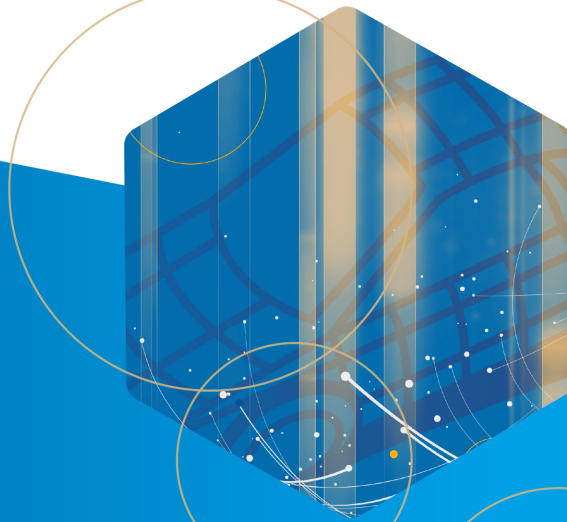


LKQ Corporation

Fourth Quarter & Full-Year 2021 Earnings Call

February 17, 2022



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, our subsequent Quarterly Reports on Form 10-Q and our Annual Report on Form 10-K to be filed for the year ended December 31, 2021. 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.

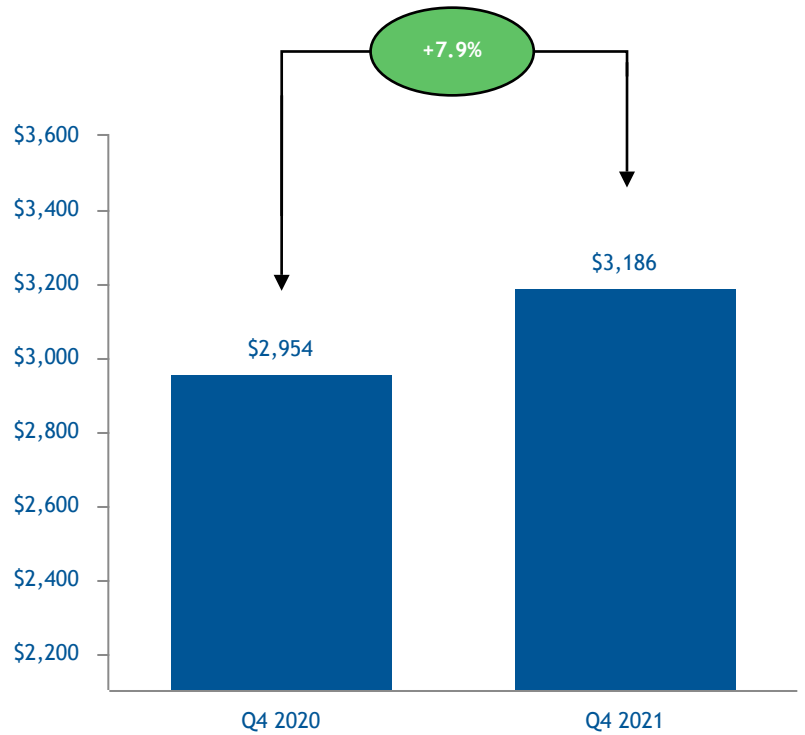
Q4 and Full Year 2021 Highlights

- Strong organic revenue growth and profitability despite inflationary and supply chain pressures, and declines in precious metals prices
  - Total Q4 revenue growth of 7.9%; organic revenue growth for parts and services of 6.6% (7.3% per day)
  - Diluted EPS[(1)] of $0.81 vs. $0.59 (37% increase); Adjusted Diluted EPS[(2)] of $0.87 vs. $0.69 (26% increase)
- Record full year profitability enabled by focus on key operational initiatives
  - Net income[(1)] of $1.1 billion
  - Diluted EPS[(1)] of $3.66 vs. $2.09 (75% increase); Adjusted Diluted EPS[(1)(2)] of $3.96 vs. 2.55 (55% increase)
  - Segment EBITDA[(3)] of $1.8 billion for a margin of 13.6%
  - Europe Segment EBITDA[(3)] margin of 10.2% - first double digit full year margin since 2015
- Annual operating cash flow of $1.4 billion; free cash flow[(4)] of $1.1 billion
- Invested $877 million in share repurchase program for the full year; repurchased 17.2 million shares
- Paid inaugural quarterly dividend of $0.25 per share in December 2021 totaling $73 million; Board approved $0.25 per share dividend, payable on March 24, 2022, to stockholders of record as of March 3, 2022

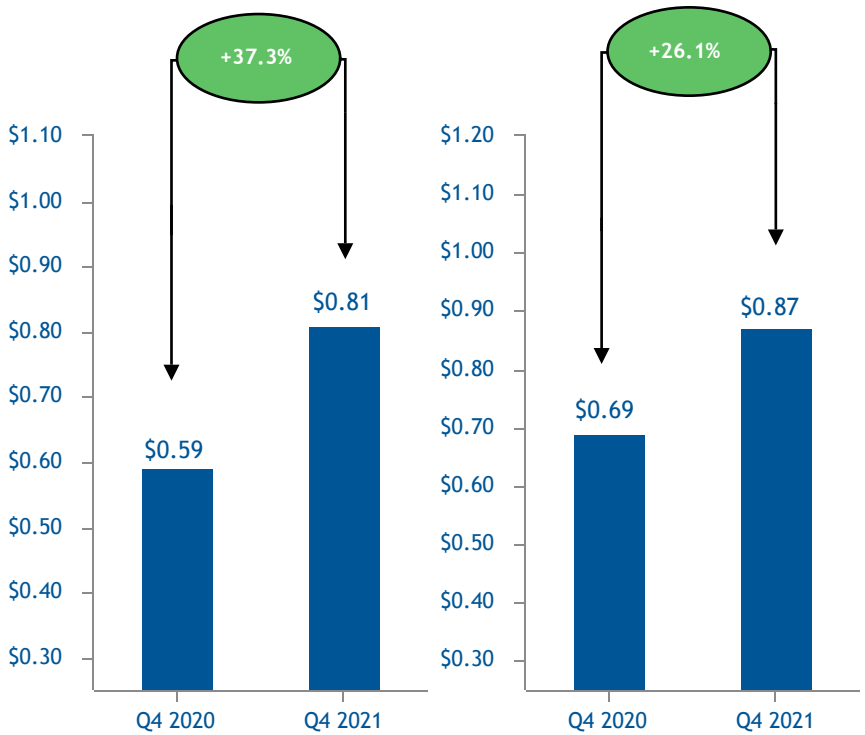
(1) References to Net Income and Diluted EPS and the corresponding adjusted figures reflect amounts from continuing operations attributable to LKQ stockholders
(2) Adjusted Diluted EPS is a non-GAAP measure. Refer to Appendix 4 for Adjusted Diluted EPS reconciliation
(3) Segment EBITDA for each segment 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 segment
(4) Free Cash Flow is a non-GAAP measure. Refer to Appendix 6 for Free Cash Flow reconciliation

Consolidated Results Q4 2021

Revenue[1]



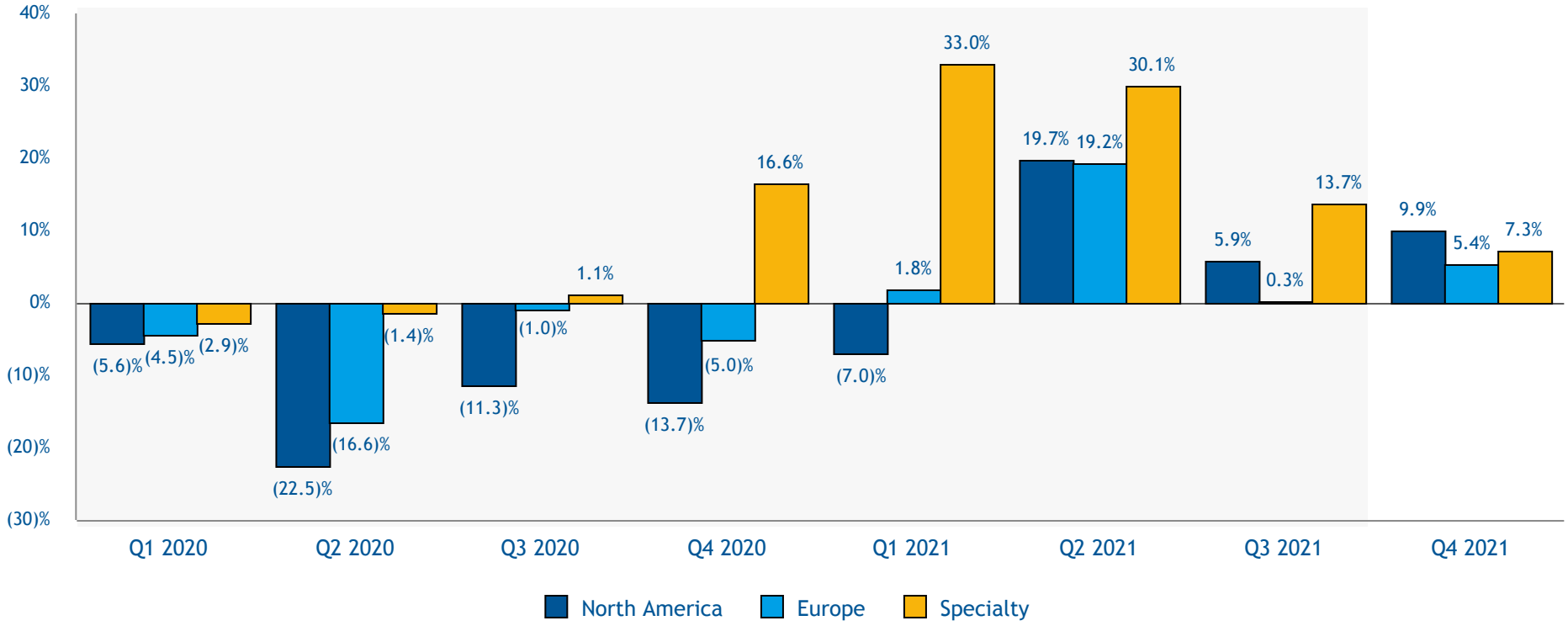
EPS[2]



(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)



Solid revenue growth for all three segments with Europe recovering to its 2019 level and North America continuing to narrow the gap to pre-pandemic levels

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

Q4 2021 Revenue

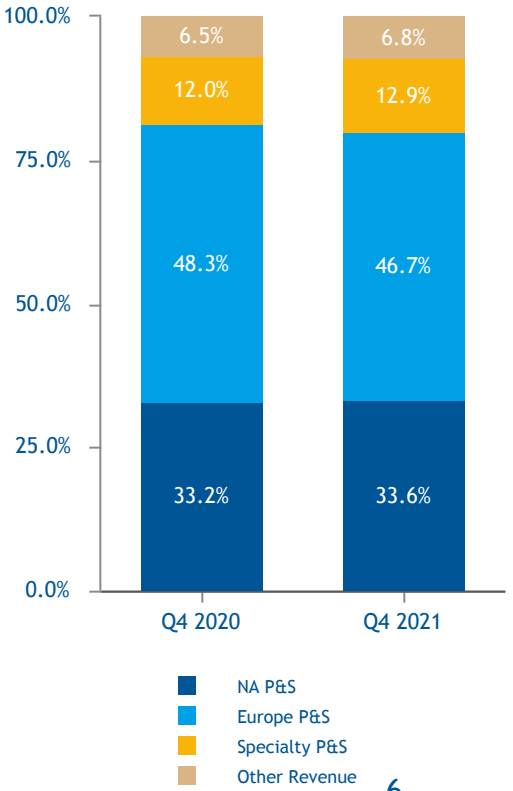
Revenue Changes by Source:

	Organic	Acquisition and Divestiture	Foreign Exchange	Total[1]
North America	8.3%	0.6%	0.2%	9.2%
Europe	5.7%	0.5%	(1.8)%	4.3%
Specialty	5.7%	9.6%	0.3%	15.6%
Parts and Services	6.6%	1.7%	(0.8)%	7.5%
Other Revenue	13.1%	0.0%	(0.0)%	13.1%
Total	7.0%	1.6%	(0.8)%	7.9%

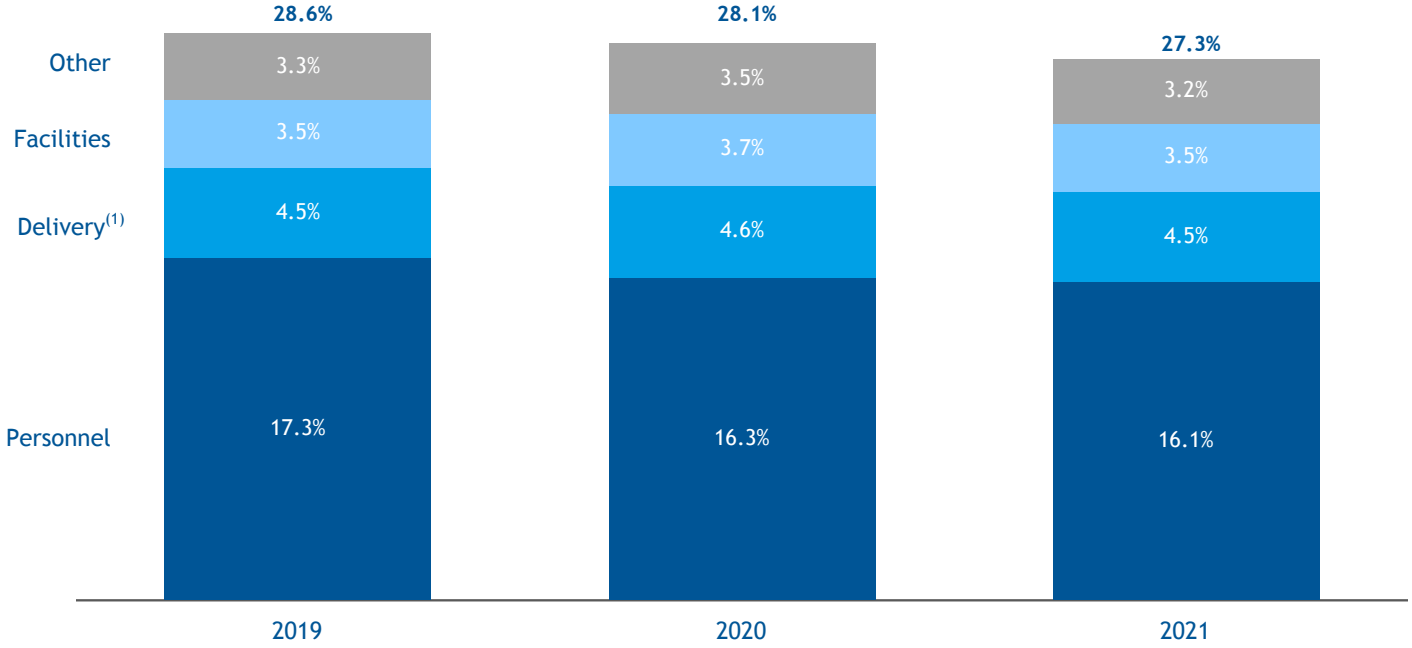
- Organic revenue for parts and services increased 6.6% (7.3% on a per day basis)
- North America organic revenue for parts and services increased 8.3% (9.9% on a per day basis); primarily driven by increased prices in our aftermarket and salvage businesses as well as increased volumes of major mechanical parts and aftermarket automotive glass products, partially offset by flat aftermarket collision parts volumes, which are being negatively impacted by supply chain disruptions
- Europe organic revenue for parts and services increased 5.7%; primarily attributable to the COVID-19 recovery as mobility restrictions were more severe in the prior year. All of our geographies, except Italy, reported year-over-year growth, with the highest growth rates in the Benelux region and Central and Eastern Europe ("CEE").
- Unfavorable F/X impact on European parts and services revenue of $26 million (see foreign exchange rate trend on page 29); Europe constant currency parts and services revenue increased 6.1%[2]
- Specialty organic revenue for parts and services increased 5.7% (7.3% on a per day basis); largely due to strong demand from our eCommerce channels
- Other organic revenue increased 13.1%, as scrap steel prices increased compared to the prior year (see price trend on page 28)

(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

Components of Revenue



Sustained OpEx Savings



Significant sustained savings from headcount actions, route optimization & other cost reduction efforts

Note: In the chart above, the sum of the individual percentages may not equal the total due to rounding
(1) Delivery costs include freight, vehicle & fuel expenses. Within delivery expenses, increasing freight and fuel prices are being offset by our cost reduction programs, including route optimization



Financial Results

Operating Results

($ in millions, except per share data)	Fourth Quarter 2021	Fourth Quarter 2020	Change F/(U)
Revenue	$3,186	$2,954	7.9%
Gross Margin	1,270	1,170	8.5%
Operating Expenses	920	815	(12.8)%
Operating Income	280	267	4.8%
Pre-tax Income	271	247	9.7%
Net income from continuing operations attributable to LKQ stockholders	236	180	30.6%
Segment EBITDA[(1)]	358	366	(2.3)%
Segment EBITDA Margin[(1)]	11.2%	12.4%	(120) bps
Diluted EPS from continuing operations attributable to LKQ stockholders:			
Reported	$0.81	$0.59	37.3%
Adjusted[(2)]	$0.87	$0.69	26.1%

- Effective income tax rate for the three months ended December 31, 2021 was 15.0%, compared to 27.8% for the three months ended December 31, 2020. The 2021 rate included discrete benefits related to the reversal of valuation allowances in Europe and true-ups related to our tax filings, which combined to reduce the reported rate by approximately 1,000 basis points. In addition, our 2021 base rate improved primarily due to increased profitability in our international operations.

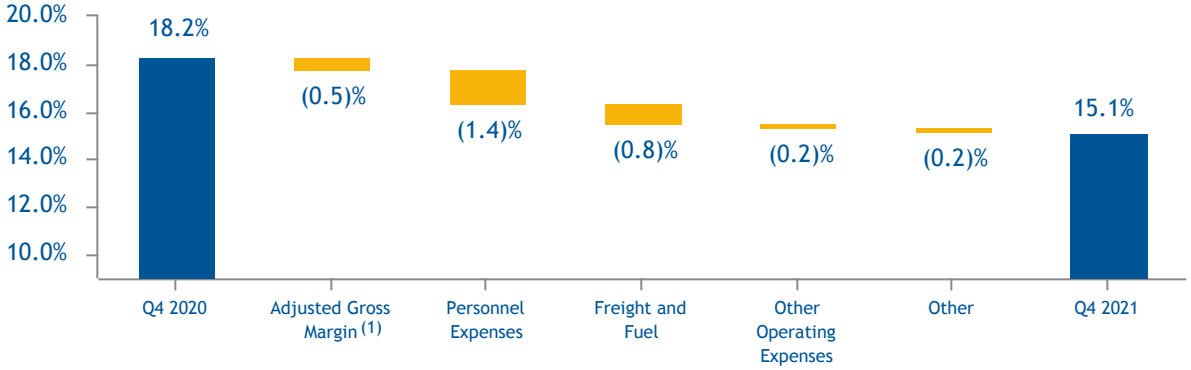
(1) Segment EBITDA is a non-GAAP measure. Refer to Appendix 3 for Segment EBITDA reconciliation
(2) Adjusted Diluted EPS is a non-GAAP measure. Refer to Appendix 4 for Adjusted Diluted EPS reconciliation

North America – Q4 2021 Results

($ in millions)	2021	2020	Change F/(U)	% of Revenue 2021	% of Revenue 2020
Total Revenue	$1,280	$1,167	9.8%		
Gross Margin	$594	$546	8.6%	46.4%	46.8%
Adjusted Gross Margin[1]	$594	$547	8.5%	46.4%	46.9%
Operating Expenses	$403	$339	(18.7)%	31.4%	29.1%
Other Income, net	$1	$3			
Segment EBITDA[2]	$194	$213	(9.0)%	15.1%	18.2%

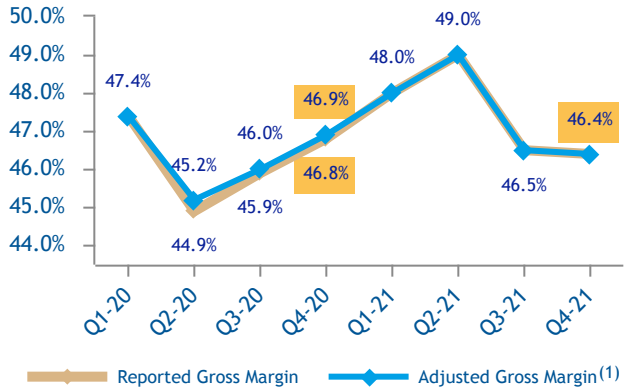
(2) Segment EBITDA for each segment is a GAAP measure, while total Segment EBITDA is a non-GAAP measure. Refer to Appendix 3 for total Segment EBITDA reconciliation and Appendix 2 for the breakout of Segment EBITDA for each segment.

North America Segment EBITDA Margin Bridge

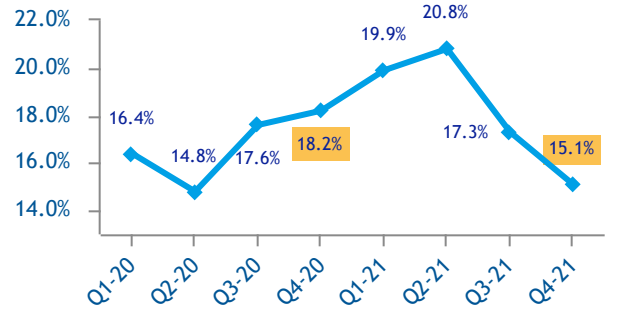


Note: In the table and Segment EBITDA Margin Bridge above, the sum of the individual percentages may not equal the total due to rounding
(1) Adjusted Gross Margin is a non-GAAP measure. Refer to Appendix 7 for Reconciliation of Gross Margin to Adjusted Gross Margin. Reported Gross Margin % decrease of 0.4% was benefited by 0.1% for the impact of COGS related restructuring expenses which are excluded from the bridge above

Gross Margin



Segment EBITDA Margin

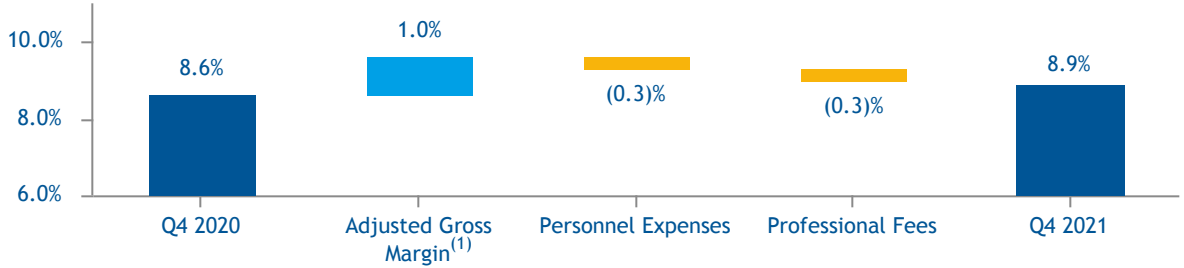


Europe - Q4 2021 Results

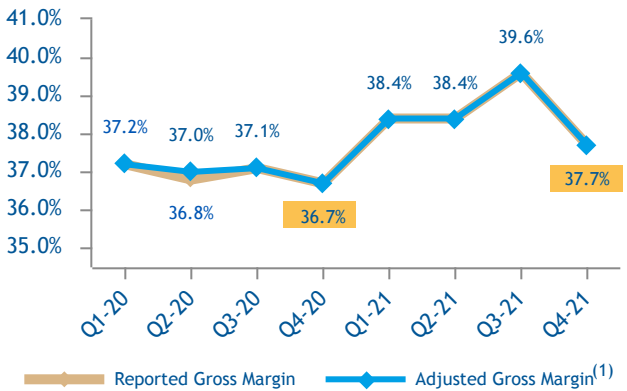
($ in millions)	2021	2020	Change F/(U)	% of Revenue 2021	% of Revenue 2020
Total Revenue	$1,497	$1,433	4.4%		
Gross Margin	$565	$527	7.2%	37.7%	36.7%
Adjusted Gross Margin[1]	$565	$527	7.3%	37.7%	36.7%
Operating Expenses	$435	$408	(6.6)%	29.1%	28.5%
Other Income, net	$1	$2			
Segment EBITDA[2]	$134	$124	8.0%	8.9%	8.6%
Transformation Expenses[3]	$5	$9			
Segment EBITDA[2] excluding Transformation Expenses[3]	$139	$132	4.8%	9.3%	9.2%

(2) Segment EBITDA for each 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 segment.
(3) 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 the ongoing ERP implementation). These expenses are recorded in selling, general and administrative expenses.

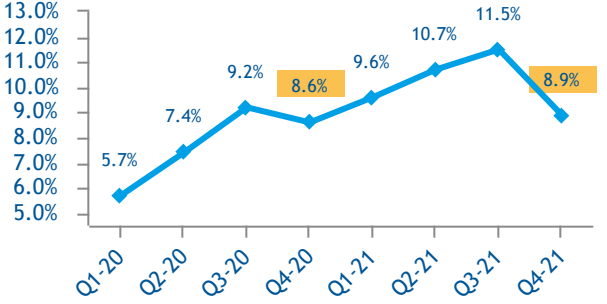
Europe Segment EBITDA Margin Bridge



Gross Margin



Segment EBITDA Margin



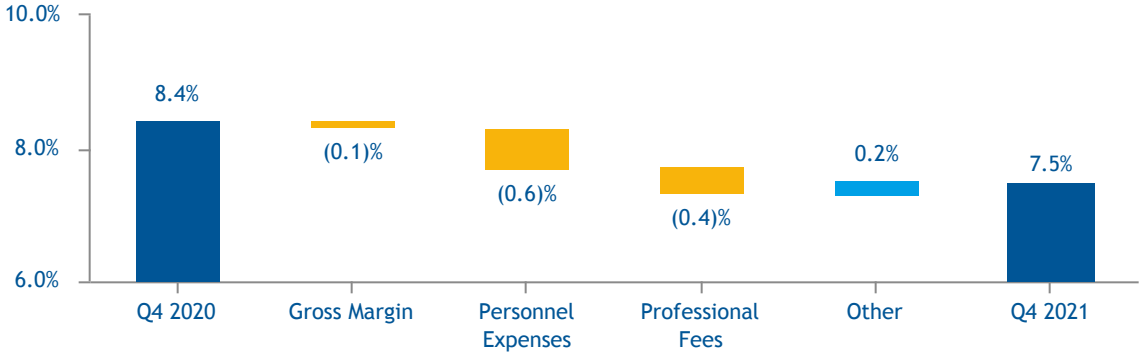
Note: In the table and Segment EBITDA Margin Bridge above, the sum of the individual percentages may not equal the total due to rounding
(1) Adjusted Gross Margin is a non-GAAP measure. Refer to Appendix 7 for Reconciliation of Gross Margin to Adjusted Gross Margin

Specialty - Q4 2021 Results

($ in millions)	2021	2020	Change F/(U)	% of Revenue 2021	% of Revenue 2020
Total Revenue	$410	$355	15.5%		
Gross Margin	$111	$97	15.1%	27.1%	27.2%
Operating Expenses	$82	$68	(20.8)%	19.9%	19.1%
Segment EBITDA[(1)]	$31	$30	2.5%	7.5%	8.4%

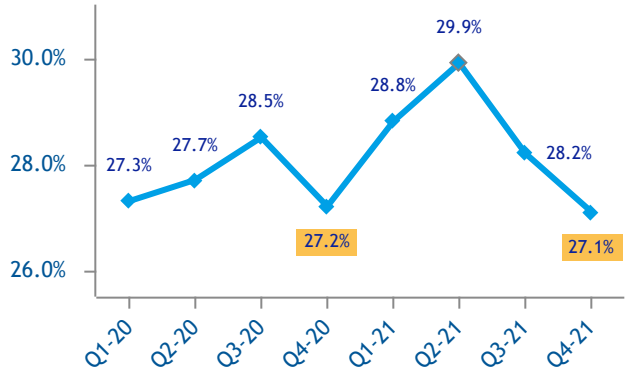
(1) Segment EBITDA for each segment is a GAAP measure, while total Segment EBITDA is a non-GAAP measure. Refer to Appendix 3 for total Segment EBITDA reconciliation and Appendix 2 for the breakout of Segment EBITDA for each segment.

Specialty Segment EBITDA Margin Bridge

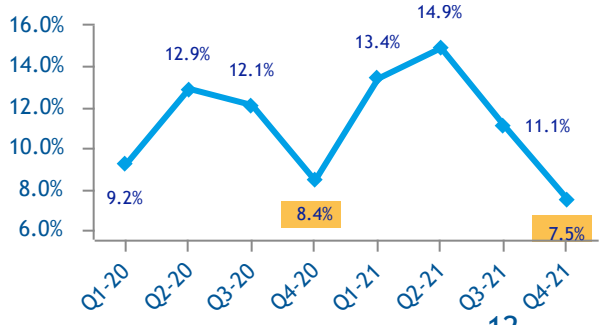


Note: In the table and Segment EBITDA Margin Bridge above, the sum of the individual percentages may not equal the total due to rounding

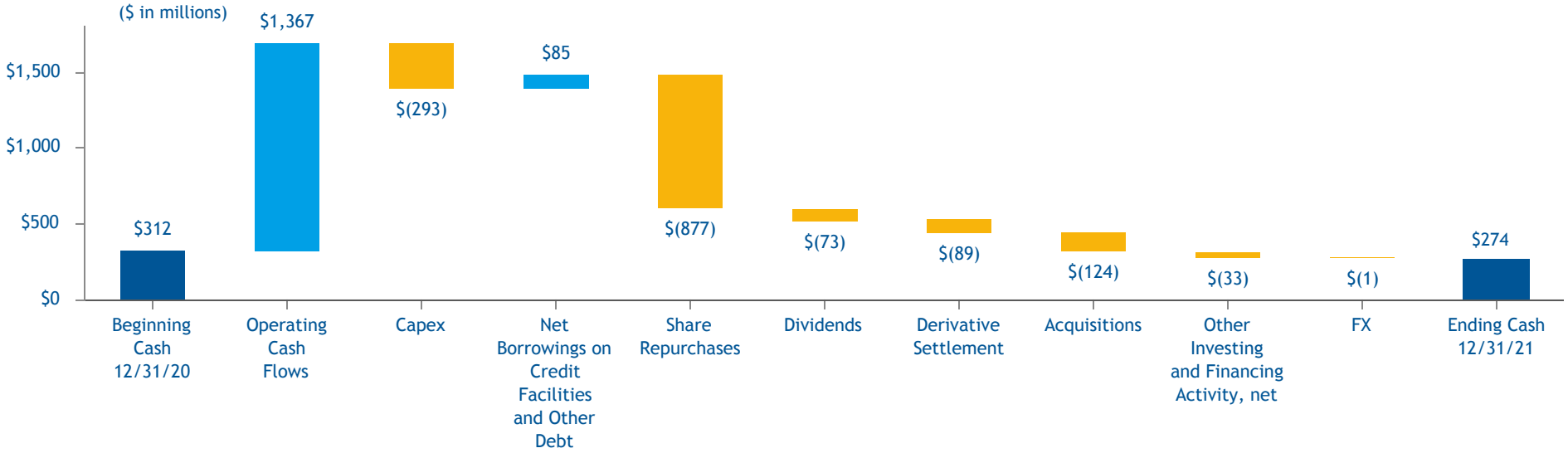
Gross Margin



Segment EBITDA Margin

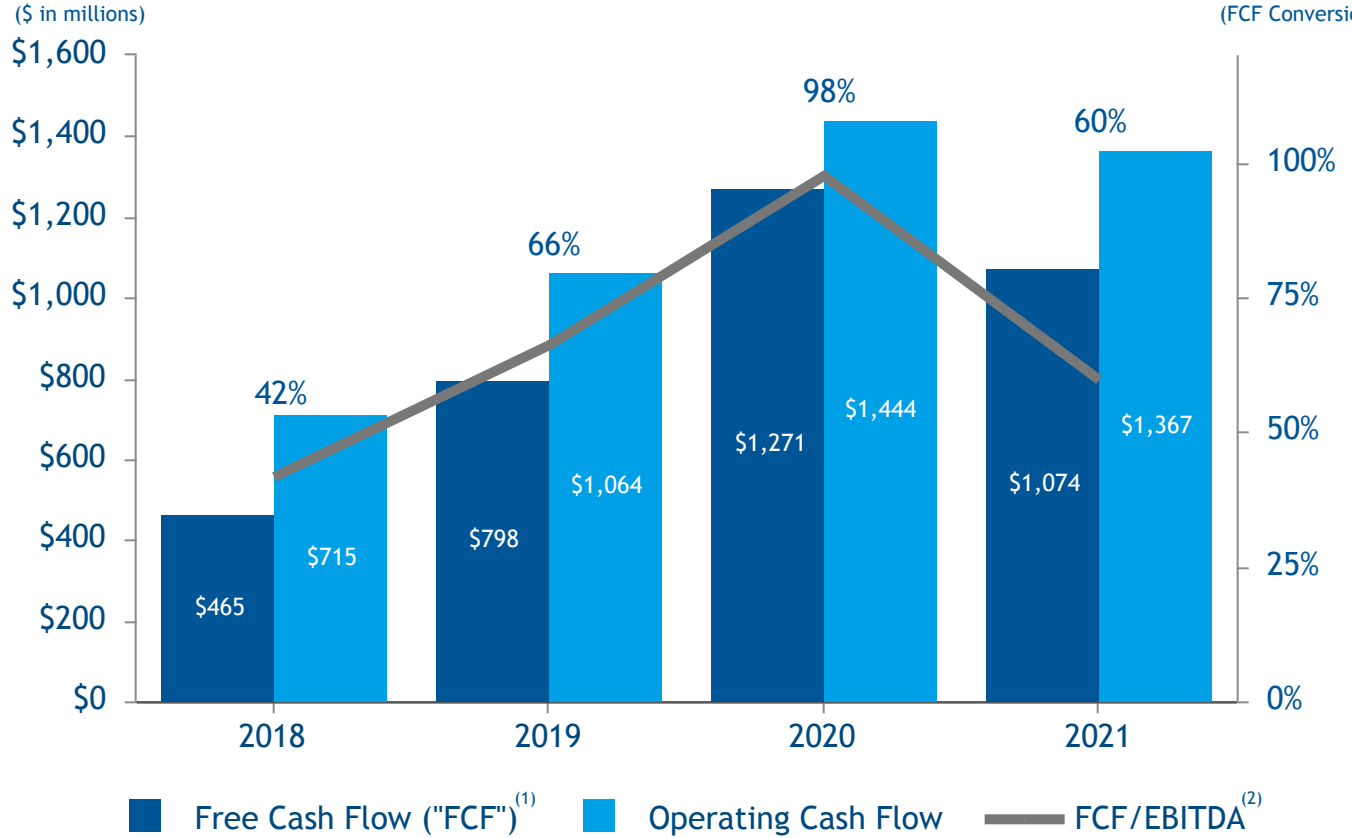


2021 Capital Allocation



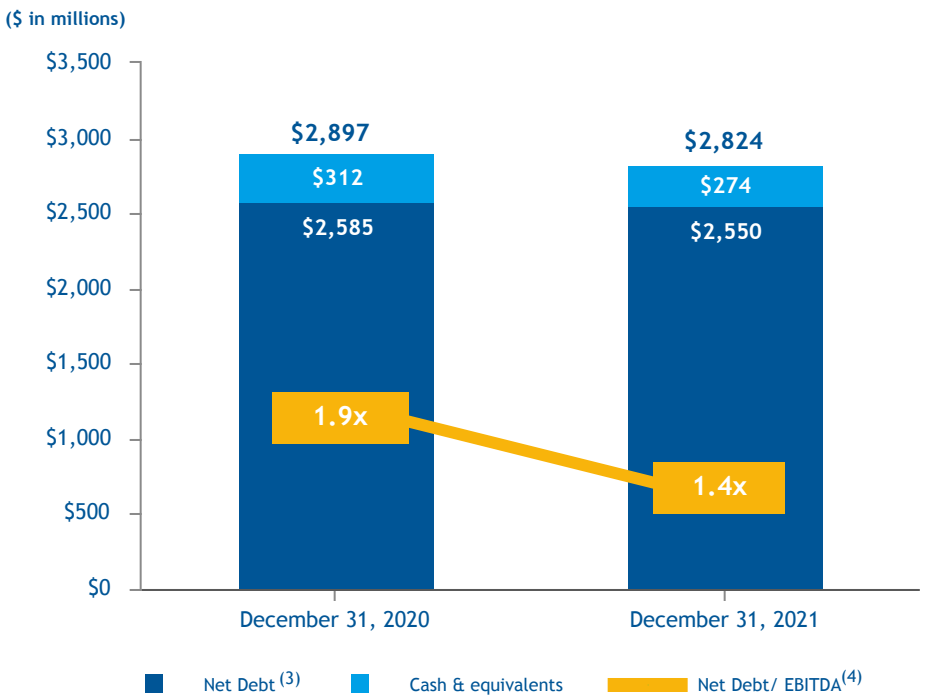
- Operating cash flows:
  - Operating cash flows of $1.4 billion represent a 5%, or $77 million, decrease year-over-year as a result of additional investments into inventory as demand recovers from the impact of the pandemic, offset partially by higher operating income and cash inflows from accounts payable
- Investing cash flows:
  - Capex of $293 million vs. $173 million in 2020; up 70% year-over-year driven by moderated capital spending in the prior year, restarting projects in 2021 delayed during the pandemic and strategic real estate investments in Q4 2021
  - Completed seven tuck-in business acquisitions to expand our product and service offerings and add critical capabilities
- Financing cash flows:
  - $89 million to settle foreign currency forward contracts, including a cross currency swap in Q2 2021
  - $73 million paid for our inaugural quarterly cash dividend in Q4 2021

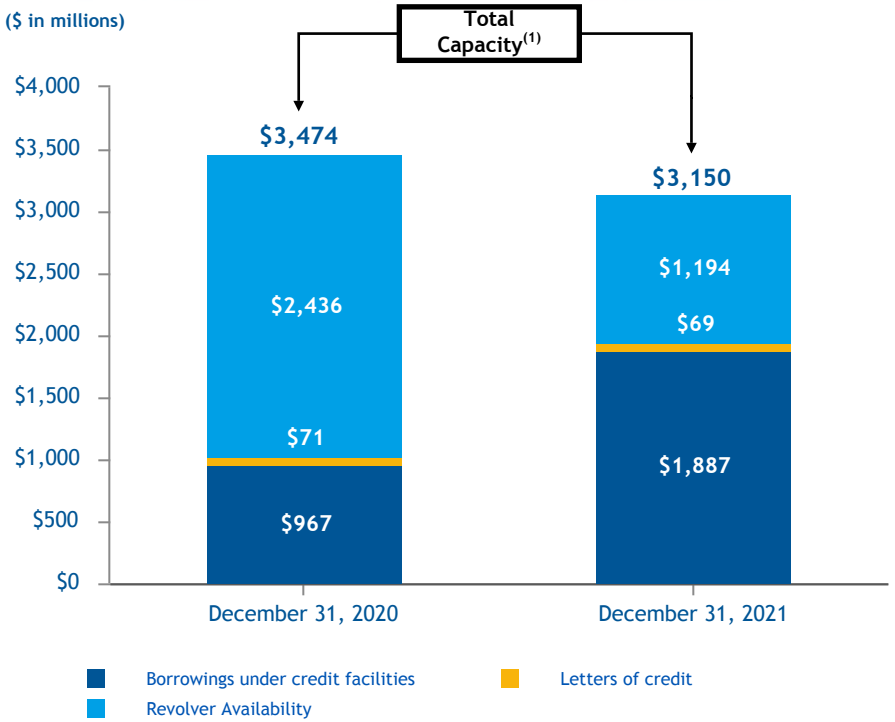
Operating Cash Flow and Free Cash Flow[1]



Note: FCF amounts only include FCF generated by continuing operations
(1) Free Cash Flow is a non-GAAP measure. Refer to Appendix 6 for Free Cash Flow reconciliation
(2) EBITDA is a non-GAAP measure. Refer to Appendix 3 for EBITDA reconciliation

Leverage & Liquidity

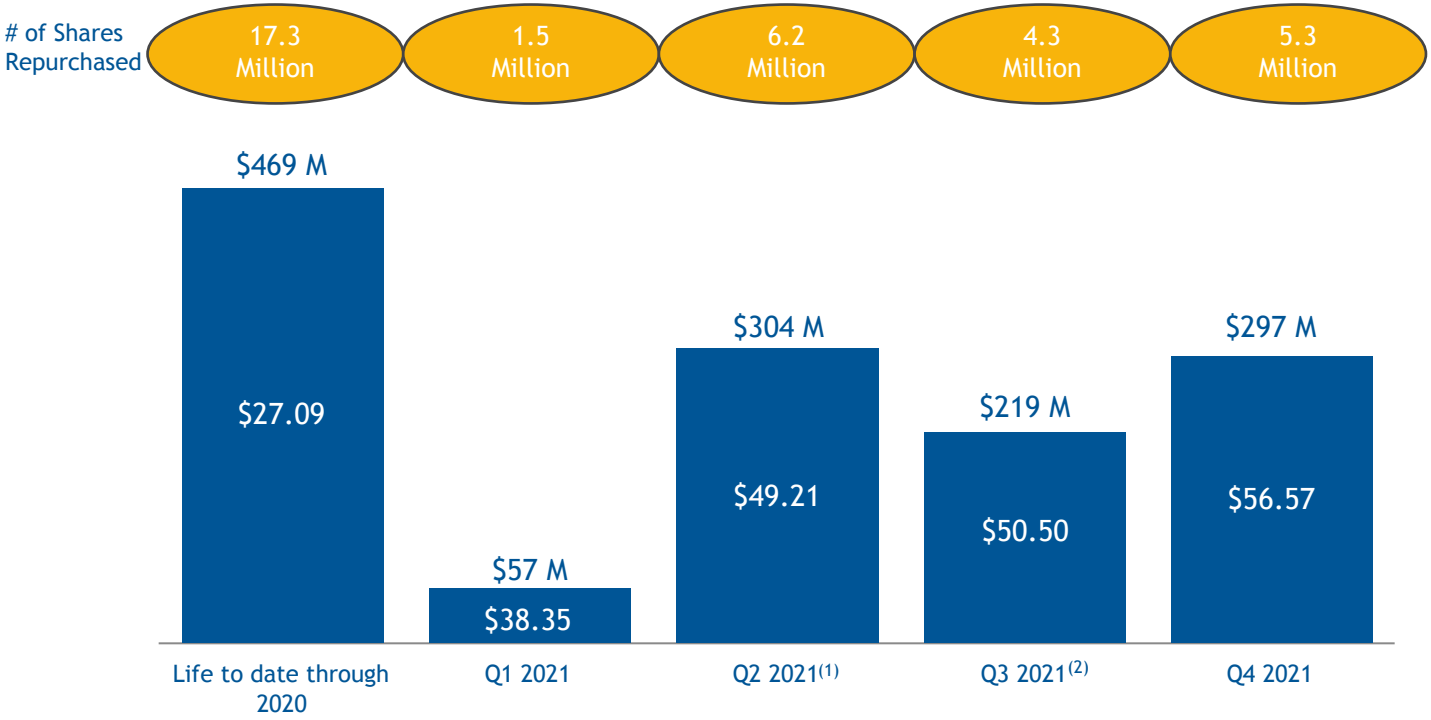




Effective borrowing rate for Q4 2021 was 2.4% (2)

(1) Total capacity includes our term loan (repaid in full during Q2 2021) and revolving credit facilities
(2) Approximately 31% of our borrowings at December 31, 2021 are at a fixed interest rate
(3) Net debt is a non-GAAP financial measure. Refer to Appendix 8 for Net Debt reconciliation
(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

Share Repurchase Program



Invested $877 million acquiring 17.2 million shares; $654 million of capacity remaining on our $2 billion share repurchase program through October 25, 2024

(1) Includes shares traded in June 2021 with a settlement date in July 2021
(2) Includes shares traded in September 2021 with a settlement date in October 2021

Expanding Global ESG Programs

SOCIAL



Focused on employee health & safety

- Specialty received Department of Transportation Pre-Pass Designation for their high safety scores and positive inspection history
- Expanded Core Behavioral Health program

Strive for work life balance

- Parental Leave Benefit-eligible employees receive up to 6 weeks of paid leave for primary caregivers
- ECP launched new flexible and family-friendly working policies

Giving back

- Launched LKQ Cares Holiday Vote which allowed employees to have a voice in LKQ's donation beneficiaries
- LKQ Community Foundation donated funds to support the communities impacted by the catastrophic tornados in the U.S.

Recognized as a 5-Star Employer by employee engagement platform WorkBuzz

North America 401K Retirement Plan Profit Sharing Contribution

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 4 years

Inaugural Sustainability report published in 2021

- Aligned to SASB framework

ENVIRONMENTAL



Global Leader in Automotive Recycling

- Our salvage operations recycle more than 90% of materials from total loss & end-of-life vehicles
- Specialty segment converted their annual 1,000 page catalog to digital format
- Continue strategic real estate acquisitions to expand our salvage capabilities providing for the opportunity to process more total loss & end-of-life vehicles
- Fource NDC received BREEAM 'Excellent' certification on sustainability
- Europe segment continues to test & expand use of EV delivery vehicles

Our North American Recycling Achievements 2021

Number of vehicles procured	780,000
Anti-freeze/ Washer fluid (gallons)	343,000
Catalytic converters	1,461,000
Fuel (gallons)	3,900,000
Tires	2,051,000
Tons of crush auto/scrap	1,100,000
Batteries	740,000
Waste oil (gallons)	2,247,000
Total number of individual parts sold	13,800,000

Outlook 2022

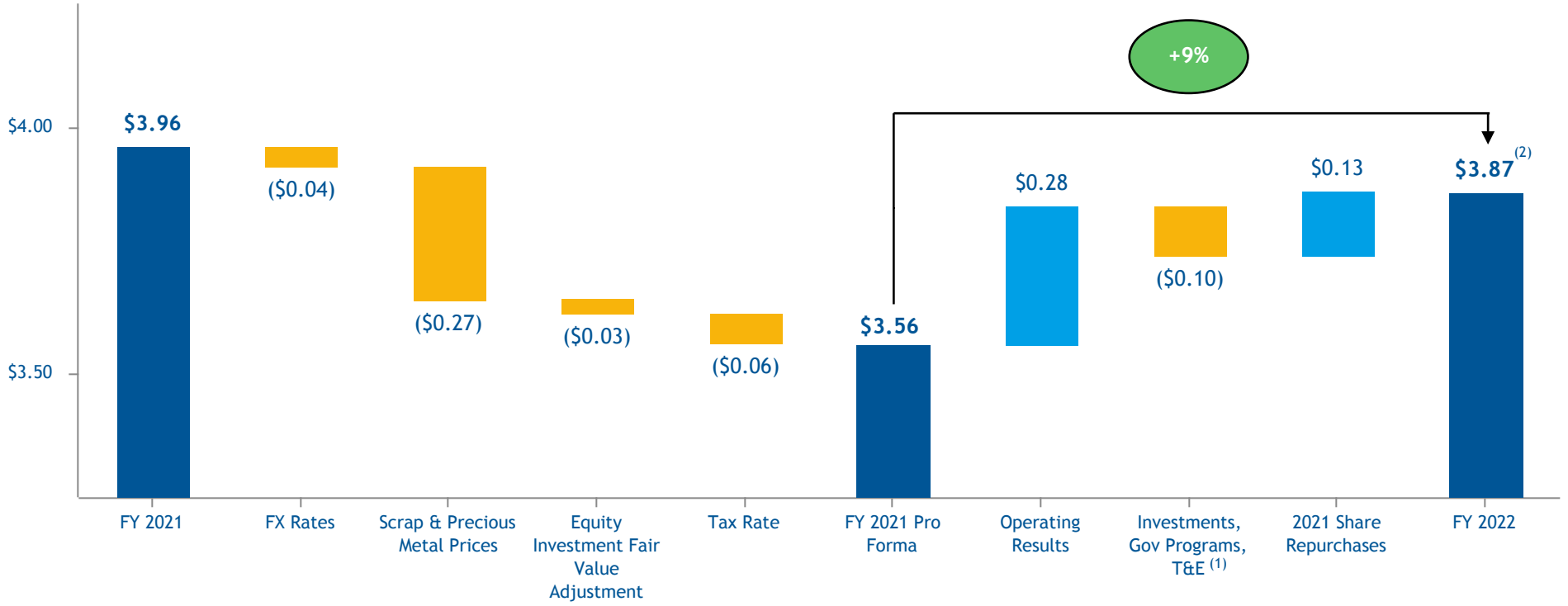
(effective only on the date issued: February 17, 2022)

2022 outlook[(1)]:

- Organic parts and services revenue growth in the range of 3.0% to 5.0%
- Diluted EPS attributable to LKQ stockholders[(2)] in the range of $3.50 to $3.80
- Adjusted diluted EPS attributable to LKQ stockholders[(2)(3)] in the range of $3.72 to $4.02
- Operating cash flow of $1.3 billion, and free cash flow[(4)] at a minimum of $1 billion; targeting free cash flow conversion of EBITDA[(5)] at 55% to 60%

(1) Our outlook for the full year 2022 is based on current conditions and recent trends, and it assumes current U.S. federal tax 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 decrease from recent levels. 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 2022 includes a global effective tax rate of 25.1%. LKQ has no obligation to update this outlook.
(2) All actual and outlook figures are for continuing operations with the exception of Free Cash Flow.
(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
(5) EBITDA is a non-GAAP measure. Refer to Appendix 3 for EBITDA reconciliation

2022 Adjusted EPS Guidance Walk



Significant market headwinds related to commodities, inflation and FX create challenging Y/Y comparison largely mitigated by operational improvements and strategic capital deployment

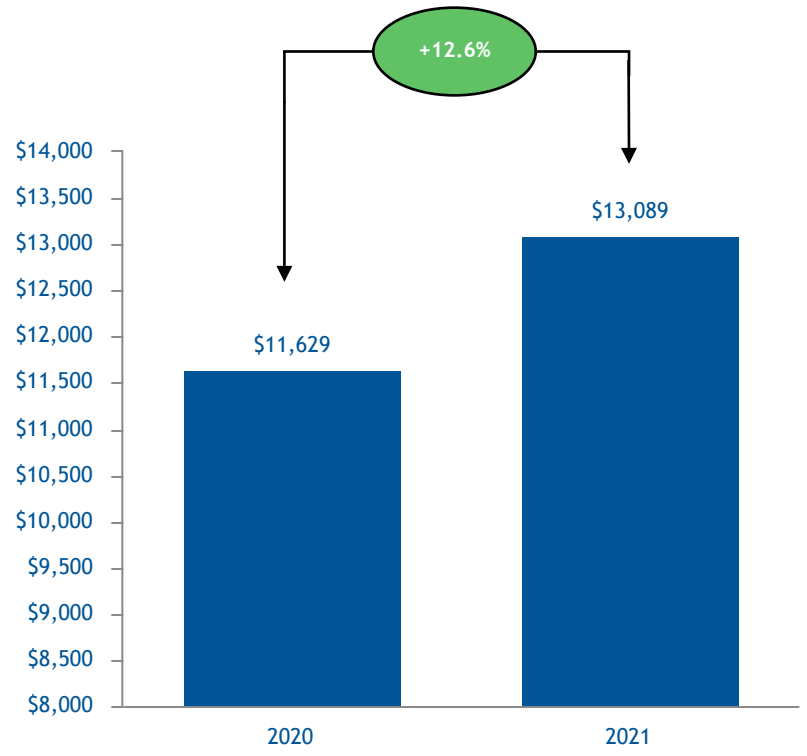
(1) Investments represent equity in earnings of unconsolidated subsidiaries
(2) The amount represents the midpoint of our guidance range



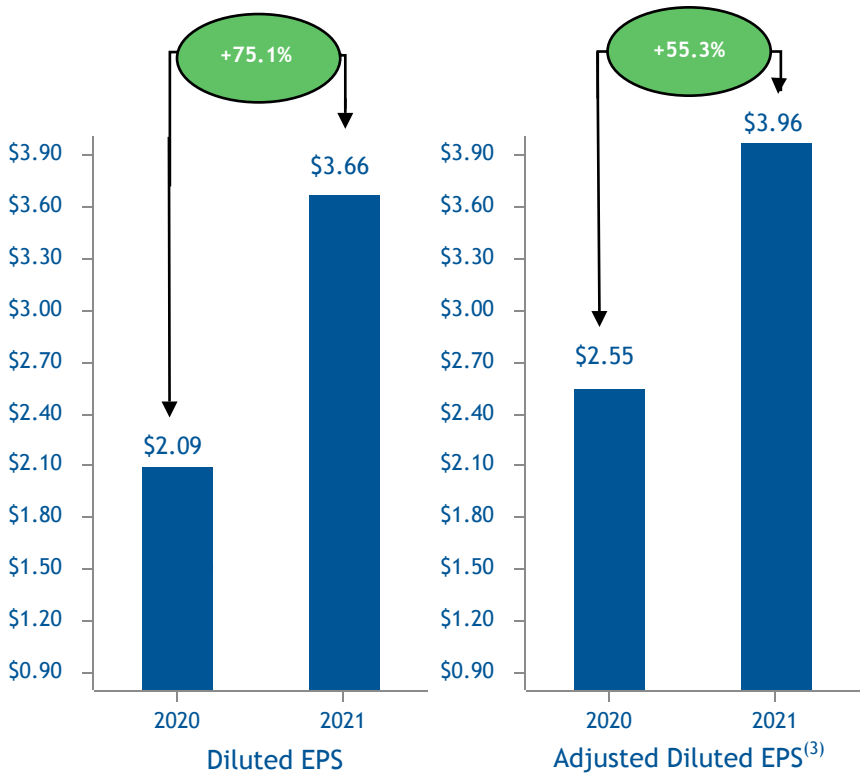
2021 Results and Supplementary Information

Consolidated Results 2021

Revenue[1]



EPS[2]



(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

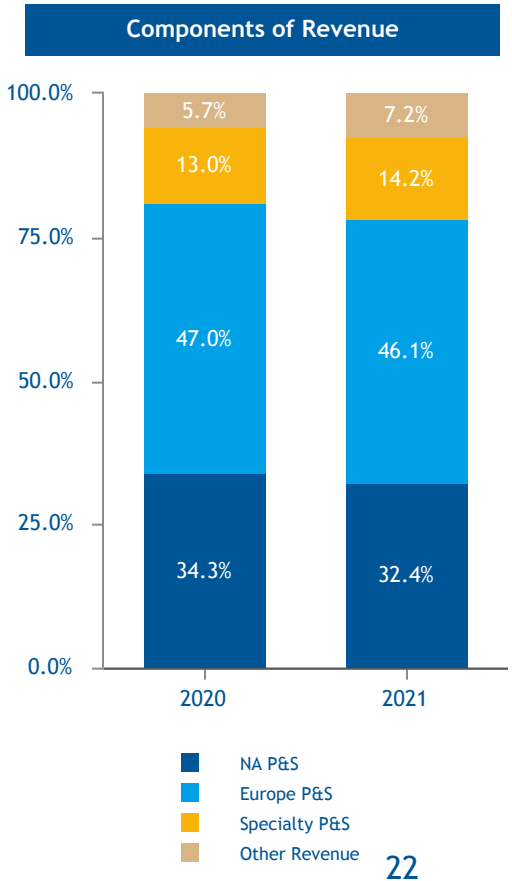
2021 Revenue

Revenue Changes by Source:

	Organic	Acquisition and Divestiture	Foreign Exchange	Total[1]
North America	5.6%	0.4%	0.4%	6.4%
Europe	6.2%	(0.4)%	4.6%	10.3%
Specialty	20.2%	3.0%	0.6%	23.8%
Parts and Services	7.9%	0.3%	2.5%	10.7%
Other Revenue	42.3%	0.0%	0.2%	42.5%
Total	9.8%	0.3%	2.4%	12.6%

- Organic revenue for parts and services increased 7.9% (8.3% on a per day basis) largely due to the annualization of the initial COVID-19 impact in 2020
- North America organic revenue for parts and services increased 5.6% (6.4% on a per day basis); primarily driven by pricing and growth from recycled and remanufactured major mechanical parts and aftermarket automotive glass products; while mobility statistics have improved relative to 2020, aftermarket collision parts revenue was roughly flat year-over-year due to the availability constraints of parts caused by 2021 supply chain issues
- Europe organic revenue for parts and services increased 6.2%; while most of our businesses reported year-over-year growth, CEE, the U.K. and Benelux reported the largest incremental increases over the past year
- Favorable F/X impact on European parts and services revenue of $250 million; Europe constant currency parts and services revenue increased 5.7%[2]
- Specialty organic revenue for parts and services increased 20.2% (21.1% on a per day basis) driven by strong demand for our products across all channels of our business
- Other organic revenue increased 42.3% as scrap steel prices and precious metals prices increased compared to the prior year (see price trend on page 28)

(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



Operating Results

($ in millions, except per share data)	Fiscal Year 2021	Fiscal Year 2020	Change F/(U)
Revenue	$13,089	$11,629	12.6%
Gross Margin	5,322	4,593	15.9%
Operating Expenses	3,568	3,266	(9.2)%
Operating Income	1,474	986	49.6%
Pre-tax Income	1,399	885	58.1%
Net income from continuing operations attributable to LKQ stockholders	1,090	639	70.7%
Segment EBITDA[(1)]	1,785	1,369	30.4%
Segment EBITDA Margin[(1)]	13.6%	11.8%	180 bps
Diluted EPS from continuing operations attributable to LKQ stockholders:			
Reported	$3.66	$2.09	75.1%
Adjusted[(2)]	$3.96	$2.55	55.3%

- Effective income tax rate for the year ended December 31, 2021 was 23.6% compared to 28.2% for the year ended December 31, 2020. The 2021 rate included discrete benefits related to the reversal of valuation allowances in Europe and true-ups related to our tax filings, which combined to reduce the reported rate by approximately 150 basis points. In addition, our 2021 base rate improved primarily due to increased profitability in our international operations.

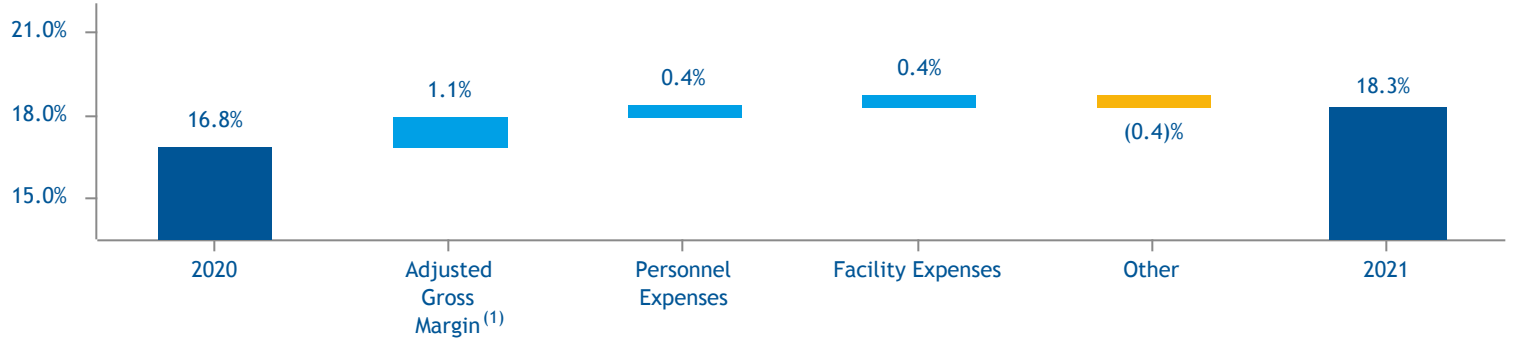
(1) Segment EBITDA is a non-GAAP measure. Refer to Appendix 3 for Segment EBITDA reconciliation
(2) Adjusted Diluted EPS is a non-GAAP measure. Refer to Appendix 4 for Adjusted Diluted EPS reconciliation

North America - 2021 Results

($ in millions)	2021	2020	Change F/(U)	% of Revenue 2021	% of Revenue 2020
Total Revenue	$5,165	$4,632	11.5%		
Gross Margin	$2,452	$2,146	14.3%	47.5%	46.3%
Adjusted Gross Margin[(1)]	$2,452	$2,151	14.0%	47.5%	46.4%
Operating Expenses	$1,519	$1,392	(9.1)%	29.4%	30.1%
Other Income, net	$6	$15			
Segment EBITDA[(2)]	$944	$779	21.3%	18.3%	16.8%

(2) Segment EBITDA for each 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 segment.

North America Segment EBITDA Margin Bridge



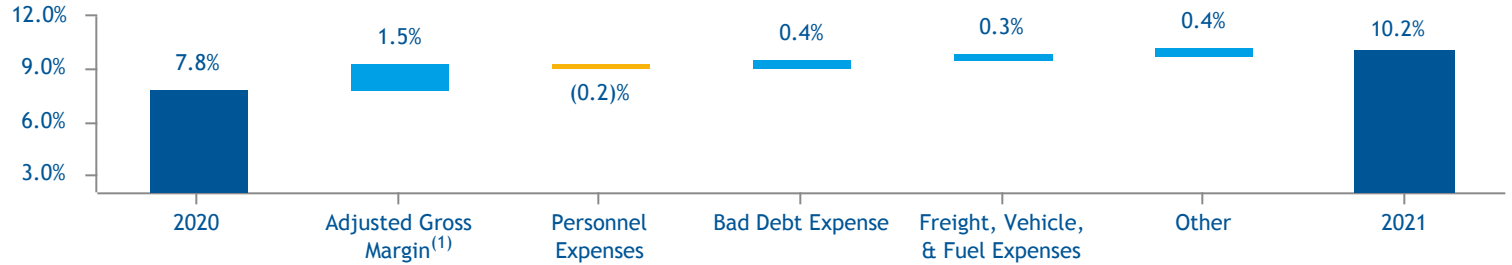
Note: In the table and Segment EBITDA Margin Bridge above, the sum of the individual percentages may not equal the total due to rounding
(1) Adjusted Gross Margin is a non-GAAP measure. Refer to Appendix 7 for Reconciliation of Gross Margin to Adjusted Gross Margin. Reported Gross Margin % increase of 1.2% was benefited by 0.1% for the impact of COGS related restructuring expenses which are excluded from the bridge above

Europe - 2021 Results

($ in millions)	2021	2020	Change F/(U)	% of Revenue 2021	% of Revenue 2020
Total Revenue	$6,062	$5,492	10.4%		
Gross Margin	$2,336	$2,029	15.1%	38.5%	36.9%
Adjusted Gross Margin[1]	$2,336	$2,032	15.0%	38.5%	37.0%
Operating Expenses	$1,733	$1,615	(7.3)%	28.6%	29.4%
Other Income (Expense), net	$2	$(2)			
Segment EBITDA[2]	$618	$428	44.5%	10.2%	7.8%
Transformation Expenses[3]	$14	$22			
Segment EBITDA[2] excluding Transformation Expenses[3]	$632	$450	40.5%	10.4%	8.2%

(2) Segment EBITDA for each 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 segment.
(3) 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.

Europe Segment EBITDA Margin Bridge



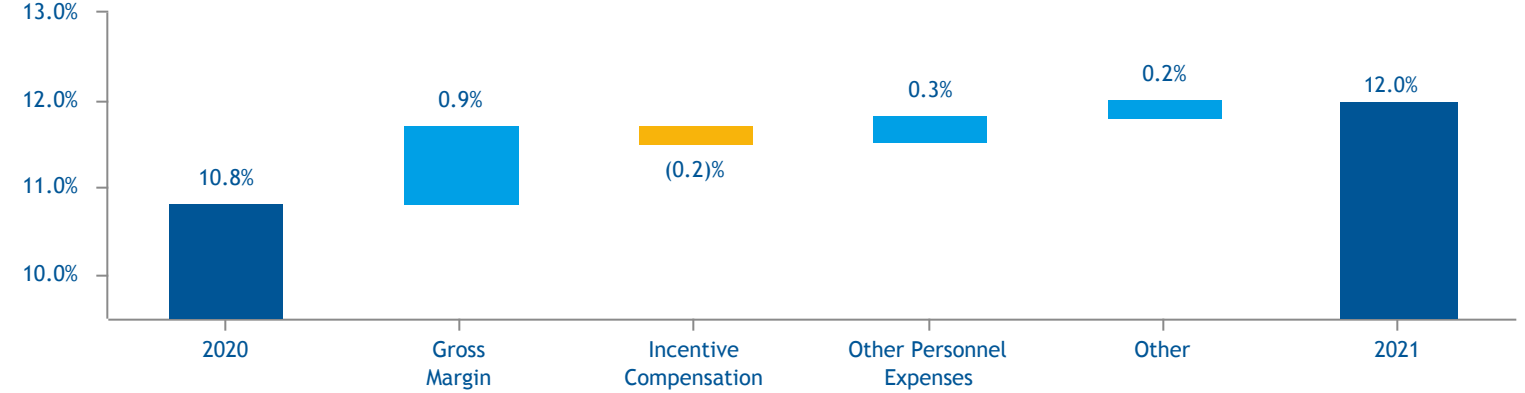
Note: In the table and Segment EBITDA Margin Bridge above, the sum of the individual percentages may not equal the total due to rounding
(1) Adjusted Gross Margin is a non-GAAP measure. Refer to Appendix 7 for Reconciliation of Gross Margin to Adjusted Gross Margin. Reported Gross Margin % increase of 1.6% was benefited by 0.1% for the impact of COGS related restructuring expenses which are excluded from the bridge above

Specialty - 2021 Results

($ in millions)	2021	2020	Change F/(U)	% of Revenue 2021	% of Revenue 2020
Total Revenue	$1,867	$1,509	23.7%		
Gross Margin	$534	$418	27.8%	28.6%	27.7%
Operating Expenses	$315	$259	(21.8)%	16.9%	17.1%
Segment EBITDA[(1)]	$223	$163	37.2%	12.0%	10.8%

(1) Segment EBITDA for each 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 segment.

Specialty Segment EBITDA Margin Bridge



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

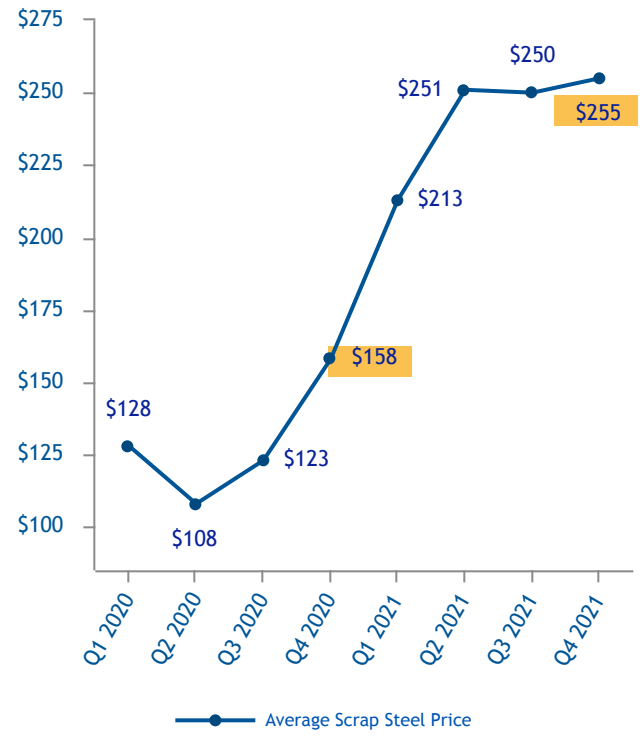
Liquidity as of December 31, 2021

Credit Rating	• Rated Ba1 / BB+ by Moody's and S&P, respectively, and S&P upgraded to 'positive outlook' on August 5, 2021 • Rated BBB- (investment grade) by Fitch (initiated in May 2021)
Debt Structure	• Fixed Interest Rate Bonds: €750 million ($853 million) in aggregate due in 2024 and 2028 • Variable Interest Rate Credit Facility Borrowings: $1.9 billion • Other Debt (capital leases, local lines of credit): $84 million
Maturities	• Current maturities: $35 million; No significant maturities until January 2024
Financial Covenants[1]	• Credit Facility maximum leverage ratio covenant: 4.0x o Net debt to EBITDA as of December 31, 2021: 1.4x • Credit Facility minimum interest expense coverage ratio: 3.0x o EBITDA to interest expense as of December 31, 2021: 28.2x • Euro Notes do not include financial maintenance covenants
Liquidity	• Cash on balance sheet of $274 million • $3.15 billion revolving credit facility: $1.2 billion available • Total Available Liquidity: $1.5 billion
Cash Flows	• 2021 operating cash flow of $1.4 billion; 2021 free cash flow[2] of $1.1 billion

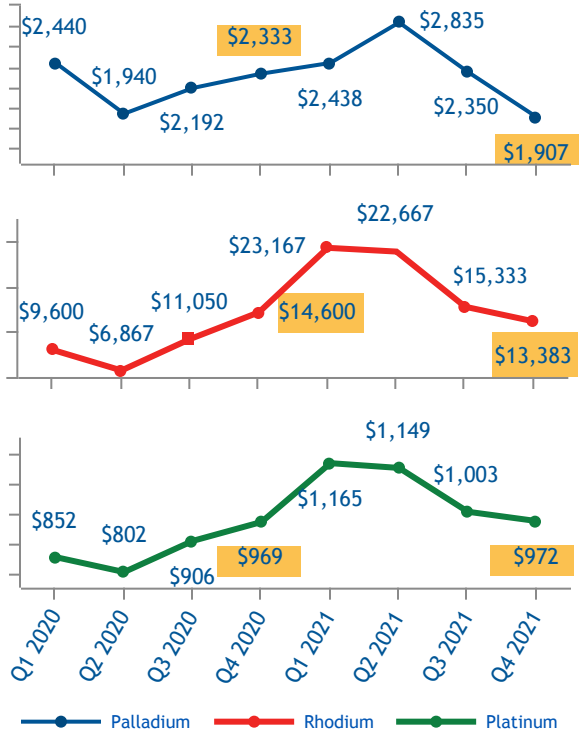
(1) See the definition of Net Debt, interest expense and EBITDA in the credit agreement filed with the SEC for further details
(2) Free Cash Flow is a non-GAAP measure. Refer to Appendix 6 for Free Cash Flow reconciliation

Metals Prices

Q4 scrap steel prices increased YoY and were flat QoQ

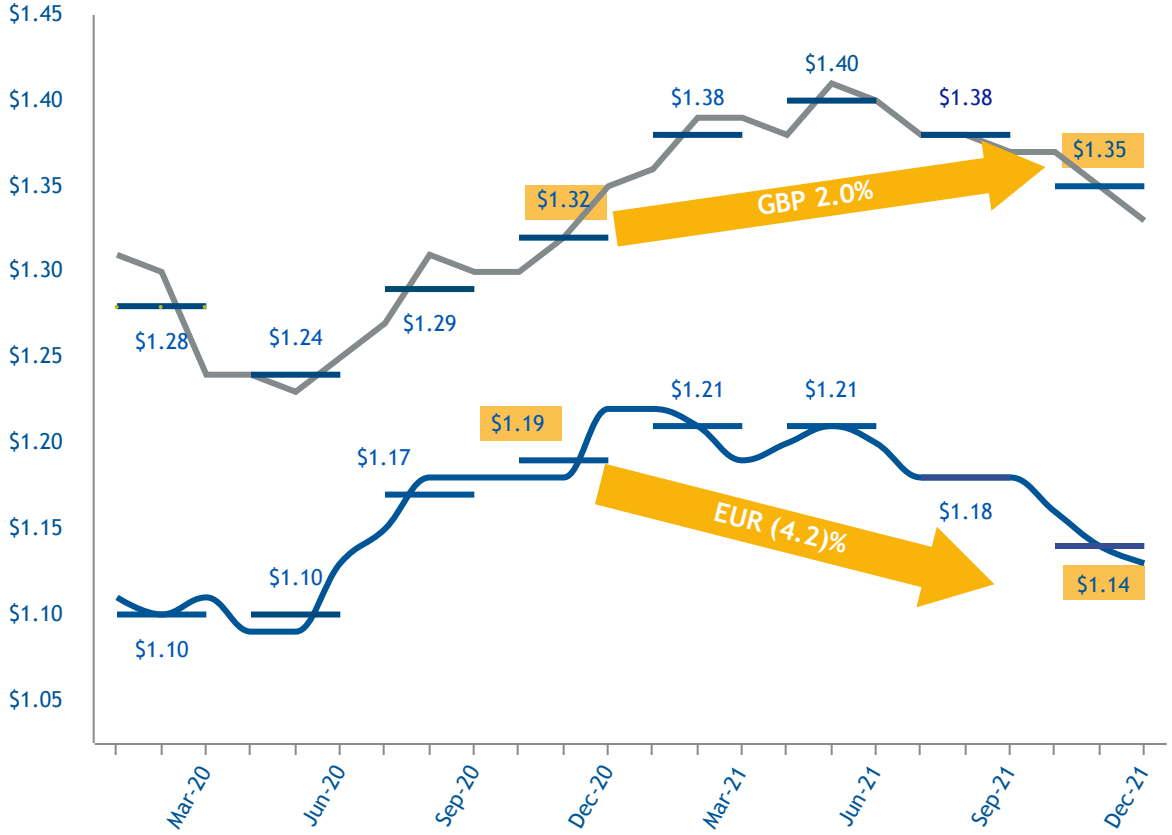


Q4 precious metal prices declined YoY and QoQ



- Average price for scrap steel increased from $158 per ton in Q4 2020 to $255 per ton in Q4 2021
- Sequential changes in scrap steel prices impacted Segment EBITDA:
  - Q4 2021 favorable by $4 million
  - Q4 2020 favorable by $11 million
  - 2021 favorable by $42 million
  - 2020 favorable by $16 million
- Q4 average Rhodium and Palladium prices decreased 8% and 18%, respectively, while average Platinum prices increased modestly
- Estimated YoY detriment to North America Segment EBITDA from precious metals of $10M in Q4 and benefit of $60M in 2021
- Estimated detriment to North America Segment EBITDA margin of approximately 170 bps in Q4 and benefit of 100 bps in 2021 from YoY scrap steel and precious metals prices

Foreign Exchange



- £ up 2.0% Q4 2021 vs Q4 2020
- € down 4.2% Q4 2021 vs Q4 2020
- $26 million unfavorable impact of weaker Q4 2021 rates relative to the US dollar on Europe parts and services revenue growth
- Foreign exchange (translation and transaction gains/losses) impact:
  - Q4 2021 EPS benefit of $0.01 and insignificant benefit to Adjusted EPS
  - 2021 EPS benefit of $0.03; Adjusted EPS benefit of $0.04

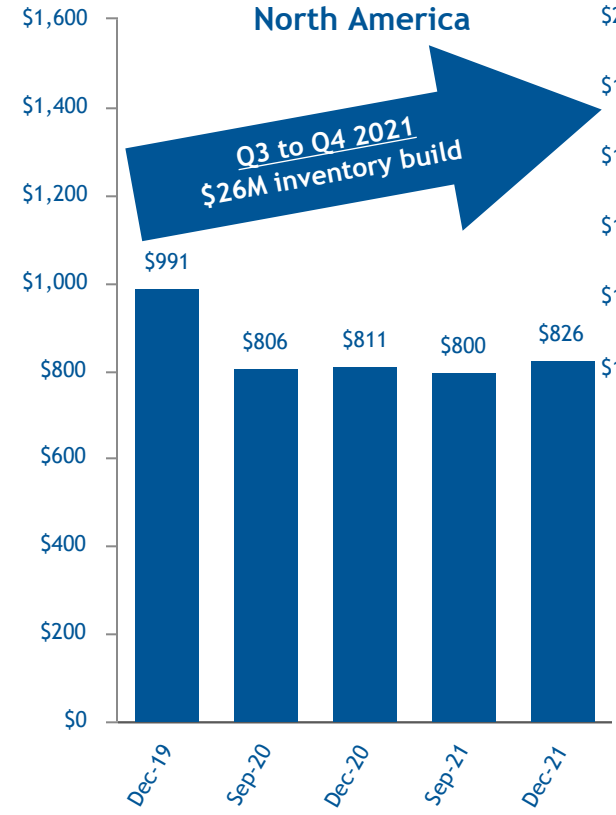
Inventory

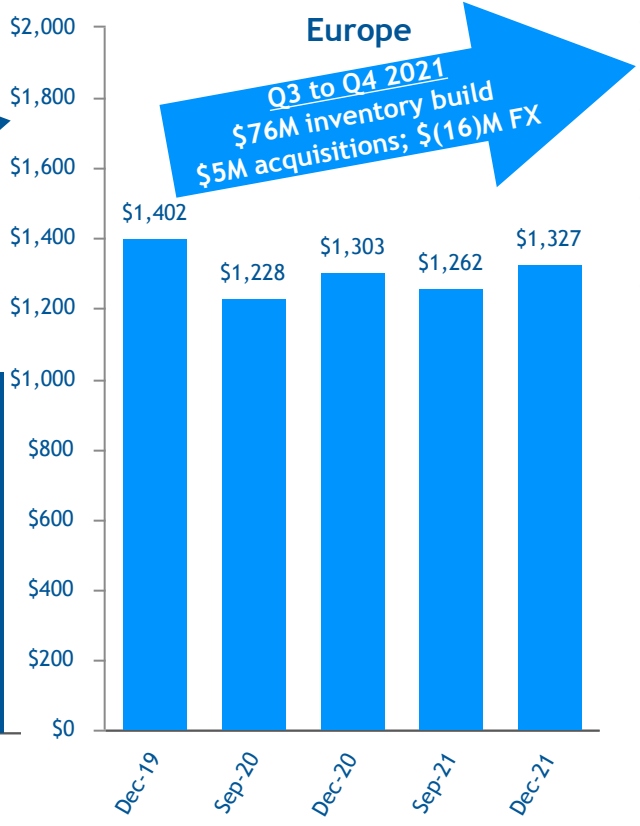
Inventory Procurement:	Q4			Fiscal Year		
($ in millions, Vehicles purchased in 000s)	2021	2020	% Change	2021	2020	% Change
Total aftermarket procurement	$1,623	$1,662	(2.3)%	$6,388	$5,593	14.2%
Wholesale salvage cars and trucks	65	65	—%	239	230	3.9%
Europe wholesale salvage cars and trucks	7	6	16.7%	26	24	8.3%
Self service and "crush only" cars	128	140	(8.6)%	542	574	(5.6)%

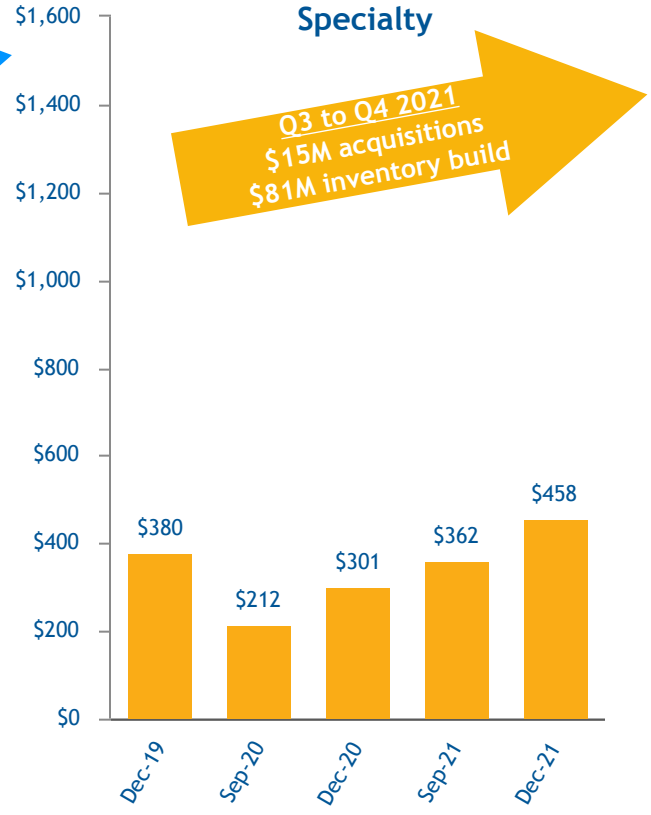
- Net increase in aftermarket purchases in all three segments due to the focus on aligning inventory to demand forecast in the prior year to combat the initial impact of the pandemic
    - Purchases in North America and Europe were lower than projected owing to ocean freight driven delays in shipments
- Wholesale salvage purchases increased relative to the prior year primarily due to the focus on aligning inventory to demand forecast in the prior year to combat the initial impact of the pandemic
- Average cost per vehicle in our wholesale salvage operations increased 17% YoY; competitive auction environment and increases in crushed steel prices and precious metals
- Cost per vehicle in our self service operations increased 45% YoY primarily due to increases in scrap steel and precious metals prices as well as heightened competition for buying cars

Inventory Balances

($ in millions)







Built inventory in Q4 2021 to improve fill rates and service levels going into 2022

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 December 31, 2021		Year Ended December 31, 2021	
	Consolidated	Europe	Consolidated	Europe
Parts & Services				
Revenue growth as reported	7.5%	4.3%	10.7%	10.3%
Less: Currency impact	(0.8)%	(1.8)%	2.5%	4.6%
Revenue growth at constant currency	8.3%	6.1%	8.2%	5.7%

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 December 31[1] 2021	% of revenue	2020	% of revenue	Year Ended December 31[1] 2021	% of revenue	2020	% of revenue
Revenue								
North America	$1,280		$1,167		$5,165		$4,632	
Europe	1,497		1,433		6,062		5,492	
Specialty	410		355		1,867		1,509	
Eliminations	(1)		(1)		(6)		(5)	
Total Revenue	$3,186		$2,954		$13,089		$11,629	
Segment EBITDA								
North America	$194	15.1%	$213	18.2%	$944	18.3%	$779	16.8%
Europe	134	8.9%	124	8.6%	618	10.2%	428	7.8%
Specialty	31	7.5%	30	8.4%	223	12.0%	163	10.8%
Total Segment EBITDA	$358	11.2%	$366	12.4%	$1,785	13.6%	$1,369	11.8%

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 fair value 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 December 31[1]		Year Ended December 31[1]	
	2021	2020	2021	2020
Net income	$237	$182	$1,092	$640
Subtract:				
Net income attributable to continuing noncontrolling interest	0	1	1	2
Net income attributable to discontinued noncontrolling interest	—	—	—	0
Net income attributable to LKQ stockholders	$236	$181	$1,091	$638
Subtract:				
Net income (loss) from discontinued operations	1	1	1	(0)
Net income attributable to discontinued noncontrolling interest	—	—	—	(0)
Net income from continuing operations attributable to LKQ stockholders	$236	$180	$1,090	$639
Add:				
Depreciation and amortization	65	72	260	272
Depreciation and amortization - cost of goods sold	6	6	23	22
Depreciation and amortization - restructuring expenses [2]	0	1	1	6
Interest expense, net of interest income	15	25	70	102
Loss on debt extinguishment	—	—	24	13
Provision for income taxes	41	69	331	249
EBITDA	$362	$353	$1,799	$1,302
Subtract:				
Equity in earnings of unconsolidated subsidiaries	6	3	23	5
Equity investment fair value adjustments	3	—	11	—
Add:				
Restructuring and acquisition related expenses [2]	5	13	19	61
Restructuring expenses - cost of goods sold	0	1	0	7
(Gain) loss on disposal of businesses and impairment of net assets held for sale	(0)	1	0	3
Change in fair value of contingent consideration liabilities	(0)	1	1	1
Segment EBITDA	$358	$366	$1,785	$1,369
Net income from continuing operations attributable to LKQ stockholders as a percentage of revenue	7.4%	6.1%	8.3%	5.5%
EBITDA as a percentage of revenue	11.4%	12.0%	13.7%	11.2%
Segment EBITDA as a percentage of revenue	11.2%	12.4%	13.6%	11.8%

(1) The sum of the individual components may not equal the total due to rounding
(2) The sum of these two captions represents the total amount that is reported in Restructuring and 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 fair value 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 December 31[1]		Year Ended December 31[1]	
	2021	2020	2021	2020
Net income	$237	$182	$1,092	$640
Subtract:				
Net income attributable to continuing noncontrolling interest	0	1	1	2
Net income attributable to discontinued noncontrolling interest	—	—	—	0
Net income attributable to LKQ stockholders	$236	$181	$1,091	$638
Subtract:				
Net income (loss) from discontinued operations	1	1	1	(0)
Net income attributable to discontinued noncontrolling interest	—	—	—	(0)
Net income from continuing operations attributable to LKQ stockholders	$236	$180	$1,090	$639
Adjustments - continuing operations attributable to LKQ stockholders:				
Amortization of acquired intangibles	19	25	78	98
Restructuring and acquisition related expenses	5	14	20	66
Restructuring expenses - cost of goods sold	0	1	0	7
Change in fair value of contingent consideration liabilities	(0)	1	1	1
Loss on debt extinguishment	—	—	24	13
(Gain) loss on disposal of businesses and impairment of net assets held for sale	(0)	1	0	3
Excess tax benefit from stock-based payments	(0)	(0)	(2)	(0)
Tax effect of adjustments	(5)	(11)	(31)	(49)
Adjusted net income from continuing operations attributable to LKQ stockholders	$254	$212	$1,180	$777
Weighted average diluted common shares outstanding	291	305	298	305
Diluted earnings per share from continuing operations attributable to LKQ stockholders:				
Reported	$0.81	$0.59	$3.66	$2.09
Adjusted	$0.87	$0.69	$3.96	$2.55

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

Appendix 4

Reconciliation of Net Income and EPS to Adjusted Net Income and Adjusted EPS 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[1]

(in millions, except per share data)	Forecasted Fiscal Year 2022 Minimum Outlook	Maximum Outlook
Net income from continuing operations attributable to LKQ stockholders	$1,008	$1,095
Adjustments:		
Amortization of acquired intangibles	65	65
Restructuring expenses	19	19
Tax effect of adjustments	(21)	(21)
Adjusted net income from continuing operations attributable to LKQ stockholders	$1,071	$1,158
Weighted average diluted common shares outstanding	288	288
Diluted EPS from continuing operations attributable to LKQ stockholders:		
U.S. GAAP	$3.50	$3.80
Non-GAAP (Adjusted)	$3.72	$4.02

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 net income from continuing operations attributable to LKQ stockholders, amortization of acquired intangibles for the full fiscal year 2022, restructuring expenses under previously announced plans, and the related tax effect; we did not estimate amounts for any other components of the calculation for the year ending December 31, 2022.

(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 December 31[1] 2021	2020	Year Ended December 31[1] 2021	2020
Net cash provided by operating activities	$5	$309	$1,367	$1,444
Less: purchases of property, plant and equipment	161	63	293	173
Free cash flow	$(156)	$246	$1,074	$1,271

(in millions)	Year Ended December 31 [1] 2019	2018
Operating Cash Flows	$1,064	$711
Less: Operating Cash Flows - Discontinued Operations	—	(4)
Operating Cash Flows from Continuing Operations	$1,064	$715
Continuing Capital Expenditures	266	250
Free Cash Flow from Continuing Operations	$798	$465

(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, pay dividends 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.

	Forecasted Fiscal Year 2022
(in millions)	**Minimum Outlook**
Net cash provided by operating activities	$1,300
Less: purchases of property, plant and equipment	300
Free cash flow	$1,000

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	Three Months Ended December 31[1]		Year Ended December 31[1]	
(in millions)	2021	2020	2021	2020
Gross margin	$1,270	$1,170	$5,322	$4,593
Add: Restructuring expenses - cost of goods sold	0	1	0	7
Adjusted gross margin	$1,270	$1,170	$5,323	$4,600
Gross margin %	39.9%	39.6%	40.7%	39.5%
Adjusted gross margin %	39.9%	39.6%	40.7%	39.6%

North America Adjusted Gross Margin	Three Months Ended December 31[1]		Year Ended December 31[1]	
(in millions)	2021	2020	2021	2020
Gross margin	$594	$546	$2,452	$2,146
Add: Restructuring expenses - cost of goods sold	(0)	1	(0)	5
Adjusted gross margin	$594	$547	$2,452	$2,151
Gross margin %	46.4%	46.8%	47.5%	46.3%
Adjusted gross margin %	46.4%	46.9%	47.5%	46.4%

Europe Adjusted Gross Margin	Three Months Ended December 31[1]		Year Ended December 31[1]	
(in millions)	2021	2020	2021	2020
Gross margin	$565	$527	$2,336	$2,029
Add: Restructuring expenses - cost of goods sold	0	—	0	3
Adjusted gross margin	$565	$527	$2,336	$2,032
Gross margin %	37.7%	36.7%	38.5%	36.9%
Adjusted gross margin %	37.7%	36.7%	38.5%	37.0%

(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

North America Adjusted Gross Margin (in millions)	Three Months Ended[1]					
	September 30, 2021	June 30, 2021	March 31, 2021	September 30, 2020	June 30, 2020	March 31, 2020
Gross margin	$608	$651	$599	$534	$454	$612
Add: Restructuring expenses - cost of goods sold	-	-	(0)	1	3	—
Adjusted gross margin	$608	$651	$599	$535	$457	$612
Gross margin %	46.5%	49.0%	48.0%	45.9%	44.9%	47.4%
Adjusted gross margin %	46.5%	49.0%	48.0%	46.0%	45.2%	47.4%

Europe Adjusted Gross Margin (in millions)	Three Months Ended[1]					
	September 30, 2021	June 30, 2021	March 31, 2021	September 30, 2020	June 30, 2020	March 31, 2020
Gross margin	$604	$605	$562	$550	$445	$507
Add: Restructuring expenses - cost of goods sold	-	-	-	(0)	3	-
Adjusted gross margin	$604	$605	$562	$550	$448	$507
Gross margin %	39.6%	38.4%	38.4%	37.1%	36.8%	37.2%
Adjusted gross margin %	39.6%	38.4%	38.4%	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)	December 31, 2021[1]	December 31, 2020[1]
Current portion of long-term obligations	$35	$58
Long-term obligations, excluding current portion	2,777	2,813
Total debt, net of debt issuance costs	$2,812	$2,871
Add: Debt issuance costs	12	26
Total debt	$2,824	$2,897
Less: Cash and cash equivalents	274	312
Net debt	$2,550	$2,585

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