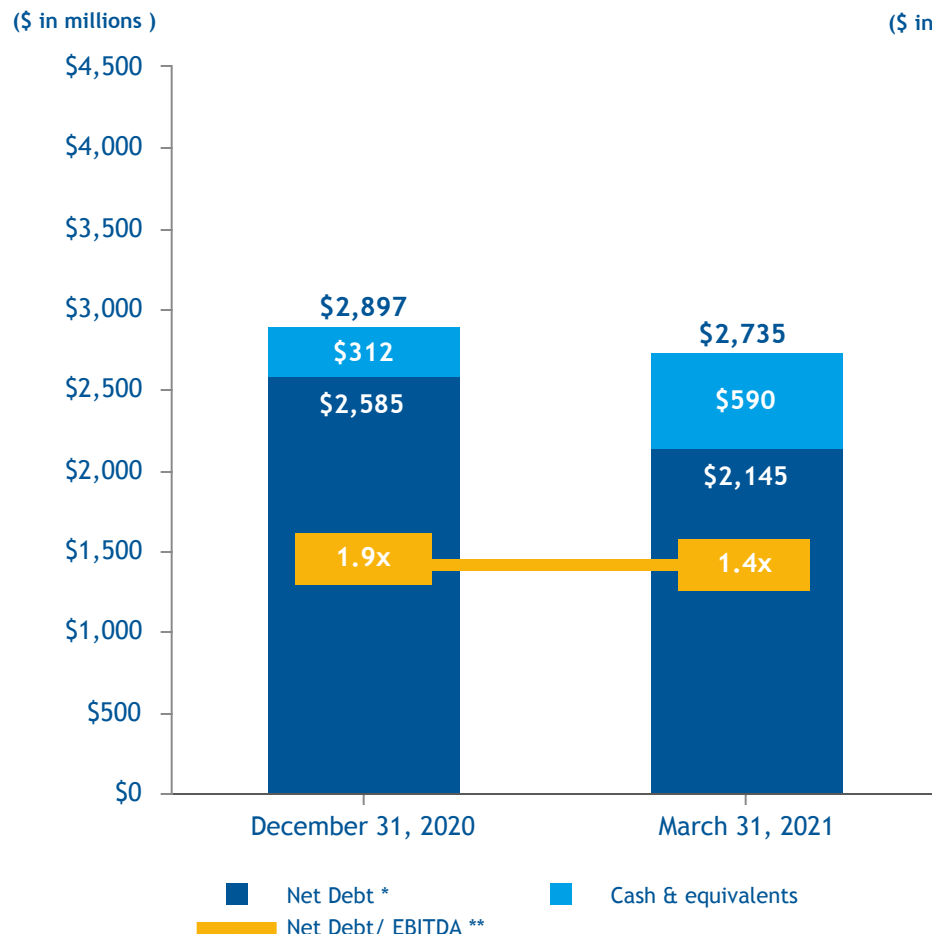


Note: FCF amounts only include FCF generated by continuing operations

\* Free Cash Flow is a non-GAAP measure. Refer to Appendix 6 for Free Cash Flow reconciliation

\*\* EBITDA is a non-GAAP measure. Refer to Appendix 3 for EBITDA reconciliation

# Leverage & Liquidity



Effective borrowing rate for Q1 2021 was 3.5% <sup>(2)</sup>

(1) Total capacity includes our term loans and revolving credit facilities

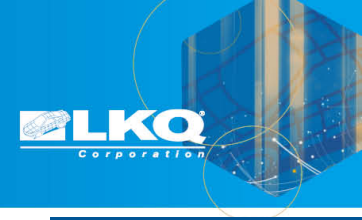
(2) Including our interest rate swaps, approximately 73% of our outstanding debt at March 31, 2021 is effectively at a fixed interest rate (41% after giving effect to the early redemption of the Euro notes on April 1, 2021)

\* Net debt is a non-GAAP financial measure. Refer to Appendix 8 for Net Debt reconciliation

\*\* 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

\*\*\* Includes the pro forma impact of the early-redemption of the €750 million senior notes due 2026 on April 1, 2021 and the related call premium and interest payment

# Enabling a Circular and Inclusive Economy 2020 Sustainability Report Highlights



## ENVIRONMENTAL

### Global Leader in Automobile Recycling

Our salvage operations recycle more than 90% of materials from end-of-life vehicles



## SOCIAL

- Focused on employee health & safety**  
 OSHA incident rate improved 7% to 5.4% in 2020
- Culture that values diversity and emphasizes fair and equitable treatment**  
 Decrease in employee turnover over past three years
- Excellent career path progression opportunities**  
 Role based training provides highly transferable skills  
 Competitive benefits to attract and retain employees



## GOVERNANCE

- Experienced and diverse Board of Directors**  
 Led by a separate Chairman, CEO and Lead independent Director
- Ongoing process to refresh and strengthen board composition with stockholder input**  
 6 new independent directors added in the past 3 years
- Inaugural Sustainability report published in 2021**  
 Aligned to SASB framework

<https://investor.lkqcorp.com/sustainability/>



### Environmental sustainability designed at the core of our new 50,000 m<sup>2</sup> warehouse near Rotterdam

Roof will be fully equipped with photovoltaic panels, making the building completely energy self-sufficient

BREEAM 'Excellent' certification for sustainability

Charging infrastructure for electric vehicles

### 2020 Our North American Recycling Achievements

Number of vehicles procured	<b>818,000</b>
Anti-freeze/Washer fluid (gallons)	<b>305,000</b>
Catalytic converters	<b>1.5M</b>
Fuel (gallons)	<b>3.9M</b>
Tires	<b>2.3M</b>
Tons of crush auto/scrap	<b>0.9M</b>
Batteries	<b>658,000</b>
Waste oil (gallons)	<b>2.3M</b>
Total number of individual parts sold	<b>14.6M</b>

# Outlook 2021

(effective only on the date issued: April 29, 2021)



## 2021 outlook<sup>(1)</sup>:

- Full year parts and services revenue growth expected
  - Q2 growth on a light comparable period, followed by gradual recovery in the second half of the year
  - Two less selling days in North America, one fewer in Q1 and Q4
- Diluted EPS attributable to LKQ stockholders in the range of \$2.68 to \$2.88
- Adjusted diluted EPS attributable to LKQ stockholders in the range of \$3.00 to \$3.20<sup>(2)(3)</sup>
- Free cash flow in the range of \$850 to \$950 million<sup>(4)</sup>

(1) Our outlook for the full year 2021 is based on current conditions and recent trends, and it assumes current U.S. federal legislation remains unchanged, exchange rates for the Canadian dollar, euro and pound sterling hold near recent levels, and the price of scrap and precious metals trend lower in the second half of the year. Our outlook is also based on management's current expectations regarding the recovery from the coronavirus outbreak. Changes in these conditions may impact our ability to achieve the estimates. Adjusted figures exclude (to the extent applicable) the impact of restructuring and acquisition related expenses; amortization expense related to acquired intangibles; excess tax benefits and deficiencies from stock-based payments; losses on debt extinguishment; impairment charges; and gains and losses related to acquisitions or divestitures (including changes in the fair value of contingent consideration liabilities). Outlook for 2021 includes a global effective tax rate of 26.5%. LKQ has no obligation to update this outlook.

(2) All actual and outlook 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

(4) Free Cash Flow is a non-GAAP measure. Refer to Appendix 6 for Free Cash Flow reconciliation



# Supplementary Information

# Liquidity as of March 31, 2021



Credit Rating	<ul style="list-style-type: none"> <li>Rated Ba1 / BB+ by Moody's and S&amp;P, respectively</li> </ul>
Debt Structure	<ul style="list-style-type: none"> <li>Fixed Interest Rate Bonds: €1.50 billion (\$1.76 billion)</li> <li>Variable Interest Rate Bank Debt: \$853 million (\$150 million hedged to fixed rates)</li> <li>Receivables Securitization Facility: \$0 outstanding balance</li> <li>Other Debt (capital leases, local lines of credit): \$122 million</li> </ul>
Maturities	<ul style="list-style-type: none"> <li>Current maturities: \$248 million (includes \$159M (€135 million) related to the early redemption of the Euro notes on April 1, 2021); No significant maturities until January 2024</li> </ul>
Financial Covenants <sup>(1)</sup>	<ul style="list-style-type: none"> <li>Credit Facility maximum leverage ratio covenant: 5.00x (4.50x for Q2 and steps down to 4.0x by December 31, 2021)                             <ul style="list-style-type: none"> <li>Net debt to EBITDA as of March 31, 2021: 1.4x</li> </ul> </li> <li>Credit Facility minimum interest expense coverage ratio: 3.0x                             <ul style="list-style-type: none"> <li>EBITDA to interest expense as of March 31, 2021: 16.3x</li> </ul> </li> <li>Euro Notes do not include financial maintenance covenants</li> </ul>
Liquidity	<ul style="list-style-type: none"> <li>Cash on balance sheet of \$590 million</li> <li>\$3.15 billion revolving credit facility: \$2.54 billion available</li> <li>Receivables securitization facility: \$0 outstanding balance (\$110 million outstanding capacity)</li> <li>Total Available Liquidity: \$3.24 billion</li> </ul>
Cash Flows	<ul style="list-style-type: none"> <li>2021 operating cash flow of \$523 million (169% higher than prior year); 2021 free cash flow<sup>(2)</sup> of \$481 million (220% higher than prior year)</li> </ul>
Pro forma debt structure for April 1, 2021 Bond repayment	<ul style="list-style-type: none"> <li>Fixed Interest Rate Bonds: €750 million (\$880 million)</li> <li>Variable Interest Rate Bank Debt: \$1.6 billion (\$150 million hedged to fixed rates)</li> <li>Receivables securitization facility: \$0 outstanding balance</li> <li>Other Debt (capital leases, local lines of credit): \$122 million</li> </ul>

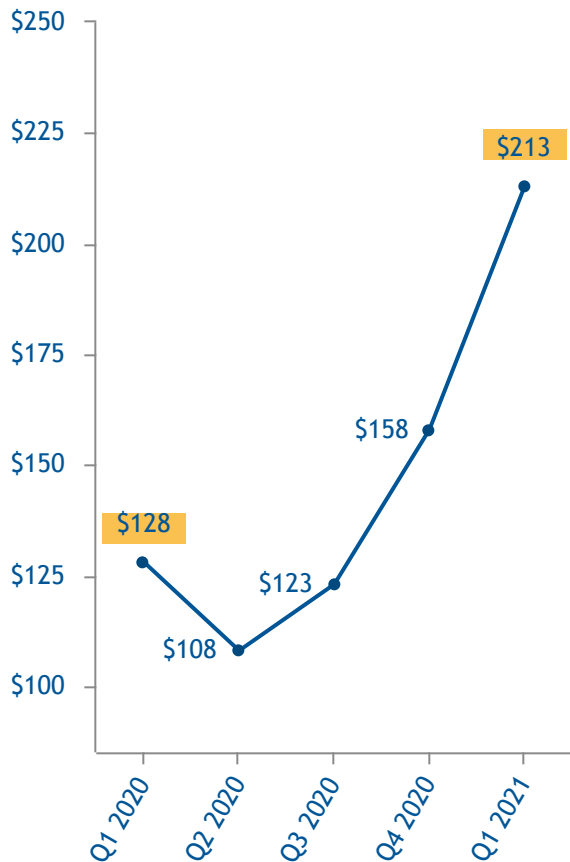
(1) See the definition of Net Debt, interest expense and EBITDA in the credit agreement filed with the SEC for further details

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# Metal Prices

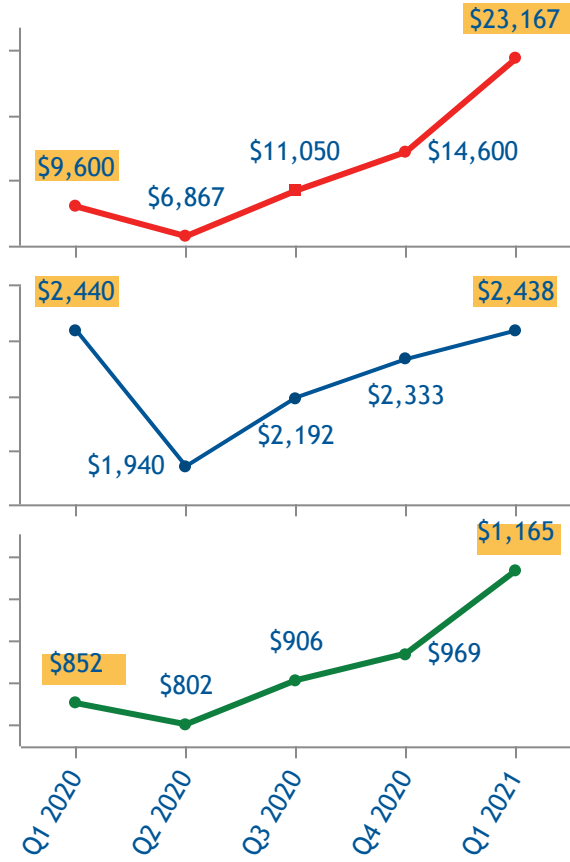


Q1 scrap steel prices increased YoY and QoQ



— Average Quarterly Scrap Steel Price

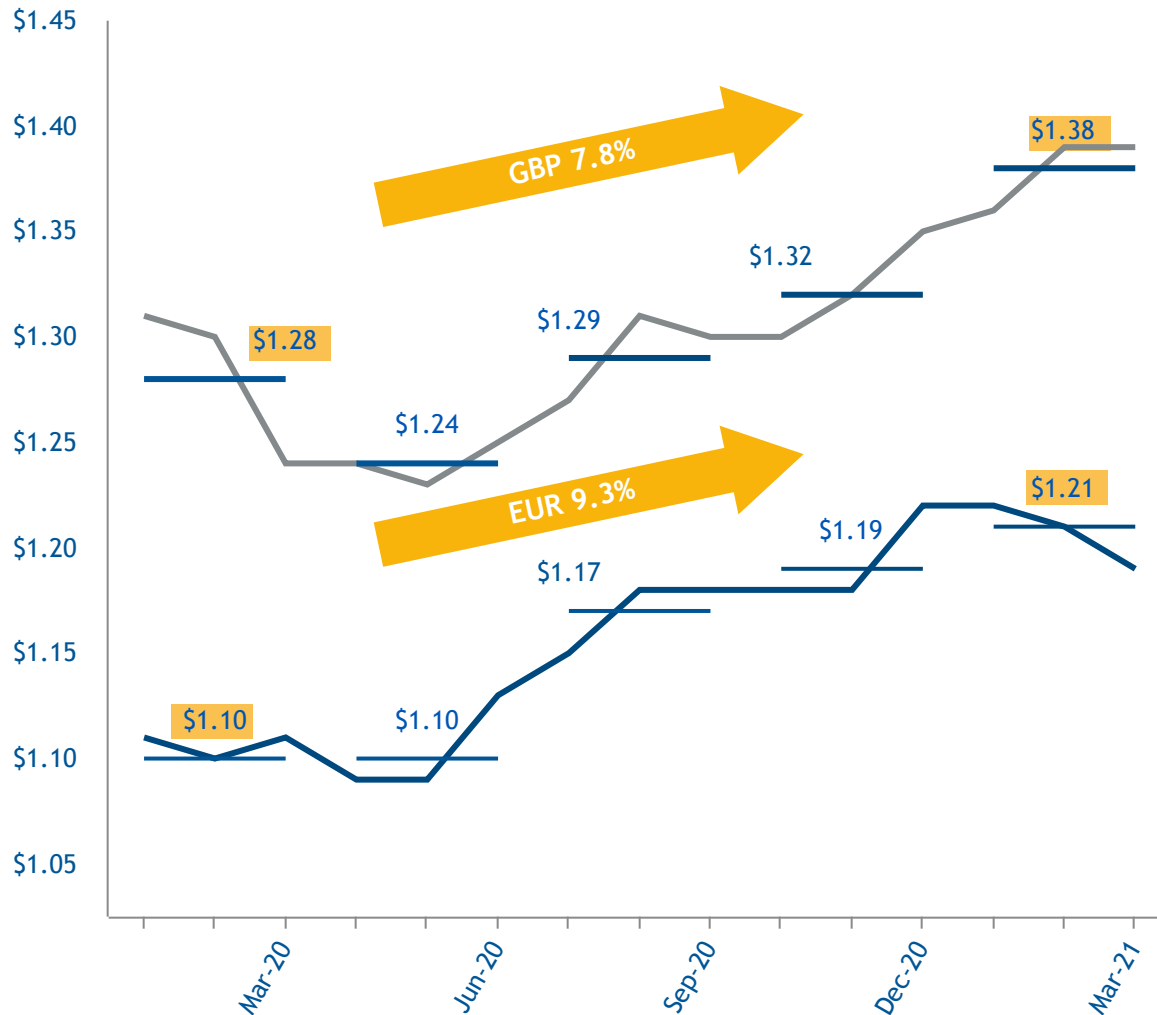
Q1 precious metal prices increased YoY and QoQ



— Palladium — Rhodium — Platinum

- Average price for scrap steel increased from from \$128 per ton in Q1 2020 to \$213 per ton in Q1 2021
- Sequential change was positive \$55 per ton, or up 35%
- Sequential changes in scrap steel prices impacted Segment EBITDA:
  - Q1 2021: favorable by \$21 million
  - Q1 2020: favorable by \$6 million
- Average Rhodium and Platinum prices increased 141% and 37%, respectively, from Q1 2020 while average Palladium prices were level with Q1 2020
- Estimated YoY Q1 benefit to Segment EBITDA of \$19M from precious metals

# Foreign Exchange



- £ up 7.8% Q1 2021 vs Q1 2020
- € up 9.3% Q1 2021 vs Q1 2020
- \$113 million favorable impact of translation of stronger Q1 rates relative to the US dollar on European parts and services revenue growth
- European constant currency<sup>(1)</sup> parts and services revenue decrease YoY of 1.1% for Q1 2021
- Foreign exchange (translation and transaction gains/losses) impact:
  - Q1 2021 flat EPS impact; Adjusted EPS impact of \$0.01

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

Inventory Procurement: (\$ in millions, Vehicles purchased in 000s)	Q1		
	2021	2020	% Change
Total aftermarket procurement	\$1,545	\$1,504	2.7%
Wholesale salvage cars and trucks	50	72	(30.6)%
Europe wholesale salvage cars and trucks	7	7	0.0%
Self service and "crush only" cars	137	149	(8.1)%

- Net increase in aftermarket purchases driven by growth in Specialty and foreign exchange attributable to an increase in the value of the Euro relative to Q1 2020
  - Purchases in North America and Europe were lower than projected owing to ocean freight driven delays in shipments and overall pandemic driven lower production volumes
- Salvage purchases decreased relative to the prior year primarily due to limitations on vehicles at auctions due to the COVID-19 pandemic
- Self service vehicle purchases declined due to increased competition in the market owing to rising scrap steel and precious metals prices and a reduction in the number of locations relative to Q1 2020
- Cost per vehicle in our self service operations increased 41% YoY in Q1 due primarily to increases in scrap steel and precious metal prices
- Average cost per vehicle in our full service salvage operations increased 30% YoY in Q1 caused by limitations on vehicles at auctions due to COVID-19, high used car prices and increases in scrap steel and precious metal prices

# 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 revenue growth for Parts & Services to constant currency revenue growth for the same measure:

	Three Months Ended March 31, 2021	
	Consolidated	Europe
<b>Parts &amp; Services</b>		
Revenue growth as reported	4.2%	7.2%
Less: Currency impact	4.2%	8.3%
Revenue growth at constant currency	0.0%	(1.1)%

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 March 31 <sup>(1)</sup>			
	2021	% of revenue	2020	% of revenue
<b>Revenue</b>				
North America	\$1,250		\$1,290	
Europe	1,463		1,364	
Specialty	459		349	
Eliminations	(1)		(1)	
<b>Total Revenue</b>	<b>\$3,171</b>		<b>\$3,001</b>	
<b>Segment EBITDA</b>				
North America	\$249	19.9%	\$211	16.4%
Europe	141	9.6%	78	5.7%
Specialty	61	13.4%	32	9.2%
<b>Total Segment EBITDA</b>	<b>\$452</b>	<b>14.2%</b>	<b>\$322</b>	<b>10.7%</b>

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 (which includes restructuring expenses recorded in Cost of goods sold); 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; equity investment mark to market adjustments; and impairment charges. EBITDA, which is the basis for Segment EBITDA, is calculated as net income attributable to LKQ stockholders 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 general and administrative expenses are allocated to the segments based on usage, with shared expenses apportioned based on the segment's percentage of consolidated revenue. Refer to the table on the following page for a reconciliation of net income to EBITDA and Segment EBITDA.

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

# Appendix 3

## Reconciliation of Net Income to EBITDA and Segment EBITDA



(in millions)	Three Months Ended March 31 <sup>(1)</sup>	
	2021	2020
Net income	\$266	\$146
<b>Subtract:</b>		
Net income attributable to continuing noncontrolling interest	0	1
Net income attributable to discontinued noncontrolling interest	—	0
Net income attributable to LKQ stockholders	\$266	\$145
<b>Subtract:</b>		
Net loss from discontinued operations	—	(1)
Net income attributable to discontinued noncontrolling interest	—	(0)
Net income from continuing operations attributable to LKQ stockholders	\$266	\$146
<b>Add:</b>		
Depreciation and amortization	66	65
Depreciation and amortization - cost of goods sold	6	5
Depreciation and amortization - restructuring expenses <sup>(2)</sup>	0	1
Interest expense, net of interest income	24	26
Loss on debt extinguishment	—	13
Provision for income taxes	93	60
EBITDA	\$455	\$317
<b>Subtract:</b>		
Equity in earnings of unconsolidated subsidiaries	6	1
Equity investment mark to market adjustments	5	—
<b>Add:</b>		
Restructuring and acquisition related expenses <sup>(2)</sup>	8	6
Restructuring expenses - cost of goods sold	(0)	(0)
Impairment of net assets held for sale and (gain on disposal of business)	0	(0)
Change in fair value of contingent consideration liabilities	(0)	(0)
Segment EBITDA	\$452	\$322
Net income from continuing operations attributable to LKQ stockholders as a percentage of revenue	8.4%	4.9%
EBITDA as a percentage of revenue	14.3%	10.6%
Segment EBITDA as a percentage of revenue	14.2%	10.7%

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

(2) The sum of these two amounts represents the total amount that is reported in Restructuring and the acquisition related expenses

# 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 attributable to LKQ stockholders excluding discontinued operations and discontinued noncontrolling interest, depreciation, amortization, interest (which includes gains and losses on debt extinguishment) and income tax expense. We believe 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 (which includes restructuring expenses recorded in Cost of goods sold); 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; equity investment mark to market adjustments; 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 general 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 March 31 <sup>(1)</sup>	
	2021	2020
Net income	\$266	\$146
<b>Subtract:</b>		
Net income attributable to continuing noncontrolling interest	0	1
Net income attributable to discontinued noncontrolling interest	—	0
Net income attributable to LKQ stockholders	\$266	\$145
<b>Subtract:</b>		
Net loss from discontinued operations	—	(1)
Net income attributable to discontinued noncontrolling interest	—	(0)
Net income from continuing operations attributable to LKQ stockholders	\$266	\$146
Adjustments - continuing operations attributable to LKQ stockholders:		
Amortization of acquired intangibles	20	24
Restructuring and acquisition related expenses	8	7
Restructuring expenses - cost of goods sold	(0)	0
Change in fair value of contingent consideration liabilities	(0)	(0)
Loss on debt extinguishment	—	13
Impairment of net assets held for sale and (gain on disposal of businesses)	0	(0)
Excess tax benefit from stock-based payments	(1)	(1)
Tax effect of adjustments	(7)	(13)
Adjusted net income from continuing operations attributable to LKQ stockholders	\$286	\$176
Weighted average diluted common shares outstanding	304	307
Diluted earnings per share from continuing operations attributable to LKQ stockholders:		
Reported	\$0.88	\$0.48
Adjusted	\$0.94	\$0.57

(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 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<sup>(1)</sup>

(in millions, except per share data)	For the year ending December 31, 2021	
	Minimum Outlook	Maximum Outlook
Net income from continuing operations attributable to LKQ stockholders	\$813	\$874
Adjustments:		
Amortization of acquired intangibles	78	78
Restructuring expenses	30	30
Loss on debt extinguishment	24	24
Other adjustments	(1)	(1)
Tax effect of adjustments	(35)	(35)
Adjusted net income from continuing operations attributable to LKQ stockholders	\$909	\$970
Weighted average diluted common shares outstanding	303	303
Diluted EPS from continuing operations attributable to LKQ stockholders:		
U.S. GAAP	\$2.68	\$2.88
Non-GAAP (Adjusted)	\$3.00	\$3.20

We have presented forecasted Adjusted Net Income and forecasted Adjusted Diluted Earnings per Share from Continuing Operations Attributable to LKQ Stockholders in our financial outlook. 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 2021, restructuring expenses under previously announced plans, the loss on debt extinguishment related to the April 1, 2021 redemption of the Euro Notes 2026 and the related tax effect; we included for all other components the amounts incurred through March 31, 2021.

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

# Appendix 6

## Reconciliation of Net Cash Provided by Operating Activities to Free Cash Flow



(in millions)	Three Months Ended March 31 <sup>(1)</sup>	
	2021	2020
Net cash provided by operating activities	\$523	\$195
Less: purchases of property, plant and equipment	42	45
Free cash flow	\$481	\$150

(in millions)	Year Ended December 31 <sup>(1)</sup>		
	2018	2019	2020
Operating Cash Flows	\$711	\$1,064	\$1,444
Less: Operating Cash Flows - Discontinued Operations	(4)	—	—
Operating Cash Flows from Continuing Operations	\$715	\$1,064	\$1,444
Capital Expenditures	250	266	173
Less: Capital Expenditures - Discontinued Operations	—	—	—
Continuing Capital Expenditures	\$250	\$266	\$173
Free Cash Flow from Continuing Operations	\$465	\$798	\$1,271

(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



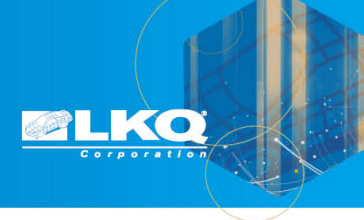
We have presented free cash flow solely as a supplemental disclosure that offers investors, securities analysts and other interested parties useful information to evaluate our liquidity. We calculate free cash flow as net cash provided by operating activities, less purchases of property, plant and equipment. We believe 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.

(in millions)	Forecasted Fiscal Year 2021	
	Minimum Outlook	Maximum Outlook
Net cash provided by operating activities	\$1,075	\$1,200
Less: purchases of property, plant and equipment	225	250
Free cash flow	\$850	\$950

We have presented forecasted free cash flow in our financial outlook. Refer to the paragraph above for details on the calculation of free cash flow.

# Appendix 7

## Reconciliation of Gross Margin to Adjusted Gross Margin



Consolidated Adjusted Gross Margin (in millions)	Three Months Ended <sup>(1)</sup>	
	March 31, 2021	March 31, 2020
Gross margin	\$1,294	\$1,214
Add: Restructuring expenses - cost of goods sold	(0)	0
<b>Adjusted gross margin</b>	<b>\$1,294</b>	<b>\$1,214</b>
Gross margin %	40.8%	40.4%
Adjusted gross margin %	40.8%	40.5%

North America Adjusted Gross Margin (in millions)	Three Months Ended <sup>(1)</sup>				
	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020
Gross margin	\$599	\$546	\$534	\$454	\$612
Add: Restructuring expenses - cost of goods sold	(0)	1	1	3	0
<b>Adjusted gross margin</b>	<b>\$599</b>	<b>\$547</b>	<b>\$535</b>	<b>\$457</b>	<b>\$612</b>
Gross margin %	48.0%	46.8%	45.9%	44.9%	47.4%
Adjusted gross margin %	48.0%	46.9%	46.0%	45.2%	47.4%

Europe Adjusted Gross Margin (in millions)	Three Months Ended <sup>(1)</sup>				
	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020
Gross margin	\$562	\$527	\$550	\$445	\$507
Add: Restructuring expenses - cost of goods sold	-	-	(0)	3	-
<b>Adjusted gross margin</b>	<b>\$562</b>	<b>\$527</b>	<b>\$550</b>	<b>\$448</b>	<b>\$507</b>
Gross margin %	38.4%	36.7%	37.1%	36.8%	37.2%
Adjusted gross margin %	38.4%	36.7%	37.1%	37.0%	37.2%

(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

We have presented adjusted gross margin solely as a supplemental disclosure that offers investors, securities analysts and other interested parties useful information to evaluate the 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. We believe 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.

# Appendix 8

## Reconciliation of Total Debt to Net Debt



(in millions)	March 31, 2021 <sup>(1)</sup>	December 31, 2020 <sup>(1)</sup>
Current portion of long-term obligations	\$240	\$58
Long-term obligations, excluding current portion	2,472	2,813
<b>Total debt, net of debt issuance costs</b>	<b>\$2,712</b>	<b>\$2,871</b>
Add: Debt issuance costs	23	26
<b>Total debt</b>	<b>\$2,735</b>	<b>\$2,897</b>
Less: Cash and cash equivalents	590	312
<b>Net debt</b>	<b>\$2,145</b>	<b>\$2,585</b>

We have presented net debt solely as a supplemental disclosure that offers investors, securities analysts and other interested parties useful information to evaluate our liquidity and financial position. We calculate net debt as total debt less cash and cash equivalents. We believe net debt provides insight into our liquidity and provides useful information to management and investors concerning our financial position. We believe net debt is used by investors, securities analysts and other interested parties in evaluating the liquidity and financial position of other companies, many of which present net debt when reporting their results. Net debt should not be construed as an alternative to total debt, as determined in accordance with accounting principles generally accepted in the United States. In addition, not all companies that report net debt information calculate net debt 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