



LKQ CORPORATION ANNOUNCES RESULTS FOR THIRD QUARTER 2023

- Revenue of \$3.6 billion (a 15% increase compared to the same period in 2022); parts and services organic revenue increased 3.0% (4.3% on a per day basis)
- Diluted EPS² of \$0.77; adjusted diluted EPS^{1,2} of \$0.86
- Third quarter operating cash flow of \$441 million; free cash flow¹ of \$344 million
- Increased dividend by 9%; \$0.30 per share approved to be paid in the fourth quarter of 2023
- Completed Uni-Select Inc. acquisition on August 1, 2023
- Completed divestiture of GSF Car Parts Limited on October 25, 2023
- Europe Segment EBITDA margins impacted by 110 basis points due to a legacy value-added tax issue related to our Italian operations and strikes in Germany
- Annual guidance updated

Chicago, IL (October 26, 2023) -- LKQ Corporation (Nasdaq:LKQ) today reported third quarter 2023 financial results. "Our third quarter results reflected some tailwinds and headwinds. On the positive side, we experienced strong organic growth in our Wholesale - North America and Europe segments, drove excellent margins in Wholesale - North America, and generated robust free cash flow. Unfortunately, these strengths were offset by a combination of unusual, transitory items in Europe, continued softness in commodity prices, and difficult market conditions impacting our Specialty and Self Service segments. Our success since implementing the operational excellence strategy in 2019 gives us confidence in our ability to take decisive actions and drive improved execution. We have great assets and an exceptional team, which we believe will enable long-term growth and value creation. The fundamentals of our business remain strong," noted Dominick Zarcone, President and Chief Executive Officer.

Third Quarter 2023 Financial Results

Revenue for the third quarter of 2023 was \$3.6 billion, an increase of 15.0% as compared to \$3.1 billion for the third quarter of 2022. For the third quarter of 2023, parts and services organic revenue increased 3.0% (4.3% on a per day basis), foreign exchange rates increased revenue by 3.6% and the net impact of acquisitions and divestitures increased revenue by 10.5% year over year, for a total parts and services revenue increase of 17.1%. Other revenue for the third quarter of 2023 fell 17.5% primarily due to weaker commodity prices relative to the same period in 2022.

Net income² for the third quarter of 2023 was \$207 million as compared to \$261 million for the same period in 2022. Diluted earnings per share² for the third quarter of 2023 was \$0.77 as compared to \$0.95 for the same period of 2022, a decrease of 18.9%.

On an adjusted basis, net income^{1,2} in the third quarter of 2023 was \$231 million as compared to \$266 million for the same period of 2022, a decrease of 13.2%. Adjusted diluted earnings per share^{1,2} was \$0.86 for the third quarter of 2023 as compared to \$0.97 for the same period of 2022, a decrease of 11.3%.

Diluted earnings per share² decreased in the third quarter of 2023 with negative effects from: (i) unusual items in Europe related to a legacy value-added tax issue related to our Italian operations and strikes in Germany, which had an estimated \$0.06 impact, (ii) fluctuations in commodity prices, which had a \$0.04 effect, (iii) higher interest rates and average debt balances in the third quarter, which drove a year-over-year increase in net interest expense, excluding the effect of Uni-Select borrowings, of \$0.04 and (iv) continued underperformance of our Specialty segment of \$0.03. As a partial offset to these factors, the lower share count and favorable foreign currency translation provided a combined \$0.10 year over year benefit (\$0.04 on an adjusted basis), and our North America operations, excluding Uni-Select, performed favorably compared to the prior year period.

(1) Non-GAAP measure. See the table accompanying this release that reconciles the actual or forecasted U.S. GAAP measure to the actual or forecasted adjusted measure, which is non-GAAP.

(2) References in this release to Net income and Diluted earnings per share, and the corresponding adjusted figures, reflect amounts from continuing operations attributable to LKQ stockholders.

Cash Flow and Balance Sheet

Cash flow from operations and free cash flow¹ were \$441 million and \$344 million, respectively, for the third quarter of 2023. Cash flow from operations and free cash flow¹ were \$1,144 million and \$911 million, respectively, for the nine months ended September 30, 2023. As of September 30, 2023, the balance sheet reflected total debt of \$4.4 billion and total leverage, as defined in our credit facility, was 2.3x EBITDA.

Stock Repurchase and Dividend Programs

During the nine months ended September 30, 2023, the Company invested \$5 million to repurchase 0.1 million shares of its common stock. Since initiating the stock repurchase program in late October 2018, the Company has repurchased approximately 55 million shares for a total of \$2.4 billion through September 30, 2023.

On October 24, 2023, the Board of Directors declared a quarterly cash dividend of \$0.30 per share of common stock, payable on November 30, 2023, to stockholders of record at the close of business on November 16, 2023. This represents a 9% increase over the prior quarterly dividend of \$0.275 per share.

Uni-Select Inc. Acquisition Update

On August 1, 2023, we announced the completion of the acquisition of Uni-Select Inc. ("Uni-Select") by way of a plan of arrangement (the "Arrangement") under the provisions of the Business Corporations Act (Québec). Under the terms of the Arrangement, we acquired all of the issued and outstanding shares of Uni-Select for C\$48.00 per share in cash, representing a total enterprise value of approximately CAD 2.8 billion (\$2.1 billion).

In October 2023, we entered into a definitive agreement to sell GSF Car Parts Limited. The sale was completed on October 25, 2023.

2023 Outlook

Rick Galloway, Senior Vice President and Chief Financial Officer, commented, "We are reducing our full year guidance on revenue and earnings per share due to our underperformance in the third quarter and expected fourth quarter effects from additional strike activity in Germany, the anticipated dilution from the Uni-Select acquisition, soft commodity prices, and a continuation of difficult market conditions for our Specialty and Self Service segments. We are raising our free cash flow guidance due to our continued solid cash flow generation."

For 2023, management updated the outlook as set forth below:

	2023 Previous Full Year Outlook	2023 Updated Full Year Outlook
Organic revenue growth for parts and services	6.0% to 7.5%	4.75% to 5.75%
Diluted EPS ²	\$3.65 to \$3.85	\$3.41 to \$3.55
Adjusted diluted EPS ^{1,2}	\$3.90 to \$4.10	\$3.68 to \$3.82
Operating cash flow	approx. \$1.275 billion	approx. \$1.3 billion
Free cash flow ¹	approx. \$975 million	approx. \$1.0 billion
Free cash flow conversion of Adjusted EBITDA ¹	55% to 60%	55% to 60%

(1) Non-GAAP measure. See the table accompanying this release that reconciles the actual or forecasted U.S. GAAP measure to the actual or forecasted adjusted measure, which is non-GAAP.

(2) References in this release to Net income and Diluted earnings per share, and the corresponding adjusted figures, reflect amounts from continuing operations attributable to LKQ stockholders.

Our outlook for the full year 2023 is based on current conditions and recent trends, and assumes a global effective tax rate of 27.0%, the prices of scrap and precious metals hold near the September average, and no further deterioration due to the Ukraine/Russia conflict. We have applied foreign currency exchange rates near current average levels, including \$1.06 and \$1.23 for the euro and pound sterling, respectively, for the balance of the year. Prior guidance issued on July 27, 2023 had foreign currency exchange rate levels of \$1.09 and \$1.25 for the euro and pound sterling, respectively. Changes in these conditions may impact our ability to achieve the estimates. The full year GAAP outlook includes projected Uni-Select operational results from the acquisition date through year-end. Adjusted figures exclude (to the extent applicable) the impact of restructuring and transaction related expenses; amortization expense related to acquired intangibles; excess tax benefits and deficiencies from stock-based payments; losses on debt extinguishment; impairment charges; direct impacts of the Ukraine/Russia conflict (including provisions for and subsequent adjustments to reserves for asset recoverability and expenditures to support our employees and their families), interest and financing costs related to the Uni-Select transaction prior to closing and gains and losses related to acquisitions or divestitures (including changes in the fair value of contingent consideration liabilities and gains or losses on foreign currency forward contracts related to the Uni-Select acquisition).

Non-GAAP Financial Measures

This release contains (and management's presentation on the related investor conference call will refer to) non-GAAP financial measures within the meaning of Regulation G promulgated by the Securities and Exchange Commission. Included with this release are reconciliations of each non-GAAP financial measure with the most directly comparable financial measure calculated in accordance with GAAP.

Conference Call Details

LKQ will host an investor conference call and webcast on October 26, 2023 at 8:00 a.m. Eastern Time (7:00 a.m. Central Time) with members of senior management to discuss the Company's results. To access the investor conference call, please dial (888) 330-3494. International access to the call may be obtained by dialing (646) 960-0860. The investor conference call will require you to enter conference ID: 5232422.

Webcast and Presentation Details

The audio webcast and accompanying slide presentation can be accessed at (www.lkqcorp.com) in the Investor Relations section.

A replay of the investor conference call will be available by telephone at (800) 770-2030 or (647) 362-9199 for international calls. The telephone replay will require you to enter conference ID: 5232422. An online replay of the audio webcast will be available on the Company's website. Both formats of replay will be available through November 10, 2023. Please allow approximately two hours after the live presentation before attempting to access the replay.

About LKQ Corporation

LKQ Corporation (www.lkqcorp.com) is a leading provider of alternative and specialty parts to repair and accessorize automobiles and other vehicles. LKQ has operations in North America, Europe and Taiwan. LKQ offers its customers a broad range of OEM recycled and aftermarket parts, replacement systems, components, equipment, and services to repair and accessorize automobiles, trucks, and recreational and performance vehicles.

Forward Looking Statements

Statements and information in this press release and on the related conference call, including our outlook for 2023, as well as remarks by the Chief Executive Officer and other members of management, that are not historical are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and are made pursuant to the "safe harbor" provisions of such Act.

Forward-looking statements include, but are not limited to, statements regarding our outlook, guidance, expectations, beliefs, hopes, intentions and strategies. These statements are subject to a number of risks, uncertainties, assumptions and other factors including those identified below. All forward-looking statements are based on information available to us at the time the statements are made. We undertake no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

You should not place undue reliance on our forward-looking statements. Actual events or results may differ materially from those expressed or implied in the forward-looking statements. The risks, uncertainties, assumptions and other factors that could cause actual events or results to differ from the events or results predicted or implied by our forward-looking statements include the factors set forth below, and other factors discussed in our filings with the SEC, including those 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, 2022 and in our subsequent Quarterly Reports on Form 10-Q. These reports are available at the Investor Relations section on our website (www.lkqcorp.com) and on the SEC's website (www.sec.gov).

These factors include the following (not necessarily in order of importance):

- our operating results and financial condition have been and will likely continue to be adversely affected by the COVID-19 pandemic and could be adversely affected by other public health emergencies;
- our operating results and financial condition have been and could continue to be adversely affected by the economic, political and social conditions in North America, Europe, Taiwan and elsewhere, as well as the economic health of vehicle owners and numbers and types of vehicles sold;
- we face competition from local, national, international, and internet-based vehicle products providers, and this competition could negatively affect our business;
- we rely upon our customers and insurance companies to promote the usage of alternative parts;
- intellectual property claims relating to aftermarket products could adversely affect our business;
- if the number of vehicles involved in accidents or being repaired declines, or the mix of the types of vehicles in the overall vehicle population changes, our business could suffer;
- fluctuations in the prices of metals and other commodities could adversely affect our financial results;
- an adverse change in our relationships with our suppliers, disruption to our supply of inventory, or the misconduct, performance failures or negligence of our third party vendors or service providers could increase our expenses, impede our ability to serve our customers, or expose us to liability;
- if we determine that our goodwill or other intangible assets have become impaired, we may incur significant charges to our pre-tax income;
- we could be subject to product liability claims and involved in product recalls;
- we may not be able to successfully acquire new businesses or integrate acquisitions, and we may not be able to successfully divest certain businesses;
- we have a substantial amount of indebtedness, which could have a material adverse effect on our financial condition and our ability to obtain financing in the future and to react to changes in our business;
- our senior notes do not impose any limitations on our ability to incur additional debt or protect against certain other types of transactions, and we may incur additional indebtedness under our credit agreement subject to certain limitations;
- our credit agreement imposes operating and financial restrictions on us and our subsidiaries, which may prevent us from capitalizing on business opportunities;
- we may not be able to generate sufficient cash to service all of our indebtedness, and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful;
- our future capital needs may require that we seek to refinance our debt or obtain additional debt or equity financing, events that could have a negative effect on our business;
- our variable rate indebtedness subjects us to interest rate risk, which could cause our indebtedness service obligations to increase significantly;
- repayment of our indebtedness is dependent on cash flow generated by our subsidiaries;
- a downgrade in our credit rating would impact our cost of capital;
- the amount and frequency of our share repurchases and dividend payments may fluctuate;
- existing or new laws and regulations, or changes to enforcement or interpretation of existing laws or regulations, may prohibit, restrict or burden the sale of aftermarket, recycled, refurbished or remanufactured products;
- we are subject to environmental regulations and incur costs relating to environmental matters;
- we may be adversely affected by legal, regulatory or market responses to global climate change;
- our amended and restated bylaws provide that the courts in the State of Delaware are the exclusive forums for substantially all disputes between us and our stockholders, which could limit our stockholders’ ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees;

- our effective tax rate could materially increase as a consequence of various factors, including U.S. and/or international tax legislation, applicable interpretations and administrative guidance, our mix of earnings by jurisdiction, and U.S. and foreign jurisdictional audits;
- if significant tariffs or other restrictions are placed on products or materials we import or any related counter-measures are taken by countries to which we export products, our revenue and results of operations may be materially harmed;
- governmental agencies may refuse to grant or renew our operating licenses and permits;
- our employees are important to successfully manage our business and achieve our objectives;
- we operate in foreign jurisdictions, which exposes us to foreign exchange and other risks;
- our business may be adversely affected by union activities and labor and employment laws;
- we rely on information technology and communication systems in critical areas of our operations and a disruption relating to such technology could harm our business;
- the costs of complying with the requirements of laws pertaining to the privacy and security of personal information and the potential liability associated with the failure to comply with such laws could materially adversely affect our business and results of operations;
- business interruptions in our distribution centers or other facilities may affect our operations, the function of our computer systems, and/or the availability and distribution of merchandise, which may affect our business;
- if we experience problems with our fleet of trucks and other vehicles, our business could be harmed;
- we may lose the right to operate at key locations; and
- activist investors could cause us to incur substantial costs, divert management's attention, and have an adverse effect on our business.

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LKQ CORPORATION AND SUBSIDIARIES
Unaudited Condensed Consolidated Statements of Income, with Supplementary Data
(In millions, except per share data)

	Three Months Ended September 30,					
	2023		2022		\$ Change	% Change
		% of Revenue ⁽³⁾		% of Revenue ⁽³⁾		
Revenue	\$ 3,568	100.0 %	\$ 3,104	100.0 %	\$ 464	15.0 %
Cost of goods sold	2,178	61.0 %	1,828	58.9 %	350	19.1 %
Gross margin	1,390	39.0 %	1,276	41.1 %	114	8.9 %
Selling, general and administrative expenses	979	27.5 %	861	27.8 %	118	13.7 %
Restructuring and transaction related expenses	27	0.8 %	3	0.1 %	24	n/m
Gain on disposal of businesses	—	— %	(4)	(0.1)%	4	n/m
Depreciation and amortization	76	2.1 %	58	1.9 %	18	31.0 %
Operating income	308	8.6 %	358	11.5 %	(50)	(14.0)%
Other expense (income):						
Interest expense	62	1.7 %	19	0.6 %	43	n/m
Gains on foreign exchange contracts - acquisition related ⁽¹⁾	(3)	(0.1)%	—	— %	(3)	n/m
Interest income and other income, net	(14)	(0.4)%	(8)	(0.3)%	(6)	75.0 %
Total other expense, net	45	1.3 %	11	0.4 %	34	n/m
Income from continuing operations before provision for income taxes	263	7.4 %	347	11.2 %	(84)	(24.2)%
Provision for income taxes	60	1.7 %	88	2.8 %	(28)	(31.8)%
Equity in earnings of unconsolidated subsidiaries	4	0.1 %	2	0.1 %	2	n/m
Income from continuing operations	207	5.8 %	261	8.4 %	(54)	(20.7)%
Net income from discontinued operations	1	— %	1	— %	—	— %
Net income	208	5.9 %	262	8.4 %	(54)	(20.6)%
Less: net income attributable to continuing noncontrolling interest	—	— %	—	— %	—	n/m
Net income attributable to LKQ stockholders	<u>\$ 208</u>	<u>5.8 %</u>	<u>\$ 262</u>	<u>8.4 %</u>	<u>\$ (54)</u>	<u>(20.6)%</u>
Basic earnings per share: ⁽²⁾						
Income from continuing operations	\$ 0.77		\$ 0.95		\$ (0.18)	(18.9)%
Net income from discontinued operations	0.01		—		0.01	n/m
Net income	0.78		0.96		(0.18)	(18.8)%
Less: net income attributable to continuing noncontrolling interest	—		—		—	n/m
Net income attributable to LKQ stockholders	<u>\$ 0.78</u>		<u>\$ 0.96</u>		<u>\$ (0.18)</u>	<u>(18.8)%</u>
Diluted earnings per share: ⁽²⁾						
Income from continuing operations	\$ 0.77		\$ 0.95		\$ (0.18)	(18.9)%
Net income from discontinued operations	0.01		—		0.01	n/m
Net income	0.78		0.95		(0.17)	(17.9)%
Less: net income attributable to continuing noncontrolling interest	—		—		—	n/m
Net income attributable to LKQ stockholders	<u>\$ 0.78</u>		<u>\$ 0.95</u>		<u>\$ (0.17)</u>	<u>(17.9)%</u>
Weighted average common shares outstanding:						
Basic	267.8		273.8		(6.0)	(2.2)%
Diluted	268.4		274.6		(6.2)	(2.3)%

⁽¹⁾ Related to the Uni-Select acquisition.

⁽²⁾ The sum of the individual earnings per share amounts may not equal the total due to rounding.

⁽³⁾ The sum of the individual percentage of revenue components may not equal the total due to rounding.

LKQ CORPORATION AND SUBSIDIARIES
Unaudited Condensed Consolidated Statements of Income, with Supplementary Data
(In millions, except per share data)

	Nine Months Ended September 30,					
	2023		2022		\$ Change	% Change
		% of Revenue ⁽⁴⁾		% of Revenue ⁽⁴⁾		
Revenue	\$ 10,365	100.0 %	\$ 9,793	100.0 %	\$ 572	5.8 %
Cost of goods sold	6,189	59.7 %	5,793	59.1 %	396	6.8 %
Gross margin	4,176	40.3 %	4,000	40.9 %	176	4.4 %
Selling, general and administrative expenses	2,848	27.5 %	2,683	27.4 %	165	6.1 %
Restructuring and transaction related expenses	53	0.5 %	10	0.1 %	43	n/m
Gain on disposal of businesses ⁽¹⁾	—	— %	(159)	(1.6)%	159	n/m
Depreciation and amortization	195	1.9 %	178	1.8 %	17	9.6 %
Operating income	1,080	10.4 %	1,288	13.2 %	(208)	(16.1)%
Other expense (income):						
Interest expense	150	1.4 %	51	0.5 %	99	n/m
Gains on foreign exchange contracts - acquisition related ⁽²⁾	(49)	(0.5)%	—	— %	(49)	n/m
Interest income and other income, net	(34)	(0.3)%	(9)	(0.1)%	(25)	n/m
Total other expense, net	67	0.6 %	42	0.4 %	25	59.5 %
Income from continuing operations before provision for income taxes	1,013	9.8 %	1,246	12.7 %	(233)	(18.7)%
Provision for income taxes	263	2.5 %	304	3.1 %	(41)	(13.5)%
Equity in earnings of unconsolidated subsidiaries	9	0.1 %	8	0.1 %	1	12.5 %
Income from continuing operations	759	7.3 %	950	9.7 %	(191)	(20.1)%
Net income from discontinued operations	1	— %	5	0.1 %	(4)	(80.0)%
Net income	760	7.3 %	955	9.8 %	(195)	(20.4)%
Less: net income attributable to continuing noncontrolling interest	1	— %	—	— %	1	n/m
Net income attributable to LKQ stockholders	\$ 759	7.3 %	\$ 955	9.7 %	\$ (196)	(20.5)%
Basic earnings per share: ⁽³⁾						
Income from continuing operations	\$ 2.84		\$ 3.39		\$ (0.55)	(16.2)%
Net income from discontinued operations	—		0.02		(0.02)	n/m
Net income	2.84		3.41		(0.57)	(16.7)%
Less: net income attributable to continuing noncontrolling interest	—		—		—	n/m
Net income attributable to LKQ stockholders	\$ 2.84		\$ 3.41		\$ (0.57)	(16.7)%
Diluted earnings per share: ⁽³⁾						
Income from continuing operations	\$ 2.83		\$ 3.38		\$ (0.55)	(16.3)%
Net income from discontinued operations	—		0.02		(0.02)	n/m
Net income	2.83		3.40		(0.57)	(16.8)%
Less: net income attributable to continuing noncontrolling interest	—		—		—	n/m
Net income attributable to LKQ stockholders	\$ 2.83		\$ 3.40		\$ (0.57)	(16.8)%
Weighted average common shares outstanding:						
Basic	267.6		280.2		(12.6)	(4.5)%
Diluted	268.3		281.2		(12.9)	(4.6)%

⁽¹⁾ Primarily related to the sale of PGW Auto Glass ("PGW").

⁽²⁾ Related to the Uni-Select acquisition.

⁽³⁾ The sum of the individual earnings per share amounts may not equal the total due to rounding.

⁽⁴⁾ The sum of the individual percentage of revenue components may not equal the total due to rounding.

LKQ CORPORATION AND SUBSIDIARIES
Unaudited Condensed Consolidated Balance Sheets
(In millions, except per share data)

	September 30, 2023	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 401	\$ 278
Receivables, net of allowance for credit losses	1,301	998
Inventories	2,998	2,752
Prepaid expenses and other current assets	275	230
Assets of discontinued operations	311	—
Total current assets	5,286	4,258
Property, plant and equipment, net	1,427	1,236
Operating lease assets, net	1,308	1,227
Goodwill	5,548	4,319
Other intangibles, net	1,176	653
Equity method investments	158	141
Other noncurrent assets	265	204
Total assets	<u>\$ 15,168</u>	<u>\$ 12,038</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 1,723	\$ 1,339
Accrued expenses:		
Accrued payroll-related liabilities	244	218
Refund liability	124	109
Other accrued expenses	363	294
Current portion of operating lease liabilities	210	188
Current portion of long-term obligations	574	34
Other current liabilities	148	89
Liabilities of discontinued operations	173	—
Total current liabilities	3,559	2,271
Long-term operating lease liabilities, excluding current portion	1,144	1,091
Long-term obligations, excluding current portion	3,763	2,622
Deferred income taxes	416	280
Other noncurrent liabilities	289	283
Commitments and contingencies		
Redeemable noncontrolling interest	24	24
Stockholders' equity:		
Common stock, \$0.01 par value, 1,000.0 shares authorized, 323.1 shares issued and 267.9 shares outstanding at September 30, 2023; 322.4 shares issued and 267.3 shares outstanding at December 31, 2022	3	3
Additional paid-in capital	1,527	1,506
Retained earnings	7,194	6,656
Accumulated other comprehensive loss	(372)	(323)
Treasury stock, at cost; 55.2 shares at September 30, 2023 and 55.1 shares at December 31, 2022	(2,394)	(2,389)
Total Company stockholders' equity	5,958	5,453
Noncontrolling interest	15	14
Total stockholders' equity	5,973	5,467
Total liabilities and stockholders' equity	<u>\$ 15,168</u>	<u>\$ 12,038</u>

LKQ CORPORATION AND SUBSIDIARIES
Unaudited Condensed Consolidated Statements of Cash Flows
(In millions)

	Nine Months Ended September 30,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 760	\$ 955
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	219	197
Gain on disposal of businesses	—	(159)
Stock-based compensation expense	29	31
Gains on foreign exchange contracts - acquisition related	(49)	—
Other	22	(22)
Changes in operating assets and liabilities, net of effects from acquisitions and dispositions:		
Receivables	(154)	(118)
Inventories	128	(349)
Prepaid income taxes/income taxes payable	25	63
Accounts payable	122	378
Other operating assets and liabilities	42	34
Net cash provided by operating activities	<u>1,144</u>	<u>1,010</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	(233)	(148)
Proceeds from disposals of property, plant and equipment	8	5
Acquisitions, net of cash acquired	(2,199)	(4)
Proceeds from disposals of businesses	—	399
Proceeds from settlement of foreign exchange contracts - acquisition related	49	—
Other investing activities, net	(14)	(8)
Net cash (used in) provided by investing activities	<u>(2,389)</u>	<u>244</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Debt issuance costs	(32)	—
Proceeds from issuance of U.S. Notes (2028/33), net of unamortized bond discount	1,394	—
Borrowings under revolving credit facilities	1,978	1,323
Repayments under revolving credit facilities	(2,715)	(1,451)
Borrowings under term loans	1,031	—
(Repayments) borrowings of other debt, net	(12)	9
Settlement of derivative instruments	(13)	—
Dividends paid to LKQ stockholders	(222)	(210)
Purchase of treasury stock	(8)	(872)
Other financing activities, net	(10)	(16)
Net cash provided by (used in) financing activities	<u>1,391</u>	<u>(1,217)</u>
Effect of exchange rate changes on cash and cash equivalents	—	(42)
Net increase (decrease) in cash and cash equivalents	<u>146</u>	<u>(5)</u>
Cash and cash equivalents of continuing operations, beginning of period	278	274
Add: Cash and cash equivalents of discontinued operations, beginning of period	—	—
Cash and cash equivalents of continuing and discontinued operations, beginning of period	<u>278</u>	<u>274</u>
Cash and cash equivalents of continuing and discontinued operations, end of period	<u>424</u>	<u>269</u>
Less: Cash and cash equivalents of discontinued operations, end of period	23	—
Cash and cash equivalents, end of period	<u>\$ 401</u>	<u>\$ 269</u>

The following unaudited tables compare certain third party revenue categories:

(In millions)	Three Months Ended September 30,		\$ Change	% Change
	2023	2022		
Wholesale - North America	\$ 1,312	\$ 1,026	\$ 286	28.0 %
Europe	1,581	1,376	205	14.8 %
Specialty	456	452	4	0.9 %
Self Service	58	55	3	5.1 %
Parts and services	3,407	2,909	498	17.1 %
Wholesale - North America	75	82	(7)	(8.3)%
Europe	3	4	(1)	(18.3)%
Self Service	83	109	(26)	(24.4)%
Other	161	195	(34)	(17.5)%
Total revenue	\$ 3,568	\$ 3,104	\$ 464	15.0 %

Revenue changes by category for the three months ended September 30, 2023 vs. 2022:

	Revenue Change Attributable to:			Total Change ⁽²⁾
	Organic ⁽¹⁾	Acquisition and Divestiture	Foreign Exchange	
Wholesale - North America	4.1 %	24.0 %	(0.2)%	28.0 %
Europe	5.1 %	1.9 %	7.8 %	14.8 %
Specialty	(6.1)%	7.2 %	(0.2)%	0.9 %
Self Service	5.1 %	— %	— %	5.1 %
Parts and services	3.0 %	10.5 %	3.6 %	17.1 %
Wholesale - North America	(8.2)%	0.1 %	(0.1)%	(8.3)%
Europe	(22.4)%	— %	4.2 %	(18.3)%
Self Service	(18.1)%	(6.4)%	— %	(24.4)%
Other	(14.0)%	(3.5)%	— %	(17.5)%
Total revenue	2.0 %	9.6 %	3.4 %	15.0 %

⁽¹⁾ We define organic revenue growth as total revenue growth from continuing operations excluding the effects of acquisitions and divestitures (i.e., revenue generated from the date of acquisition to the first anniversary of that acquisition, net of reduced revenue due to the disposal of businesses) and foreign currency movements (i.e., impact of translating revenue at different exchange rates). Organic revenue growth includes incremental sales from both existing and new (i.e., opened within the last twelve months) locations and is derived from expanding business with existing customers, securing new customers and offering additional products and services. We believe that organic revenue growth is a key performance indicator as this statistic measures our ability to serve and grow our customer base successfully.

⁽²⁾ The sum of the individual revenue change components may not equal the total percentage change due to rounding.

The following unaudited tables compare certain third party revenue categories:

(In millions)	Nine Months Ended September 30,		\$ Change	% Change
	2023	2022		
Wholesale - North America	\$ 3,581	\$ 3,182	\$ 399	12.5 %
Europe	4,762	4,327	435	10.0 %
Specialty	1,294	1,424	(130)	(9.1)%
Self Service	181	172	9	4.9 %
Parts and services	9,818	9,105	713	7.8 %
Wholesale - North America	234	271	(37)	(13.5)%
Europe	15	18	(3)	(17.8)%
Self Service	298	399	(101)	(25.3)%
Other	547	688	(141)	(20.4)%
Total revenue	\$ 10,365	\$ 9,793	\$ 572	5.8 %

Revenue changes by category for the nine months ended September 30, 2023 vs. 2022:

	Revenue Change Attributable to:			Total Change ⁽²⁾
	Organic ⁽¹⁾	Acquisition and Divestiture	Foreign Exchange	
Wholesale - North America	9.1 %	3.7 %	(0.3)%	12.5 %
Europe	7.9 %	1.2 %	1.0 %	10.0 %
Specialty	(10.9)%	2.2 %	(0.4)%	(9.1)%
Self Service	4.9 %	— %	— %	4.9 %
Parts and services	5.3 %	2.2 %	0.3 %	7.8 %
Wholesale - North America	(13.2)%	— %	(0.3)%	(13.5)%
Europe	(14.9)%	— %	(2.9)%	(17.8)%
Self Service	(17.9)%	(7.4)%	— %	(25.3)%
Other	(16.0)%	(4.3)%	(0.2)%	(20.4)%
Total revenue	3.8 %	1.8 %	0.3 %	5.8 %

⁽¹⁾ We define organic revenue growth as total revenue growth from continuing operations excluding the effects of acquisitions and divestitures (i.e., revenue generated from the date of acquisition to the first anniversary of that acquisition, net of reduced revenue due to the disposal of businesses) and foreign currency movements (i.e., impact of translating revenue at different exchange rates). Organic revenue growth includes incremental sales from both existing and new (i.e., opened within the last twelve months) locations and is derived from expanding business with existing customers, securing new customers and offering additional products and services. We believe that organic revenue growth is a key performance indicator as this statistic measures our ability to serve and grow our customer base successfully.

⁽²⁾ The sum of the individual revenue change components may not equal the total percentage change due to rounding.

The following unaudited table reconciles revenue and revenue growth for parts & services and total revenue to constant currency revenue and revenue growth for the same measures:

(In millions)	Three Months Ended September 30, 2023		Nine Months Ended September 30, 2023	
	Consolidated	Europe	Consolidated	Europe
Parts & Services				
Revenue as reported	\$ 3,407	\$ 1,581	\$ 9,818	\$ 4,762
Less: Currency impact	105	108	30	44
Revenue at constant currency	<u>\$ 3,302</u>	<u>\$ 1,473</u>	<u>\$ 9,788</u>	<u>\$ 4,718</u>
Total				
Revenue as reported	\$ 3,568		\$ 10,365	
Less: Currency impact	105		28	
Revenue at constant currency	<u>\$ 3,463</u>		<u>\$ 10,337</u>	

	Three Months Ended September 30, 2023		Nine Months Ended September 30, 2023	
	Consolidated	Europe	Consolidated	Europe
Parts & Services				
Revenue growth as reported	17.1 %	14.8 %	7.8 %	10.0 %
Less: Currency impact	3.6 %	7.8 %	0.3 %	1.0 %
Revenue growth at constant currency	<u>13.5 %</u>	<u>7.0 %</u>	<u>7.5 %</u>	<u>9.0 %</u>
Total				
Revenue growth as reported	15.0 %		5.8 %	
Less: Currency impact	3.4 %		0.3 %	
Revenue growth at constant currency	<u>11.6 %</u>		<u>5.5 %</u>	

We have presented our revenue and the growth rate on both an as reported and a constant currency basis. The constant currency presentation, which is a non-GAAP financial measure, excludes the impact of fluctuations in foreign currency exchange rates. We believe providing constant currency revenue information provides valuable supplemental information regarding our growth, consistent with how we evaluate our performance, as this statistic removes the translation impact of exchange rate fluctuations, which are outside of our control and do not reflect our operational performance. Constant currency revenue results are calculated by translating prior year revenue in local currency using the current year's currency conversion rate. This non-GAAP financial measure has limitations as an analytical tool and should not be considered in isolation or as a substitute for an analysis of our results as reported under GAAP. Our use of this term may vary from the use of similarly-titled measures by other issuers due to the potential inconsistencies in the method of calculation and differences due to items subject to interpretation. In addition, not all companies that report revenue growth on a constant currency basis calculate such measure in the same manner as we do and, accordingly, our calculations are not necessarily comparable to similarly-named measures of other companies and may not be appropriate measures for performance relative to other companies.

The following unaudited table compares revenue and Segment EBITDA by reportable segment:

(In millions)	Three Months Ended September 30,				Nine Months Ended September 30,							
	2023		2022		2023		2022					
	% of Revenue		% of Revenue		% of Revenue		% of Revenue					
Revenue												
Wholesale - North America	\$	1,387		\$	1,109		\$	3,815		\$	3,454	
Europe		1,584			1,380			4,777			4,345	
Specialty		457			452			1,297			1,426	
Self Service		141			164			479			571	
Eliminations		(1)			(1)			(3)			(3)	
Total revenue	\$	<u>3,568</u>		\$	<u>3,104</u>		\$	<u>10,365</u>		\$	<u>9,793</u>	
Segment EBITDA												
Wholesale - North America	\$	236	17.0 %	\$	216	19.4 %	\$	736	19.3 %	\$	648	18.7 %
Europe		147	9.3 %		155	11.3 %		486	10.2 %		446	10.3 %
Specialty		40	8.6 %		49	10.8 %		113	8.7 %		176	12.4 %
Self Service		(1)	(0.6)%		4	2.6 %		28	6.0 %		76	13.3 %
Total Segment EBITDA	\$	<u>422</u>	11.8 %	\$	<u>424</u>	13.7 %	\$	<u>1,363</u>	13.2 %	\$	<u>1,346</u>	13.7 %

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 Net Income attributable to LKQ stockholders excluding discontinued operations; depreciation, amortization; interest; gains and losses on debt extinguishment; income tax expense; restructuring and transaction 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; impairment charges; and direct impacts of the Ukraine/Russia conflict and related sanctions (including provisions for and subsequent adjustments to reserves for asset recoverability and expenditures to support our employees and their families). 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 Segment EBITDA.

The following unaudited table reconciles Net Income to Segment EBITDA:

(In millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net income	\$ 208	\$ 262	\$ 760	\$ 955
Less: net income attributable to continuing noncontrolling interest	—	—	1	—
Net income attributable to LKQ stockholders	208	262	759	955
Less: net income from discontinued operations	1	1	1	5
Net income from continuing operations attributable to LKQ stockholders	207	261	758	950
Adjustments - continuing operations attributable to LKQ stockholders:				
Depreciation and amortization	84	64	219	197
Interest expense, net of interest income	53	17	128	46
Loss on debt extinguishment	—	—	1	—
Provision for income taxes	60	88	263	304
Equity in earnings of unconsolidated subsidiaries	(4)	(2)	(9)	(8)
Gains on foreign exchange contracts - acquisition related ⁽¹⁾	(3)	—	(49)	—
Equity investment fair value adjustments	—	—	1	3
Restructuring and transaction related expenses	27	3	53	10
Restructuring expenses - cost of goods sold	2	—	2	—
Gain on disposal of businesses	—	(4)	—	(159)
Gains on previously held equity interests	(4)	(2)	(4)	(1)
Direct impacts of Ukraine/Russia conflict ⁽²⁾	—	(1)	—	4
Segment EBITDA	<u>\$ 422</u>	<u>\$ 424</u>	<u>\$ 1,363</u>	<u>\$ 1,346</u>
Net income from continuing operations attributable to LKQ stockholders as a percentage of revenue	5.8 %	8.4 %	7.3 %	9.7 %
Segment EBITDA as a percentage of revenue	11.8 %	13.7 %	13.2 %	13.7 %

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

⁽¹⁾ Related to the Uni-Select acquisition.

⁽²⁾ Adjustments include provisions for and subsequent adjustments to reserves for asset recoverability (receivables and inventory) and expenditures to support our employees and their families in Ukraine.

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. See paragraph under the previous table (revenue and Segment EBITDA by reportable segment) for details on the calculation of Segment EBITDA.

Segment EBITDA should not be construed as an alternative 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 Segment EBITDA information calculate Segment EBITDA 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.

The following unaudited table reconciles Net Income and Diluted Earnings per Share to Adjusted Net Income from Continuing Operations Attributable to LKQ Stockholders and Adjusted Diluted Earnings per Share from Continuing Operations Attributable to LKQ Stockholders, respectively:

(In millions, except per share data)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net income	\$ 208	\$ 262	\$ 760	\$ 955
Less: net income attributable to continuing noncontrolling interest	—	—	1	—
Net income attributable to LKQ stockholders	208	262	759	955
Less: net income from discontinued operations	1	1	1	5
Net income from continuing operations attributable to LKQ stockholders	207	261	758	950
Adjustments - continuing operations attributable to LKQ stockholders:				
Amortization of acquired intangibles	27	15	57	48
Restructuring and transaction related expenses	27	3	53	10
Restructuring expenses - cost of goods sold	2	—	2	—
Loss on debt extinguishment	—	—	1	—
Pre-acquisition interest expense, net of interest income ⁽¹⁾	3	—	15	—
Gains on foreign exchange contracts - acquisition related ⁽¹⁾	(3)	—	(49)	—
Gains on previously held equity interests	(4)	(2)	(4)	(1)
Direct impacts of Ukraine/Russia conflict ⁽²⁾	—	(1)	—	4
Gain on disposal of businesses	—	(4)	—	(159)
Excess tax benefit from stock-based payments	(1)	(1)	(3)	(3)
Tax effect of adjustments	(27)	(5)	(29)	11
Adjusted net income from continuing operations attributable to LKQ stockholders	\$ 231	\$ 266	\$ 801	\$ 860
Weighted average diluted common shares outstanding	268.4	274.6	268.3	281.2
Diluted earnings per share from continuing operations attributable to LKQ stockholders:				
Reported	\$ 0.77	\$ 0.95	\$ 2.82	\$ 3.37
Adjusted	\$ 0.86	\$ 0.97	\$ 2.98	\$ 3.06

⁽¹⁾ Related to the Uni-Select acquisition.

⁽²⁾ Adjustments include provisions for and subsequent adjustments to reserves for asset recoverability (receivables and inventory) and expenditures to support our employees and their families in Ukraine.

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 discontinued operations, restructuring and transaction 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 (including gains or losses on foreign currency forward contracts related to the Uni-Select transaction), impairment charges, direct impacts of the Ukraine/Russia conflict and related sanctions (including provisions for and subsequent adjustments to reserves for asset recoverability and expenditures to support our employees and their families), interest and financing costs related to the Uni-Select transaction prior to closing, 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 related transactions in a particular period, management believes that these costs are not core 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.

The following unaudited table reconciles Forecasted Net Income and Diluted Earnings per Share from Continuing Operations Attributable to LKQ Stockholders to Forecasted Adjusted Net Income from Continuing Operations Attributable to LKQ Stockholders and Adjusted Diluted Earnings per Share from Continuing Operations Attributable to LKQ Stockholders, respectively:

	Forecasted Fiscal Year 2023	
	Minimum Outlook	Maximum Outlook
(In millions, except per share data)		
Net income from continuing operations attributable to LKQ stockholders	\$ 915	\$ 952
Adjustments:		
Amortization of acquired intangibles	93	93
Restructuring and transaction related expenses	57	57
Gains on foreign exchange contracts - acquisition related	(49)	(49)
Pre-acquisition interest expense, net of interest income	15	15
Other adjustments	(3)	(3)
Tax effect of adjustments	(40)	(40)
Adjusted net income from continuing operations attributable to LKQ stockholders	<u>\$ 988</u>	<u>\$ 1,025</u>
Weighted average diluted common shares outstanding	268.4	268.4
Diluted EPS from continuing operations attributable to LKQ stockholders:		
U.S. GAAP	\$ 3.41	\$ 3.55
Non-GAAP (Adjusted)	\$ 3.68	\$ 3.82

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 2023, restructuring expenses under previously announced plans, and the related tax effect; we included for all other components the amounts incurred through September 30, 2023.

The following unaudited tables reconciles Net Cash Provided by Operating Activities to Free Cash Flow and Net Income to Adjusted EBITDA:

(In millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net cash provided by operating activities	\$ 441	\$ 273	\$ 1,144	\$ 1,010
Less: purchases of property, plant and equipment	97	49	233	148
Free cash flow	<u>\$ 344</u>	<u>\$ 224</u>	<u>\$ 911</u>	<u>\$ 862</u>

(In millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net income	\$ 208	\$ 262	\$ 760	\$ 955
Less: net income attributable to continuing noncontrolling interest	—	—	1	—
Net income attributable to LKQ stockholders	208	262	759	955
Less: net income from discontinued operations	1	1	1	5
Net income from continuing operations attributable to LKQ stockholders	207	261	758	950
Adjustments - continuing operations attributable to LKQ stockholders:				
Depreciation and amortization	84	64	219	197
Interest expense, net of interest income	53	17	128	46
Loss on debt extinguishment	—	—	1	—
Provision for income taxes	60	88	263	304
Gain on disposal of businesses	—	(4)	—	(159)
Gains on foreign exchange contracts - acquisition related ⁽¹⁾	(3)	—	(49)	—
Adjusted EBITDA	<u>\$ 401</u>	<u>\$ 426</u>	<u>\$ 1,320</u>	<u>\$ 1,338</u>

⁽¹⁾ Related to the Uni-Select acquisition.

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.

We also evaluate our free cash flow by measuring the conversion of Adjusted EBITDA into free cash flow. For the denominator of our conversion ratio, we calculate Adjusted EBITDA as net income attributable to LKQ stockholders excluding discontinued operations, depreciation, amortization, interest, gains and losses on debt extinguishment, income tax expense, gains and losses on the disposal of businesses, and other unusual income and expense items that affect investing or financing cash flows. We exclude gains and losses on the disposal of businesses as the proceeds are included in investing cash flows, which is outside of free cash flow. Adjusted EBITDA should not be construed as an alternative 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 Adjusted EBITDA information calculate Adjusted EBITDA 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.

The following unaudited table reconciles Forecasted Net Cash Provided by Operating Activities to Forecasted Free Cash Flow:

(In millions)	Forecasted	
	Fiscal Year 2023	
	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.