

# LKQ Corporation Announces Results for First Quarter 2021

APRIL 29, 2021

- First quarter revenue of \$3.2 billion (up 5.7% year-over-year)
- Parts and services organic revenue increased 0.6% (2.2% on a per day basis)
- Diluted EPS <sup>1</sup> of \$0.88 (up 83.3%); adjusted diluted EPS <sup>1</sup> of \$0.94 (up 64.9%)
- First quarter Segment EBITDA margin of 19.9% for North America
- Europe first quarter Segment EBITDA margin up 390 basis points to 9.6%
- First quarter Segment EBITDA margin of 13.4% for Specialty
- First quarter operating cash flow of \$523 million (up 169% YoY); free cash flow of \$481 million (up 220% YoY)
- Net leverage down to 1.4x EBITDA
- 2021 outlook raised

CHICAGO, April 29, 2021 (GLOBE NEWSWIRE) -- LKQ Corporation (Nasdaq:LKQ) today reported first quarter 2021 results that reflect strength for the Company in a number of key metrics including overall profitability, segment margins and free cash flow.

"We significantly exceeded our expectations for the quarter as our segment teams continue to embrace operational excellence and execute on our key initiatives. Our North America team delivered a 19.9% Segment EBITDA margin in the first quarter, the highest level in the Company's history. Additionally, our Specialty team delivered its highest quarterly organic revenue growth at 30.9% and first quarter Segment EBITDA margin of 13.4%. I am also pleased with the Europe Segment EBITDA margin of 9.6% in the quarter, a year-over-year improvement of 390 basis points. This level of performance gives us confidence regarding the progress of our 1 LKQ Europe program and our team's ability to achieve the longer-term margin targets we set forth in 2019," noted Dominick Zarcone, President and Chief Executive Officer.

## First Quarter 2021 Financial Results

Revenue for the first quarter of 2021 was \$3.2 billion, an increase of 5.7% as compared to \$3.0 billion in the first quarter of 2020. For the first quarter of 2021, parts and services organic revenue increased 0.6% (2.2% on a per day basis), while the net impact of acquisitions and divestitures decreased revenue 0.6% and foreign exchange rates increased revenue 4.2%, for a total parts and services revenue increase of 4.2%. The organic revenue growth for the quarter reflects the annualization of the initial pandemic impact last March. Through February, organic parts and services revenue was 4.4% lower on a per day basis, primarily as a result of mobility restrictions from COVID-19. In March 2021, compared to a lower prior year period, organic parts and services revenue grew by 15.7% on a per day basis. Other revenue grew 27.0% in the first quarter of 2021, driven by higher scrap steel and precious metals prices.

Net income<sup>1</sup> for the first quarter of 2021 was \$266 million as compared to \$146 million for the same period in 2020, an increase of 81.9%. Diluted earnings per share<sup>1</sup> for the first quarter was \$0.88 as compared to \$0.48 for the same period of 2020, an increase of 83.3%.

On an adjusted basis, net income<sup>1</sup> in the first quarter was \$286 million compared to \$176 million in the same period of 2020, a 62.4% increase. Adjusted diluted earnings per share<sup>1</sup> for the first quarter was \$0.94 as compared to \$0.57 for the same period of 2020, a 64.9% increase.

<sup>1</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 totaled \$523 million during the first quarter of 2021, up 169% from a year ago. Free cash flow in the quarter totaled \$481 million, up 220% year-over-year. We made \$83 million of net repayments on borrowings during the first quarter. As of March 31, 2021, our balance sheet reflected net debt of \$2.1 billion, down from \$2.6 billion as of December 31, 2020. Net leverage, as defined in our credit facility, decreased to 1.4x EBITDA.

On April 1, 2021, we used a portion of the available liquidity to redeem the €750 million 3.625% Senior Notes due 2026. The redemption was financed by lower cost revolver borrowings and cash on hand.

[Skip to main content](#)

During the first quarter of 2021, S&P Global and Moody's upgraded our credit ratings to BB+ and Ba1, respectively.

In the first quarter of 2021, we repurchased approximately 1.5 million shares of our common stock. Since initiating our plan in late October 2018, we have repurchased 18.8 million shares for a total of \$526 million.

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

<sup>(a)</sup> Amounts reflect continuing operations

<sup>(b)</sup> Non-GAAP measure. See the table accompanying this release that reconciles the forecasted U.S. GAAP measure to the forecasted adjusted measure, which is non-GAAP.

Our outlook for the full year 2021 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 trend lower in the second half of the year. Our outlook is also based on management's current expectations regarding the recovery from the coronavirus outbreak. Changes in these conditions may impact our ability to achieve the estimates. Adjusted figures exclude (to the extent applicable) the impact of restructuring and acquisition related expenses; amortization expense related to acquired intangibles; excess tax benefits and deficiencies from stock-based payments; losses on debt extinguishment; impairment charges; and gains and losses related to acquisitions or divestitures (including changes in the fair value of contingent consideration liabilities).

#### **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 29, 2021 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 (833) 236-5754. International access to the call may be obtained by dialing (647) 689-4182. The investor conference call will require you to enter conference ID: 2377197#.

#### **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 (800) 585-8367 or (416) 621-4642 for international calls. The telephone replay will require you to enter conference ID: 2377197#. An online replay of the audio webcast will be available on the Company's website. Both formats of replay will be available through May 13, 2021. 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 OE 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 2021, 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.

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

- effects on our business from the disruption to economic activity caused by the COVID-19 pandemic, including a substantial decrease in the demand for our products and services, interruptions to supply chains, and the inability of customers to pay for products and services;
- employment-related issues arising from the COVID-19 pandemic, including employment law claims resulting from the layoffs and furloughs of employees to reduce costs during the period of decreased demand, increased healthcare costs, workforce shortages, and health and safety issues at the workplace;
- changes in economic, political and social conditions in the U.S. and other countries in which we are located or do business, including the U.K. withdrawal from the European Union (also known as Brexit), and the impact of these changes on our businesses, the demand for our products and our ability to obtain financing for operations;
- increasing competition in the automotive parts industry, including parts sold on online marketplaces and the potential competitive advantage to original equipment manufacturers ("OEMs") with "connected car" technology, as well as the various efforts by OEMs to restrict or prohibit the sale of aftermarket or recycled parts;
- changes to our business relationships with insurance companies or changes by insurance companies to their business practices relating to the use of our products as well as changes in the level of acceptance and promotion of alternative automotive parts by insurance companies and vehicle repairers;
- restrictions or prohibitions on selling or importing aftermarket products through enforcement by OEMs or governmental agencies of intellectual property rights or import laws;
- variations in the number of vehicles manufactured and sold, vehicle accident rates, miles driven, and the age profile of vehicles in accidents, the increase of accident avoidance systems being installed in vehicles, the potential loss of sales of certain mechanical parts due to the rise of electric vehicle sales, or changes in the demand for our products and the supply of our inventory due to severity of weather and seasonality of weather patterns;
- fluctuations in the prices of fuel, scrap metal and other commodities;
- changes 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; as well as price increases, interruptions or disruptions to the supply of vehicle parts from aftermarket suppliers and vehicles from salvage auctions;
- if our goodwill or other intangible assets become impaired, or there are declines in the values of our assets, including as a result of the effects of the COVID-19 pandemic on our business, we may incur significant charges to our pre-tax income;
- product liability claims by the end users of our products or claims by other parties who we have promised to indemnify for product liability matters and costs associated with recalls of the products we sell;
- our ability to identify acquisition candidates at reasonable prices and our ability to successfully divest underperforming businesses and our ability to integrate, realize expected synergies, and successfully operate acquired companies and any companies acquired in the future, and the risks associated with these companies;
- our ability to satisfy our debt obligations and to operate within the limitations imposed by financing arrangements, including the possibility of not satisfying one or more of the financial covenants in our credit facility or the terms of the indentures governing our senior notes;
- our senior notes are subject to risks that could affect the value of the notes, require holders of the notes to return payments received from us or the guarantors, or affect our ability to repurchase the notes upon a change of control or pursuant to an asset sale offer;
- our ability to obtain financing on acceptable terms to finance our growth;
- changes in laws or regulations affecting our business;
- our operations are subject to environmental regulations and we may incur costs relating to environmental matters;
- our bylaws provide that the courts in the State of Delaware are the exclusive forums for substantially all disputes between us and our stockholders;
- changes to applicable U.S. and foreign tax laws, changes to interpretations of tax laws, and changes in our mix of earnings among the jurisdictions in which we operate;
- the implementation of a border tax or tariff on imports and the negative impact on our business due to the amount of inventory we import;
- governmental agencies may refuse to grant or renew our operating licenses and permits for our salvage, self service and refurbishing businesses;
- loss of key management personnel may affect our ability to successfully manage our business and achieve our objectives;
- the risks associated with operating in foreign jurisdictions, including foreign laws and economic and political instabilities and currency fluctuations in the U.S. dollar, pound sterling and euro versus other currencies;
- additional unionization efforts, new collective bargaining agreements, and work stoppages;
- our ability to develop and implement the operational and financial systems needed to manage our operations; and interruptions, outages or breaches of our operational systems, security systems, or infrastructure as a result of attacks on, or malfunctions of, our systems;
- costs of complying with laws relating to the security of personal information;
- business interruptions affecting our distribution centers, computer systems and the availability of inventory;
- problems with our fleet of trucks and other vehicles could affect our business;
- potential losses of our right to operate at key locations if we are not able to negotiate lease renewals or due to environmental issues; and
- disruptions to the management and operations of our business and the uncertainties caused by activist investors.

[Skip to main content](#)

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

Restructuring and acquisition related expenses	7,885	0.2%	6,970	0.2%	915	13.1%
Impairment of net assets held for sale and (gain on disposal of business)	15	0.0%	(249)	(0.0%)	264	n/m
Depreciation and amortization	65,801	2.1%	65,495	2.2%	306	0.5%
Operating income	<u>371,448</u>	<u>11.7%</u>	<u>241,849</u>	<u>8.1%</u>	<u>129,599</u>	<u>53.6%</u>
Other expense (income):						
Interest expense, net of interest income	24,179	0.8%	25,931	0.9%	(1,752)	(6.8%)
Loss on debt extinguishment	—	0.0%	12,751	0.4%	(12,751)	n/m
Other income, net	(6,213)	(0.2%)	(3,622)	(0.1%)	(2,591)	71.5%
Total other expense, net	<u>17,966</u>	<u>0.6%</u>	<u>35,060</u>	<u>1.2%</u>	<u>(17,094)</u>	<u>(48.8%)</u>
Income from continuing operations before provision for income taxes	353,482	11.1%	206,789	6.9%	146,693	70.9%
Provision for income taxes	92,969	2.9%	60,411	2.0%	32,558	53.9%
Equity in earnings of unconsolidated subsidiaries	5,819	0.2%	516	0.0%	5,303	n/m
Income from continuing operations	<u>266,332</u>	<u>8.4%</u>	<u>146,894</u>	<u>4.9%</u>	<u>119,438</u>	<u>81.3%</u>
Net loss from discontinued operations	—	0.0%	(915)	(0.0%)	915	n/m
Net income	<u>266,332</u>	<u>8.4%</u>	<u>145,979</u>	<u>4.9%</u>	<u>120,353</u>	<u>82.4%</u>
Less: net income attributable to continuing noncontrolling interest	419	0.0%	740	0.0%	(321)	(43.4%)
Less: net income attributable to discontinued noncontrolling interest	—	0.0%	103	0.0%	(103)	n/m
Net income attributable to LKQ stockholders	<u>\$ 265,913</u>	<u>8.4%</u>	<u>\$ 145,136</u>	<u>4.8%</u>	<u>\$ 120,777</u>	<u>83.2%</u>
Basic earnings per share: <sup>(2)</sup>						
Income from continuing operations	\$ 0.88		\$ 0.48		\$ 0.40	83.3%
Net loss from discontinued operations	—		(0.00)		0.00	n/m
Net income	<u>0.88</u>		<u>0.48</u>		<u>0.40</u>	<u>83.3%</u>
Less: net income attributable to continuing noncontrolling interest	0.00		0.00		(0.00)	n/m
Less: net income attributable to discontinued noncontrolling interest	—		0.00		(0.00)	n/m
Net income attributable to LKQ stockholders	<u>\$ 0.88</u>		<u>\$ 0.47</u>		<u>\$ 0.41</u>	<u>87.2%</u>
Diluted earnings per share: <sup>(2)</sup>						
Income from continuing operations	\$ 0.88		\$ 0.48		\$ 0.40	83.3%
Net loss from discontinued operations	—		(0.00)		0.00	n/m
Net income	<u>0.88</u>		<u>0.48</u>		<u>0.40</u>	<u>83.3%</u>
Less: net income attributable to continuing noncontrolling interest	0.00		0.00		(0.00)	n/m
Less: net income attributable to discontinued noncontrolling interest	—		0.00		(0.00)	n/m
Net income attributable to LKQ stockholders	<u>\$ 0.88</u>		<u>\$ 0.47</u>		<u>\$ 0.41</u>	<u>87.2%</u>
Weighted average common shares outstanding:						
Basic	<u>303,043</u>		<u>306,238</u>		<u>(3,195)</u>	<u>(1.0%)</u>
Diluted	<u>303,765</u>		<u>306,757</u>		<u>(2,992)</u>	<u>(1.0%)</u>

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

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

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

	March 31, 2021	December 31, 2020
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 590,194	\$ 312,154
Receivables, net	1,252,374	1,073,389
Inventories	2,392,714	2,414,612
Prepaid expenses and other current assets	218,664	233,877
Total current assets	<u>4,453,946</u>	<u>4,034,032</u>
Property, plant and equipment, net	1,204,643	1,248,703
Operating lease assets, net	1,373,238	1,353,124
Intangible assets:		
Goodwill	4,515,634	4,591,569
Other intangibles, net	777,372	814,219
Equity method investments	170,729	155,224
Other noncurrent assets	169,895	163,662
Total assets	<u>\$ 12,665,457</u>	<u>\$ 12,360,533</u>
<b>Liabilities and Stockholders' Equity</b>		

Skip to main content

Total current liabilities	2,436,626	1,988,491
Long-term operating lease liabilities, excluding current portion	1,219,267	1,197,963
Long-term obligations, excluding current portion	2,471,730	2,812,641
Deferred income taxes	285,584	291,421
Other noncurrent liabilities	369,546	374,640
Commitments and contingencies		
Redeemable noncontrolling interest	24,077	24,077
Stockholders' equity:		
Common stock, \$0.01 par value, 1,000,000,000 shares authorized, 321,170,573 shares issued and 302,370,072 shares outstanding at March 31, 2021; 320,867,602 shares issued and 303,553,000 shares outstanding at December 31, 2020	3,212	3,208
Additional paid-in capital	1,449,667	1,444,584
Retained earnings	5,041,953	4,776,040
Accumulated other comprehensive loss	(126,122)	(99,009)
Treasury stock, at cost; 18,800,501 shares at March 31, 2021 and 17,314,602 shares at December 31, 2020	(526,084)	(469,105)
Total Company stockholders' equity	5,842,626	5,655,718
Noncontrolling interest	16,001	15,582
Total stockholders' equity	5,858,627	5,671,300
Total liabilities and stockholders' equity	\$ 12,665,457	\$ 12,360,533

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

	Three Months Ended	
	March 31,	
	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 266,332	\$ 145,979
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	71,597	71,379
Stock-based compensation expense	7,792	7,968
Loss on debt extinguishment	—	12,751
Other	(9,202)	(2,970)
Changes in operating assets and liabilities, net of effects from acquisitions and dispositions:		
Receivables, net	(197,594)	(63,938)
Inventories	(13,469)	(7,522)
Prepaid income taxes/income taxes payable	(20,694)	41,585
Accounts payable	331,383	(27,170)
Other operating assets and liabilities	86,367	16,501
Net cash provided by operating activities	522,512	194,563
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property, plant and equipment	(41,779)	(44,538)
Proceeds from disposals of property, plant and equipment	7,601	5,528
Acquisitions, net of cash acquired	(2,385)	(7,220)
Proceeds from disposal of businesses, net of cash sold	5,944	1,763
Investments in unconsolidated subsidiaries	(2,824)	(405)
Net cash used in investing activities	(33,443)	(44,872)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Early-redemption premium	—	(9,498)
Repayment of U.S. Notes (2023)	—	(600,000)
Borrowings under revolving credit facilities	1,287,810	460,186
Repayments under revolving credit facilities	(1,392,004)	(134,674)
Repayments under term loans	(4,375)	(4,375)
Borrowings under receivables securitization facility	—	111,300
Repayments under receivables securitization facility	—	(12,900)
Borrowings (repayments) of other debt, net	25,574	(49,481)
Settlement of derivative instruments, net	(56,804)	—
Purchase of treasury stock	(56,979)	(88,006)
Other financing activities, net	(11,717)	(7,291)
Net cash used in financing activities	(208,495)	(334,739)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(2,534)	(11,746)
Net increase (decrease) in cash, cash equivalents and restricted cash	278,040	(196,794)
Cash, cash equivalents and restricted cash of continuing operations, beginning of period	312,154	528,387
Add: Cash, cash equivalents and restricted cash of discontinued operations, beginning of period	—	6,470
Cash, cash equivalents and restricted cash of continuing and discontinued operations, beginning of period	312,154	534,857
Cash, cash equivalents and restricted cash, end of period	\$ 590,194	\$ 338,063

The following unaudited tables compare certain third party revenue categories:

Parts and services	2,931,766	2,812,717	119,049	4.2%
Other	239,020	188,218	50,802	27.0%
Total	\$ 3,170,786	\$ 3,000,935	\$ 169,851	5.7%

**Revenue changes by category for the three months ended March 31, 2021 vs. 2020:**

	Revenue Change Attributable to:			Total Change <sup>(2)</sup>
	Organic <sup>(1)</sup>	Acquisition and Divestiture	Foreign Exchange	
North America	(8.4%)	0.0%	0.4%	(8.0%)
Europe	0.3%	(1.4%)	8.3%	7.2%
Specialty	30.9%	0.4%	0.5%	31.8%
Parts and services	0.6%	(0.6%)	4.2%	4.2%
Other	26.6%	—%	0.4%	27.0%
Total	2.3%	(0.6%)	4.0%	5.7%

<sup>(1)</sup> 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 prior period 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.

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

**The following unaudited table reconciles revenue growth for parts & services to constant currency revenue growth for the same measure:**

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

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

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

	Three Months Ended March 31,			
	2021		2020	
(In thousands)	% of Revenue		% of Revenue	
<b>Revenue</b>				
North America	\$ 1,249,693		\$ 1,290,195	
Europe	1,463,453		1,363,594	
Specialty	458,939		348,582	
Eliminations	(1,299)		(1,436)	
Total revenue	\$ 3,170,786		\$ 3,000,935	
<b>Segment EBITDA</b>				
North America	\$ 249,167	19.9%	\$ 211,438	16.4%
Europe	140,958	9.6%	78,262	5.7%
Specialty	61,482	13.4%	32,232	9.2%
Total Segment EBITDA	\$ 451,607	14.2%	\$ 321,932	10.7%

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 EBITDA excluding

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.

**The following unaudited table reconciles Net Income to EBITDA and Segment EBITDA:**

	Three Months Ended March 31,	
	2021	2020
<b>(In thousands)</b>		
Net income	\$ 266,332	\$ 145,979
Less: net income attributable to continuing noncontrolling interest	419	740
Less: net income attributable to discontinued noncontrolling interest	—	103
Net income attributable to LKQ stockholders	265,913	145,136
Subtract:		
Net loss from discontinued operations	—	(915)
Net income attributable to discontinued noncontrolling interest	—	(103)
Net income from continuing operations attributable to LKQ stockholders	265,913	146,154
Add:		
Depreciation and amortization	65,801	65,495
Depreciation and amortization - cost of goods sold	5,615	5,085
Depreciation and amortization - restructuring expenses <sup>(1)</sup>	181	799
Interest expense, net of interest income	24,179	25,931
Loss on debt extinguishment	—	12,751
Provision for income taxes	92,969	60,411
EBITDA	454,658	316,626
Subtract:		
Equity in earnings of unconsolidated subsidiaries	5,819	516
Equity investment mark to market adjustments	4,739	—
Add:		
Restructuring and acquisition related expenses <sup>(1)</sup>	7,704	6,171
Restructuring expenses - cost of goods sold	(163)	(4)
Impairment of net assets held for sale and (gain on disposal of business)	15	(249)
Change in fair value of contingent consideration liabilities	(49)	(96)
Segment EBITDA	\$ 451,607	\$ 321,932
Net income from continuing operations attributable to LKQ stockholders as a percentage of revenue	8.4%	4.9%
EBITDA as a percentage of revenue	14.3%	10.6%
Segment EBITDA as a percentage of revenue	14.2%	10.7%

<sup>(1)</sup> The sum of these two captions represents the total amount that is reported in Restructuring and acquisition related expenses in the Unaudited Condensed Consolidated Statements of Income.

We have presented EBITDA solely as a supplemental disclosure that offers investors, securities analysts and other interested parties useful information to evaluate our operating performance and the value of our business. We calculate EBITDA as net income attributable to LKQ stockholders excluding discontinued operations and discontinued noncontrolling interest, depreciation, amortization, interest (which includes gains and losses on debt extinguishment) and income tax expense. We believe EBITDA provides insight into our profitability trends and allows management and investors to analyze our operating results with the impact of continuing noncontrolling interest and without the impact of discontinued noncontrolling interest, discontinued operations, depreciation, amortization, interest (which includes gains and losses on debt extinguishment) and income tax expense. We believe EBITDA is used by investors, securities analysts and other interested parties in evaluating the operating performance and the value of other companies, many of which present EBITDA when reporting their results.

We have presented Segment EBITDA solely as a supplemental disclosure that offers investors, securities analysts and other interested parties useful information to evaluate our segment profit and loss and underlying trends in our ongoing operations. We calculate Segment EBITDA as EBITDA excluding restructuring and acquisition related expenses (which includes restructuring expenses recorded in Cost of goods sold); change in fair value of contingent consideration liabilities; other gains and losses related to acquisitions, equity method investments or divestitures; equity in losses and earnings of unconsolidated subsidiaries; equity investment mark to market adjustments; and impairment charges. Our chief operating decision maker, who is our Chief Executive Officer, uses Segment EBITDA as the key measure of our segment profit or loss. We use Segment EBITDA to compare profitability among our segments and evaluate business strategies. This financial measure is included in the metrics used to determine incentive compensation for our senior management. Segment EBITDA includes revenue and expenses that are controllable by the segment. Corporate general and administrative expenses are allocated to the segments based on usage, with shared expenses apportioned based on the segment's percentage of consolidated revenue.

EBITDA and Segment EBITDA should not be construed as alternatives to operating income, net income or net cash provided by operating activities, as determined in accordance with accounting principles generally accepted in the United States. In addition, not all companies that report EBITDA or Segment EBITDA information calculate EBITDA or Segment EBITDA in the same manner as we do and, accordingly, our calculations are not necessarily comparable to similarly-named measures of other companies and may not be appropriate measures for performance relative to other companies.

Net income	\$	266,332	\$	145,979
Less: net income attributable to continuing noncontrolling interest		419		740
Less: net income attributable to discontinued noncontrolling interest		—		103
Net income attributable to LKQ stockholders		<u>265,913</u>		<u>145,136</u>
Subtract:				
Net loss from discontinued operations		—		(915)
Net income attributable to discontinued noncontrolling interest		—		(103)
Net income from continuing operations attributable to LKQ stockholders		<u>265,913</u>		<u>146,154</u>
Adjustments - continuing operations attributable to LKQ stockholders:				
Amortization of acquired intangibles		20,440		24,419
Restructuring and acquisition related expenses		7,885		6,970
Restructuring expenses - cost of goods sold		(163)		36
Change in fair value of contingent consideration liabilities		(49)		(96)
Loss on debt extinguishment		—		12,751
Impairment of net assets held for sale and (gain on disposal of business)		15		(249)
Excess tax benefit from stock-based payments		(570)		(711)
Tax effect of adjustments		<u>(7,448)</u>		<u>(13,172)</u>
Adjusted net income from continuing operations attributable to LKQ stockholders	\$	<u>286,023</u>	\$	<u>176,102</u>
Weighted average diluted common shares outstanding		303,765		306,757
Diluted earnings per share from continuing operations attributable to LKQ stockholders				
Reported	\$	0.88	\$	0.48
Adjusted	\$	0.94	\$	0.57

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.

**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 2021	
	Minimum Outlook	Maximum Outlook
(In millions, except per share data)		
Net income from continuing operations attributable to LKQ stockholders	\$ 813	\$ 874
Adjustments:		
Amortization of acquired intangibles	78	78
Restructuring expenses	30	30
Loss on debt extinguishment	24	24
Other adjustments	(1)	(1)
Tax effect of adjustments	<u>(35)</u>	<u>(35)</u>
Adjusted net income from continuing operations attributable to LKQ stockholders	<u>\$ 909</u>	<u>\$ 970</u>
Weighted average diluted common shares outstanding	303	303
Diluted earnings per share from continuing operations attributable to LKQ stockholders:		
U.S. GAAP	\$ 2.68	\$ 2.88



previously announced plans, the loss on debt extinguishment related to the April 1, 2021 redemption of the Euro Notes 2020 and the related tax effect, we included for all other components the amounts incurred through March 31, 2021.

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

	Three Months Ended March 31,	
	2021	2020
<b>(In thousands)</b>		
Net cash provided by operating activities	\$ 522,512	\$ 194,563
Less: purchases of property, plant and equipment	41,779	44,538
Free cash flow	\$ 480,733	\$ 150,025

We have presented free cash flow solely as a supplemental disclosure that offers investors, securities analysts and other interested parties useful information to evaluate our liquidity. We calculate free cash flow as net cash provided by operating activities, less purchases of property, plant and equipment. We believe free cash flow provides insight into our liquidity and provides useful information to management and investors concerning our cash flow available to meet future debt service obligations and working capital requirements, make strategic acquisitions and repurchase stock. We believe free cash flow is used by investors, securities analysts and other interested parties in evaluating the liquidity of other companies, many of which present free cash flow when reporting their results. This financial measure is included in the metrics used to determine incentive compensation for our senior management. Free cash flow should not be construed as an alternative to net cash provided by operating activities, as determined in accordance with accounting principles generally accepted in the United States. In addition, not all companies that report free cash flow information calculate free cash flow in the same manner as we do and, accordingly, our calculation is not necessarily comparable to similarly-named measures of other companies and may not be an appropriate measure for liquidity relative to other companies.

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

	Forecasted Fiscal Year 2021	
	Minimum Outlook	Maximum Outlook
<b>(In thousands)</b>		
Net cash provided by operating activities	\$ 1,075,000	\$ 1,200,000
Less: purchases of property, plant and equipment	225,000	250,000
Free cash flow	\$ 850,000	\$ 950,000

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.

**The following unaudited tables reconcile Gross Margin to Adjusted Gross Margin:**

	Consolidated Adjusted Gross Margin	
	Three Months Ended March 31,	
	2021	2020
<b>(In thousands)</b>		
Gross margin	\$ 1,293,714	\$ 1,213,876
Add: Restructuring expenses - cost of goods sold	(163)	36
Adjusted gross margin	\$ 1,293,551	\$ 1,213,912
Gross margin %	40.8%	40.4%
Adjusted gross margin %	40.8%	40.5%

	North America Adjusted Gross Margin	
	Three Months Ended March 31,	
	2021	2020
<b>(In thousands)</b>		
Gross margin	\$ 599,491	\$ 611,614
Add: Restructuring expenses - cost of goods sold	(163)	36
Adjusted gross margin	\$ 599,328	\$ 611,650
Gross margin %	48.0%	47.4%
Adjusted gross margin %	48.0%	47.4%

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

[Skip to main content](#)

<b>(In thousands)</b>	<b>March 31, 2021</b>	<b>December 31, 2020</b>
Current portion of long-term obligations	\$ 239,962	\$ 58,497
Long-term obligations, excluding current portion	2,471,730	2,812,641
Total debt, net of debt issuance costs	<u>2,711,692</u>	<u>2,871,138</u>
Add: Debt issuance costs	23,330	25,538
Total debt	<u>2,735,022</u>	<u>2,896,676</u>
Less: Cash and cash equivalents	590,194	312,154
Net debt	<u>\$ 2,144,828</u>	<u>\$ 2,584,522</u>

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.



Source: LKQ Corporation