

LKQ Corporation Announces Results for First Quarter 2023

APRIL 27, 2023

- **Revenue of \$3.3 billion; parts and services organic revenue growth of 7.9% (7.1% on a per day basis)**
- **Diluted EPS 2 of \$1.01 (up 7.4%); adjusted diluted EPS 1,2 of \$1.04 (up 4.0%)**
- **Negative effect of \$0.05 (\$0.04 on an adjusted basis) resulting from increased interest rates and related expense**
- **Operating cash flow of \$223 million ; free cash flow 1 of \$153 million**
- **Dividend of \$0.275 per share approved to be paid in the second quarter of 2023**
- **2023 guidance reiterated**
- **Entered definitive agreement to acquire Uni-Select Inc.**

CHICAGO, April 27, 2023 (GLOBE NEWSWIRE) -- LKQ Corporation (Nasdaq:LKQ) today reported first quarter 2023 financial results. "Overall, the first quarter was a terrific start to the year, and we remain on track to deliver on our full year guidance. Our two largest segments, Wholesale - North America and Europe, exceeded our expectations in the quarter as our teams continue to embrace operational excellence and execute our key initiatives. Our Wholesale - North America segment delivered its highest first quarter parts and services organic revenue growth rate and quarterly Segment EBITDA margin on record, at 14.4% and 20.5%, respectively. I am also pleased with our Europe segment reporting organic revenue growth of 9.7% and Segment EBITDA margin of 9.7%, the latter reflecting a year-over-year improvement of 90 basis points and the best first quarter performance since 2016 when it was a much smaller operation," noted Dominick Zarcone, President and Chief Executive Officer. "We are excited about the balance of the year and the pending acquisition of Uni-Select to strengthen our existing LKQ operations."

First Quarter 2023 Financial Results

Revenue was \$3.3 billion in the first quarter of both 2023 and 2022. For the first quarter of 2023, parts and services organic revenue increased 7.9% (7.1% on a per day basis), while the net impact of acquisitions and divestitures decreased revenue by 3.3% and foreign exchange rates decreased revenue by 3.0%, for a total parts and services revenue increase of 1.5%. Other revenue fell 19.2% in the first quarter of 2023 primarily due to weaker commodity prices relative to the same period in 2022.

Net income² for the first quarter of 2023 was \$270 million as compared to \$269 million for the same period in 2022. Diluted earnings per share² for the quarter was \$1.01 as compared to \$0.94 for the same period of 2022, an increase of 7.4%.

On an adjusted basis, net income^{1,2} in the first quarter of 2023 was \$279 million as compared to \$287 million for the same period of 2022, a decrease of 2.8%. Adjusted diluted earnings per share^{1,2} for the first quarter of 2023 was \$1.04 as compared to \$1.00 for the same period of 2022, an increase of 4.0%.

Cash Flow and Balance Sheet

Cash flow from operations and free cash flow¹ were \$223 million and \$153 million, respectively, for the first quarter of 2023. As of March 31, 2023, the balance sheet reflected total debt of \$2.7 billion and total leverage, as defined in our credit facility, was 1.6x EBITDA.

Stock Repurchase and Dividend Programs

During the first quarter of 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 March 31, 2023.

On April 25, 2023, the Board of Directors declared a quarterly cash dividend of \$0.275 per share of common stock, payable on June 1, 2023, to stockholders of record at the close of business on May 18, 2023.

Other Events

On February 27, 2023, the Company announced that it entered into a definitive agreement to acquire all of Uni-Select Inc.'s issued and outstanding shares for C\$48.00 per share in cash, representing a total enterprise value of approximately C\$2.8 billion (US\$2.1 billion). Founded in Boucherville, Québec, Canada in 1968, Uni-Select is a leader in the distribution of automotive refinish and industrial coatings and related products in North America through its FinishMaster segment, in the automotive aftermarket parts business in Canada through its Canadian Automotive Group segment and in the U.K. through its GSF Car Parts segment. This acquisition will complement the Company's existing North American paint distribution operations and provides a scaled position in the Canadian mechanical parts space, with opportunity for future consolidation and growth. The Company intends to divest Uni-Select's GSF Car Parts segment on or shortly after the acquisition closing date, which the Company expects to occur during the second half of this year after receiving the required approvals to close the acquisition and the satisfaction of other customary closing conditions.

2023 Outlook

Rick Galloway, Senior Vice President and Chief Financial Officer, commented: "The Wholesale - North America and Europe segments are performing ahead of expectations, offsetting the softness in the Specialty and Self Service segments, including lower precious metal prices, and the higher effective tax rate. Therefore, with these offsetting effects, we are maintaining our prior guidance."

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

	2023 Full Year Outlook
services	6.0% to 8.0%
	\$3.68 to \$3.98
	\$3.90 to \$4.20
	approx. \$1.275 bil
	approx. \$975 mill
A ¹	55% to 60%

Our outlook for the full year 2023 is based on current conditions and recent trends, and assumes a global effective tax rate of 26.6%, the prices of scrap and precious metals hold near the March average, and no further deterioration due to the Ukraine/Russia conflict. We have applied foreign currency exchange rates near March and April average levels, including \$1.08 and \$1.23 for the euro and pound sterling, respectively, for the balance of the year. Changes in these conditions may impact our ability to achieve the estimates. The full year GAAP outlook includes transactions and costs related to the potential Uni-Select acquisition that occurred through March 31, 2023 but does not include any projected operational results for Uni-Select, which will only be incorporated after the closing date. 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).

⁽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.

Non-GAAP Financial Measures

This release contains (and management's presentation on the related 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 a conference call and webcast on April 27, 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 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 May 12, 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, including our pending acquisition of Uni-Select, and we may not be able to successfully divest certain businesses;
- our ability to divest Uni-Select's GSF Car Parts segment on acceptable terms on or shortly after the closing date for our pending acquisition of Uni-Select;
- 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.