

# LKQ Corporation Announces Results for Second Quarter 2024

July 25, 2024

- **Revenue of \$3.7 billion (an 8% increase compared to the same period in 2023)**
- **Diluted EPS<sup>2</sup> of \$0.70; adjusted diluted EPS<sup>1,2</sup> of \$0.98**
- **Second quarter operating cash flow of \$213 million; free cash flow<sup>1</sup> of \$133 million**
- **Repurchased \$125 million of LKQ shares**
- **Dividend of \$0.30 per share approved to be paid in the third quarter of 2024**
- **Annual guidance updated**

CHICAGO, July 25, 2024 (GLOBE NEWSWIRE) -- LKQ Corporation (Nasdaq: LKQ) today reported second quarter 2024 financial results. "Our second quarter performance did not meet expectations as lower repairable claims in North America and difficult macroeconomic conditions in Europe led to declines in overall volumes. In light of soft demand, our teams acted with agility and decisiveness to address our cost structure and protect our margins," noted Justin Jude, President and Chief Executive Officer.

Mr. Jude further stated: "We believe current market headwinds are temporary in nature but expect them to persist for the balance of the year. As we look ahead, we will continue to prioritize our strategic pillars of profitable revenue growth, margin enhancement and cash flow generation, while enhancing our operational excellence focus to maximize our performance. Guided by our strategic pillars, we will continue to evaluate our portfolio to determine if we are the right owners of our various businesses, and we have placed a pause on any large-scale acquisitions and have raised the bar for approving tuck-in acquisitions. I am confident that these actions, combined with a capital allocation policy that will prioritize returning value to shareholders while maintaining our investment grade status, will enhance shareholder value to reflect LKQ's unique strengths and market leading positions in our core segments."

## Second Quarter 2024 Financial Results

Revenue for the second quarter of 2024 was \$3.7 billion, an increase of 7.6% compared to \$3.4 billion for the second quarter of 2023. For the second quarter of 2024, parts and services organic revenue decreased 2.1% (2.9% decrease on a per day basis), the net impact of acquisitions and divestitures increased revenue by 11.8%, and foreign exchange rates decreased revenue by 0.6% year over year, for a total parts and services revenue increase of 9.0%. Other revenue for the second quarter of 2024 fell 16.2% primarily due to weaker precious metals prices and lower scrap steel volumes relative to the same period in 2023.

Net income<sup>2</sup> for the second quarter of 2024 was \$185 million compared to \$281 million for the same period of 2023. Diluted earnings per share<sup>2</sup> for the second quarter of 2024 was \$0.70 compared to \$1.05 for the same period of 2023, a decrease of 33.3%.

On an adjusted basis, net income<sup>1,2</sup> for the second quarter of 2024 was \$261 million compared to \$291 million for the same period of 2023, a decrease of 10.4%. Adjusted diluted earnings per share<sup>1,2</sup> was \$0.98 for the second quarter of 2024 compared to \$1.09 for the same period of 2023, a decrease of 10.1%.

<sup>(1)</sup> 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.

<sup>(2)</sup> 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 flow<sup>1</sup> were \$213 million and \$133 million, respectively, for the second quarter of 2024. Cash flow from operations and free cash flow<sup>1</sup> were \$466 million and \$320 million, respectively, for the six months ended June 30, 2024. As of June 30, 2024, the balance sheet reflected total debt of \$4.3 billion and total leverage, as defined in our credit facility, was 2.3x EBITDA.

### **Stock Repurchase and Dividend Programs**

During the second quarter of 2024, the Company returned over \$200 million to its shareholders by investing \$125 million to repurchase 2.9 million shares of its common stock and distributing approximately \$80 million in cash dividends. For the six months ended June 30, 2024, the Company has repurchased 3.5 million shares of its common stock for \$155 million, and since initiating the stock repurchase program in late October 2018, the Company has repurchased approximately 59 million shares of its common stock for a total of \$2.6 billion through June 30, 2024. As of June 30, 2024, there was \$921 million remaining on the authorization.

On July 23, 2024, the Board of Directors declared a quarterly cash dividend of \$0.30 per share of common stock, payable on August 29, 2024, to stockholders of record at the close of business on August 15, 2024.

### **Other Events**

In the second quarter of 2024, we entered into definitive agreements to divest our operations in (i) Slovenia, which closed in April 2024; (ii) Poland, which we expect to close in the third quarter of 2024 subject to customary closing conditions; and (iii) Bosnia, which we expect to close in the second half of 2024 subject to customary closing conditions and regulatory approval. After thorough consideration, we determined our operations in Slovenia, Poland and Bosnia did not align with our long-term strategy and financial return objectives. Terms of the transactions were not disclosed.

On June 21, 2024, the Company announced a new collective bargaining agreement with the trade union Verdi. The agreement covers approximately 5,000 employees of LKQ Europe in Germany, including 730 colleagues at LKQ's Sulzbach-Rosenberg distribution

center. The collective bargaining agreement has a two-year duration, which expires on April 30, 2026. The tariff agreement includes a mandatory peace obligation, which immediately ends all strike activity throughout the term of the agreement.

On July 22, 2024, the Company announced that it had appointed Andrew Clarke to its Board of Directors. LKQ's Board of Directors regularly evaluates its composition with the objective of including the appropriate skills, experience and perspectives to enhance the prospects for the growth and profitability of the Company on behalf of its stockholders.

**2024 Outlook**

“Based on a projected continuation of the revenue headwinds we experienced in the first half of 2024, we are lowering our full year guidance. While we have taken actions to reduce costs and protect our margins and cash flows, the benefits are not expected to offset the full impact of the lower revenue expectation,” stated Rick Galloway, Senior Vice President and Chief Financial Officer. “We are confident in LKQ’s ability to deliver on these expectations given our market-leading businesses, successful operational excellence strategy and the strength of our team.”

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<sup>(2)</sup> 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.

For 2024, management updated the outlook as set forth below:

	2024 Previous Full Year Outlook	2024
ch for parts and services	2.5% to 4.5%	(1
	\$3.32 to \$3.62	\$
	\$3.90 to \$4.20	\$
	\$1.35 billion	
	\$1.0 billion	
ion of Adjusted EBITDA <sup>1</sup>	50% to 60%	

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<sup>(2)</sup> 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 2024 is based on current conditions, recent trends and our expectations, and assumes a global effective tax rate of 26.8%, the prices of scrap and precious metals hold near the June average and no further deterioration due to the

Ukraine/Russia conflict. We have applied foreign currency exchange rates near second quarter average levels, including \$1.09, \$1.27 and \$0.73 for the euro, pound sterling and Canadian dollar, respectively, for the balance of the year. Changes in these conditions may impact our ability to achieve the estimates. 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; and gains and losses related to acquisitions or divestitures (including changes in the fair value of contingent consideration liabilities).

### **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 a conference call and webcast on July 25, 2024 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 conference call, please dial (833) 470-1428. International access to the call may be obtained by dialing (404) 975-4839. The conference call will require you to enter conference ID: 893094.

### **Webcast and Presentation Details**

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

A replay of the conference call will be available by telephone at (866) 813-9403 or (929) 458-6194 for international calls. The telephone replay will require you to enter conference ID: 131497. An online replay of the audio webcast will be available on the Company's website. Both formats of replay will be available through August 9, 2024. Please allow approximately two hours after the live presentation before attempting to access the replay.

### **About LKQ Corporation**

LKQ Corporation ([www.lkqcorp.com](http://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 2024, 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, 2023 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](http://www.lkqcorp.com)) and on the SEC's website ([www.sec.gov](http://www.sec.gov)).

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

- 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 other countries, 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 insurance companies and our customers to promote the usage of alternative parts;
- intellectual property claims relating to aftermarket products could adversely affect our business;
- changes in the demand for our products and the supply of our inventory due to severity of weather and seasonality of weather patterns;
- 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;
- inaccuracies in the data relating to our industry published by independent sources upon which we rely;
- fluctuations in the prices of 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;

- future public health emergencies could have a material adverse impact on our business, results of operation, financial condition and liquidity, the nature and extent of which is highly uncertain;
- if we determine that our goodwill or other intangible assets have become impaired, we may incur significant charges to our pretax income;
- we could be subject to product liability claims and involved in product recalls;
- we may not be able to successfully acquire 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;
- 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;
- if we fail to maintain proper and effective internal control over financial reporting in the future, our ability to produce accurate and timely financial statements could be negatively impacted, which could harm our operating results and investor perceptions of our company and as a result may have a material adverse effect on the value of our common stock;
- 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;
- the costs of complying with the requirements of laws pertaining to data privacy and cybersecurity 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;
- 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;
- 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.