

# Second Quarter 2023 Earnings Call Presentation

July 27, 2023



Keeping you moving

# Forward Looking Statements and Non-GAAP Financial Measures

Statements and information in this presentation that are not historical are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and are made pursuant to the “safe harbor” provisions of such Act.

Forward-looking statements include, but are not limited to, statements regarding our outlook, guidance, expectations, beliefs, hopes, intentions and strategies. These statements are subject to a number of risks, uncertainties, assumptions and other factors that may cause our actual results, performance or achievements to be materially different. 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 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](http://www.lkqcorp.com)) and on the SEC’s website ([www.sec.gov](http://www.sec.gov)).

This presentation contains non-GAAP financial measures. Included with this presentation is a reconciliation of each non-GAAP financial measure with the most directly comparable financial measure calculated in accordance with GAAP.

# Q2 2023 Highlights

- Organic revenue growth for parts and services of 4.8% (5.4% on a per day basis)
  - Europe: 8.5% (9.8% on a per day basis)
  - Wholesale - North America: 8.3%
- Strong results enabled by focusing on key operational excellence initiatives and leveraging our diversified portfolio of businesses
  - Segment EBITDA<sup>(1)</sup> of \$485 million; Segment EBITDA<sup>(1)</sup> margin of 14.1%
    - Wholesale - North America delivered a record quarterly Segment EBITDA<sup>(1)</sup> margin of 20.6%
    - Europe Segment EBITDA<sup>(1)</sup> margin of 11.5%, a 70bps improvement over Q2 2022 and the best Q2 performance in the last decade
- Operating cash flow of \$480 million; free cash flow<sup>(2)</sup> of \$414 million
- Paid quarterly dividend of \$0.275 per share in June 2023 totaling \$74 million; approved \$0.275 per share dividend to be paid in August 2023
- In May 2023, completed an offering of \$1.4 billion aggregate principal amount of senior unsecured notes related to the Uni-Select Inc. ("Uni-Select") acquisition, consisting of \$800 million senior notes due 2028 and \$600 million senior notes due 2033 (together the "U.S. Notes (2028/33)")
- Approval process for the pending Uni-Select acquisition is ongoing and anticipated to close on or around August 1, 2023

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

(2) Free Cash Flow is a non-GAAP measure. Refer to Appendix 6 for Free Cash Flow reconciliation

# Outlook 2023<sup>(1)</sup>

(effective only on the date issued: July 27, 2023)

	Full Year 2023 Previous Outlook <sup>(5)</sup>	2023 Full Year Outlook Updated Outlook
Organic parts and services revenue growth	6.0% to 8.0%	6.0% to 7.5%
Diluted EPS <sup>(2)</sup>	\$3.68 to \$3.98	\$3.65 to \$3.85
Adjusted Diluted EPS <sup>(2)(3)</sup>	\$3.90 to \$4.20	\$3.90 to \$4.10
Operating cash flow	approx. \$1.275 billion	approx. \$1.275 billion
Free cash flow <sup>(4)</sup>	approx. \$975 million	approx. \$975 million
Free cash flow conversion of Adjusted EBITDA <sup>(4)</sup>	55% to 60%	55% to 60%

(1) 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 June average, and no further deterioration due to the Ukraine/Russia conflict. We have applied foreign currency exchange rates near June average levels, including \$1.09 and \$1.25 for the euro and pound sterling, respectively, for the balance of the year. Prior guidance issued on April 27, 2023 had foreign currency exchange rate levels of \$1.08 and \$1.23 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 transactions and costs related to the potential Uni-Select acquisition that occurred through June 30, 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)

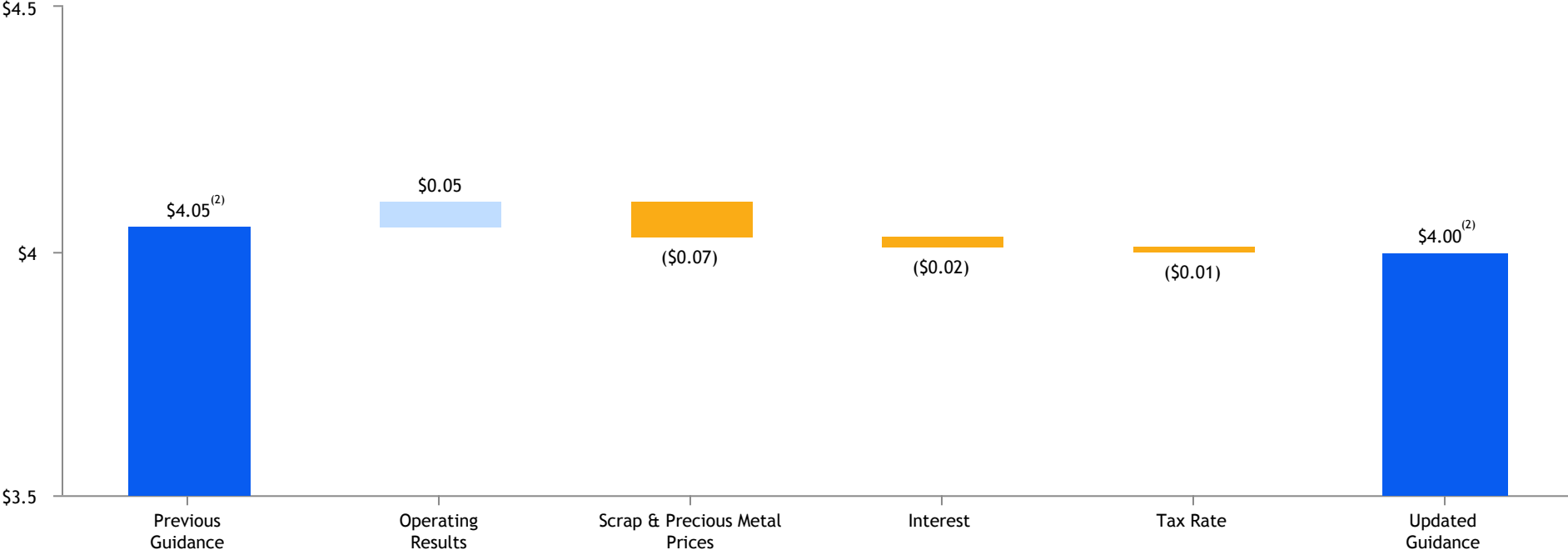
(2) Actual and outlook figures are for continuing operations attributable to LKQ stockholders

(3) Adjusted net income and Adjusted Diluted EPS are non-GAAP measures. See Appendix 5 for reconciliation of forecasted adjusted Net income and forecasted Adjusted Diluted EPS attributable to LKQ stockholders

(4) Free Cash Flow and Adjusted EBITDA are non-GAAP measures. Refer to Appendix 6 for forecasted Free Cash Flow reconciliation

(5) Previous guidance was issued April 27, 2023

# 2023 Adjusted EPS<sup>(1)</sup> Guidance Walk

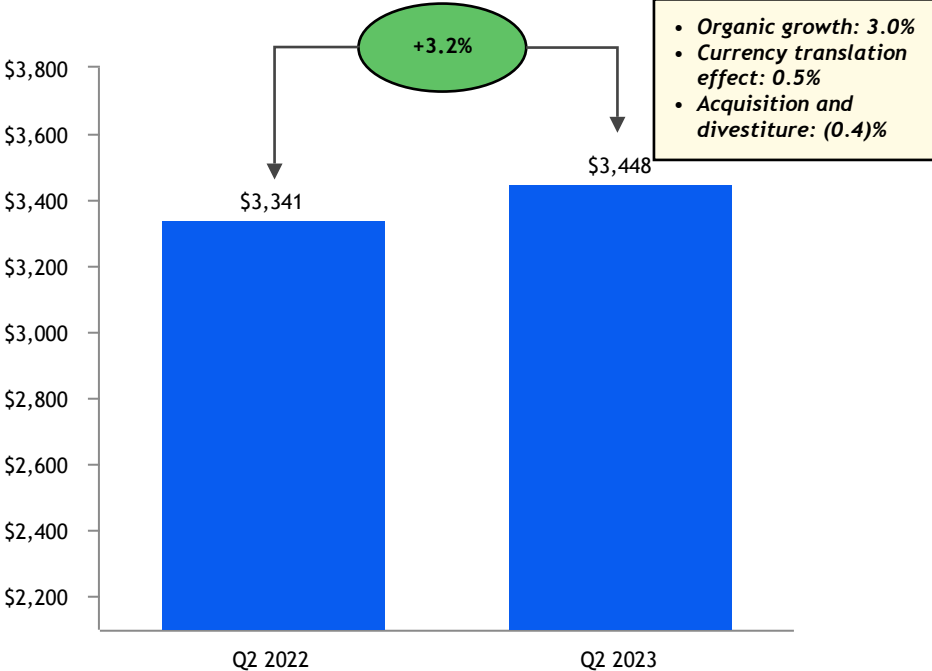


(1) Adjusted Diluted EPS is a non-GAAP measure. See Appendix 5 for reconciliation of forecasted Adjusted Diluted EPS

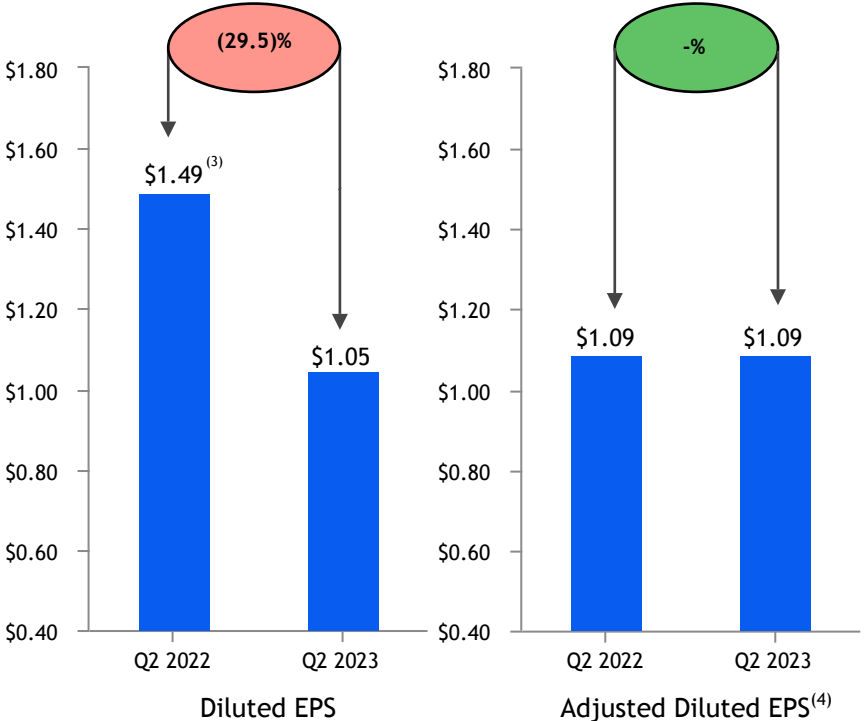
(2) The amounts represents the midpoint of our guidance range

# Consolidated Results Q2 2023

## Revenue<sup>(1)</sup>



## EPS<sup>(2)</sup>



(1) Revenue in millions  
 (2) Earnings per share figures refer to net income from continuing operations attributable to LKQ stockholders  
 (3) Includes \$0.45 from gain on sale of the PGW Auto Glass ("PGW") business  
 (4) Adjusted Diluted EPS is a non-GAAP measure. Refer to Appendix 4 for Adjusted Diluted EPS reconciliation





# Financial Results Q2 2023

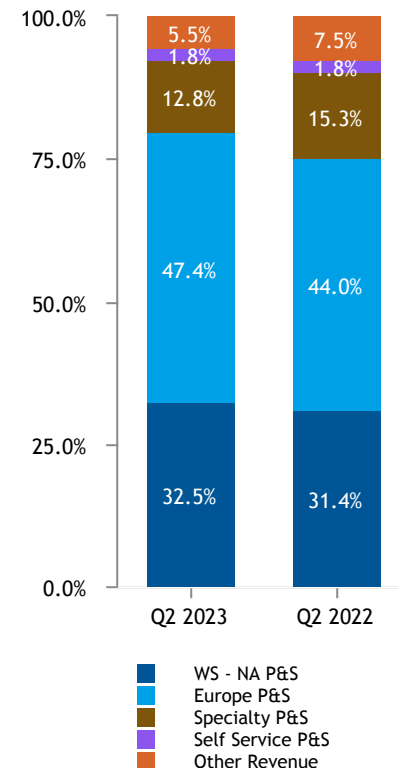
# Q2 2023 Revenue

## Revenue Changes by Source:

	Organic	Acquisition and Divestiture	Foreign Exchange	Total <sup>(1)</sup>
Wholesale - North America	8.3%	(1.3)%	(0.3)%	6.7%
Europe	8.5%	0.9%	1.6%	11.1%
Specialty	(12.9)%	(0.2)%	(0.5)%	(13.5)%
Self Service	4.7%	—%	—%	4.7%
Parts and Services	4.8%	—%	0.6%	5.4%
Other	(19.4)%	(4.3)%	(0.2)%	(23.9)%
<b>Total Revenue</b>	<b>3.0%</b>	<b>(0.4)%</b>	<b>0.5%</b>	<b>3.2%</b>

- Wholesale - North America organic revenue for parts and services increased 8.3%; primarily driven by pricing initiatives which focused on offsetting inflation on input costs and a net volume increase. Aftermarket collision parts volumes increased year over year due to (i) reduced pressures on our supply chain, with the improved aftermarket inventory availability contributing to a year over year decrease in recycled parts volumes and (ii) the continued rollout of State Farm's aftermarket parts program, which began on a trial basis in June 2022 and has subsequently been expanded
- Wholesale - North America acquisition and divestiture revenue was a net decrease primarily due to the divestiture of our PGW aftermarket glass business in the second quarter of 2022
- Europe organic revenue for parts and services increased 8.5% (9.8% on a per day basis) driven primarily by pricing initiatives across all geographies to offset increased costs resulting from inflationary pressures and to a lesser extent, higher volumes
- Favorable F/X impact on European parts and services revenue of \$23 million; European constant currency<sup>(2)</sup> parts and services revenue increased 9.5%
- Specialty organic revenue for parts and services decreased 12.9%; primarily due to demand softness in the recreational vehicle ("RV") product line, as RV unit retail sales and wholesale shipments have declined year over year
- Self Service organic revenue for parts and services increased 4.7%; primarily driven by pricing initiatives which focused on offsetting inflation on input costs
- Other organic revenue decreased 19.4% primarily driven by lower commodity prices
- Other acquisition and divestiture revenue was a net decrease primarily due to the divestiture of a business in our Self Service segment in the third quarter of 2022

## Components of Revenue



(1) The sum of the individual revenue change components may not equal the total percentage due to rounding  
 (2) Constant currency is a non-GAAP financial measure. Refer to Appendix 1 for constant currency reconciliation



# Operating Results - Q2

(\$ in millions, except per share data)	Second Quarter		
	2023	2022	Change F/(U)
Revenue	\$3,448	\$3,341	3.2%
Gross Margin	1,414	1,367	3.5%
Operating Expenses	938	898	(4.5)%
Operating Income	407	559	(27.2)%
Income from continuing operations before provision for income taxes	389	543	(28.4)%
Net income from continuing operations attributable to LKQ stockholders	281	420	(33.1)%
Segment EBITDA <sup>(1)</sup>	485	475	2.1%
Segment EBITDA <sup>(1)</sup> Margin	14.1%	14.2%	(10) bps
Diluted EPS from continuing operations attributable to LKQ stockholders:			
Reported	\$1.05	\$1.49	(29.5)%
Adjusted <sup>(2)</sup>	\$1.09	\$1.09	—%

- Effective income tax rate for the three months ended June 30, 2023 was 28.0%, compared to 23.4% for the three months ended June 30, 2022
- 2022 figures include a \$155 million pretax gain on the sale of PGW (\$127 million after tax, or \$0.45 per share); gain is excluded from Segment EBITDA and Adjusted Diluted EPS
- Year over year variances:

Impact on Diluted EPS from continuing operations attributable to LKQ stockholders:		
	Reported	Adjusted
Foreign exchange (see slide 27)	\$0.05	\$—
Metals pricing (see slide 27)	\$(0.08)	\$(0.08)
Interest expense, net	\$(0.07)	\$(0.05)

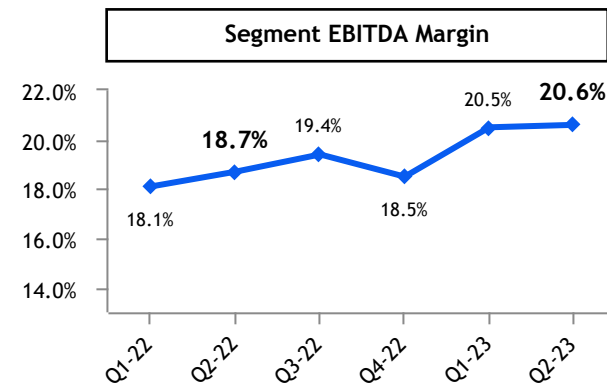
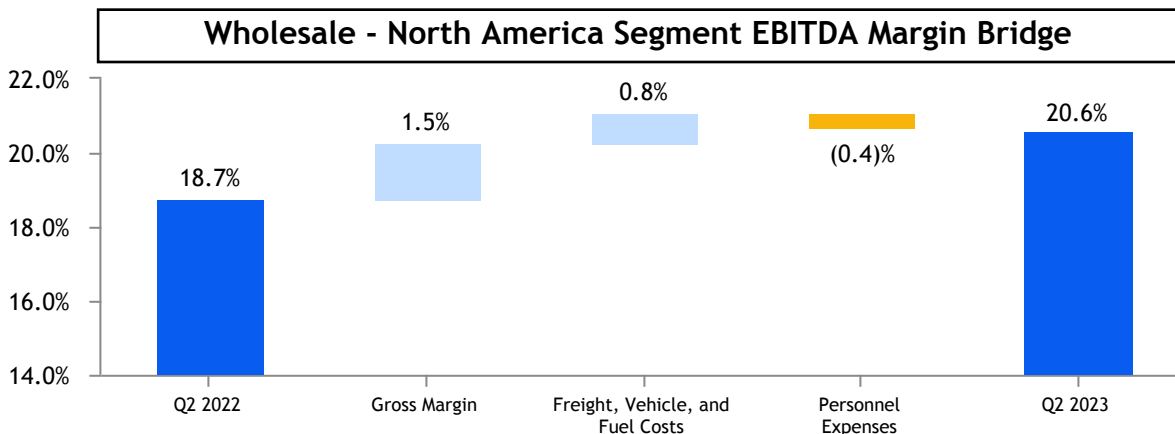
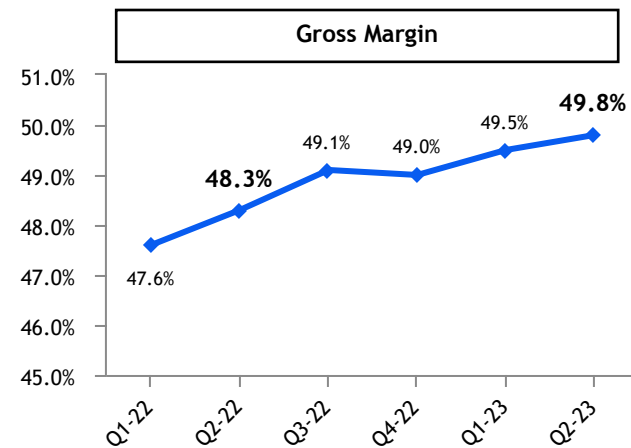
(1) Segment EBITDA is a non-GAAP measure. Refer to Appendix 3 for Segment EBITDA reconciliation

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

# Wholesale - North America - Q2

(\$ in millions)	2023	2022	Change F/(U)	% of Revenue	
				2023	2022
Total Revenue	\$1,199	\$1,144	4.8%		
Gross Margin	\$598	\$553	8.0%	49.8%	48.3%
Operating Expenses	\$352	\$340	(3.4)%	29.3%	29.7%
Segment EBITDA <sup>(1)</sup>	\$248	\$214	15.4%	20.6%	18.7%

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



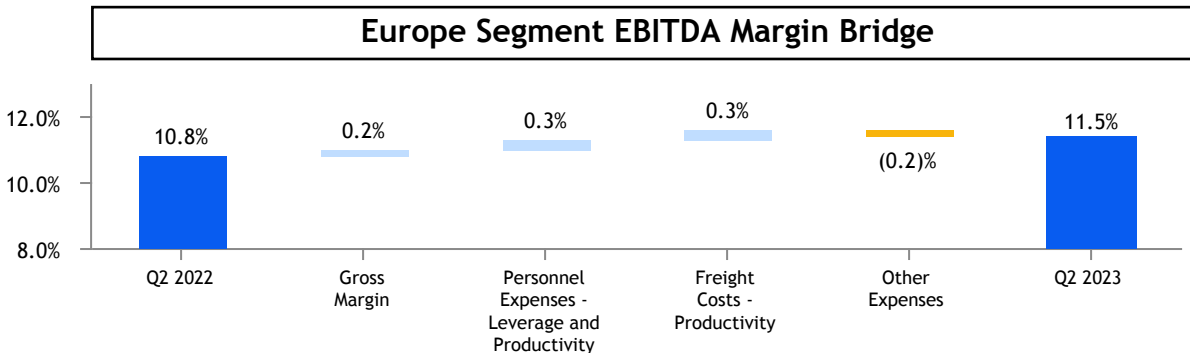
Note: In the table and Segment EBITDA Margin Bridge above, the sum of the individual percentages may not equal the total due to rounding

# Europe - Q2

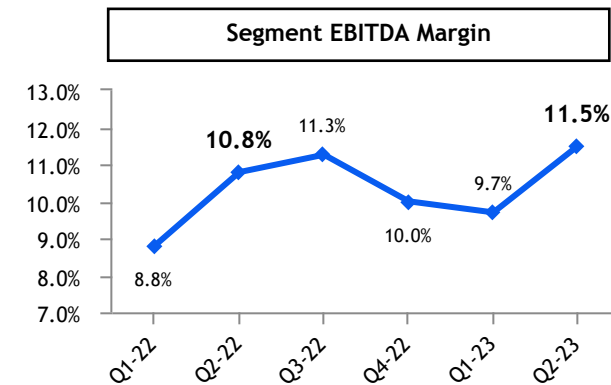
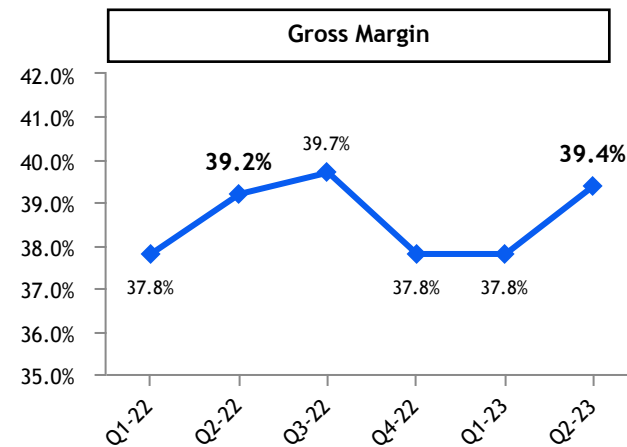
(\$ in millions)	2023	2022	Change F/(U)	% of Revenue	
				2023	2022
Total Revenue <sup>(1)</sup>	\$1,638	\$1,477	10.9%		
Gross Margin	\$645	\$579	11.4%	39.4%	39.2%
Operating Expenses	\$460	\$422	(9.1)%	28.1%	28.6%
Segment EBITDA <sup>(2)</sup>	\$188	\$160	18.0%	11.5%	10.8%

(1) The foreign currency impact on parts and services revenue was a \$23 million favorable impact which brings revenue growth at a constant currency to 9.5%. Refer to Appendix 1 for a reported revenue to constant currency revenue reconciliation.

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



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

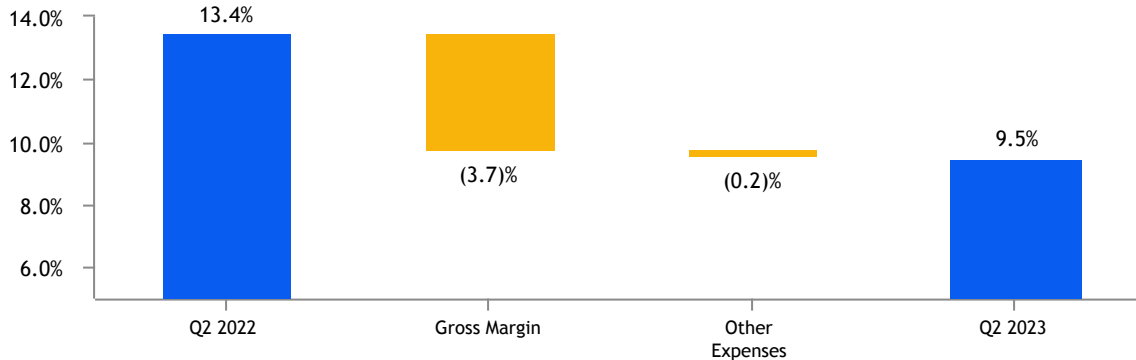


# Specialty - Q2

(\$ in millions)	2023	2022	Change F/(U)	% of Revenue	
				2023	2022
Total Revenue	\$443	\$513	(13.5)%		
Gross Margin	\$115	\$152	(24.3)%	26.0%	29.7%
Operating Expenses	\$76	\$84	10.1%	17.1%	16.4%
Segment EBITDA <sup>(1)</sup>	\$42	\$69	(38.8)%	9.5%	13.4%

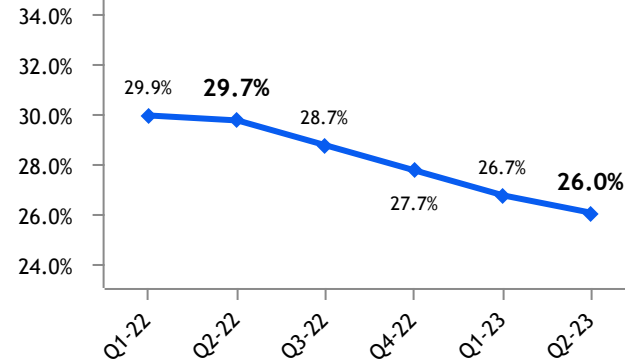
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## Specialty Segment EBITDA Margin Bridge

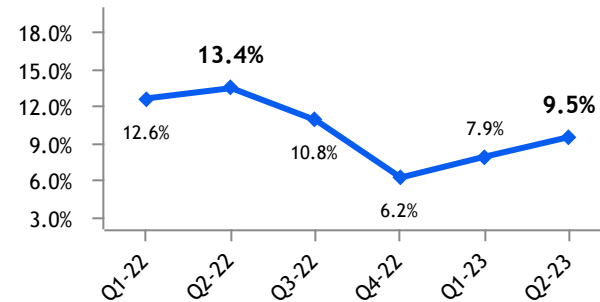


Note: In the table and Segment EBITDA Margin Bridge above, the sum of the individual percentages may not equal the total due to rounding

## Gross Margin



## Segment EBITDA Margin



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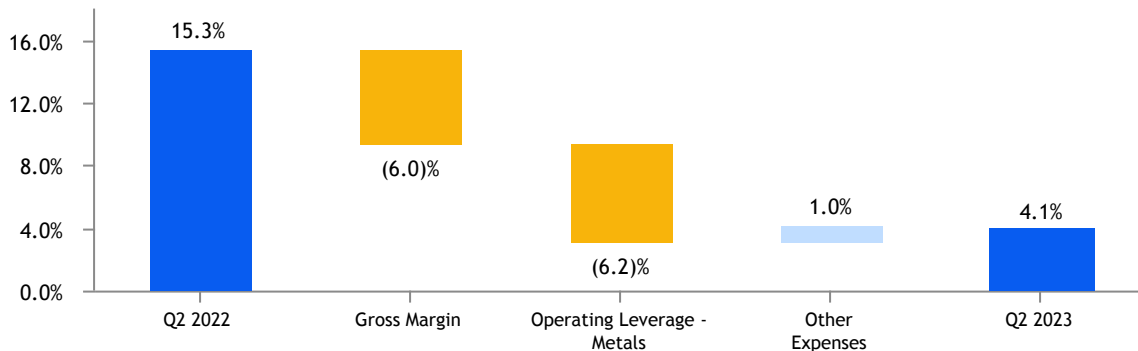
# Self Service - Q2

(\$ in millions)	2023	2022	Change F/(U)	% of Revenue	
				2023	2022
Total Revenue <sup>(1)</sup>	\$169	\$208	(18.9)%		
Gross Margin	\$56	\$82	(31.3)%	33.5%	39.5%
Operating Expenses	\$50	\$51	2.0%	29.6%	24.5%
Segment EBITDA <sup>(2)</sup>	\$7	\$32	(78.5)%	4.1%	15.3%

(1) Includes Other Revenue of \$106 million and \$148 million in Q2 2023 and Q2 2022, respectively. See slide 27 for further detail on metals price trends.

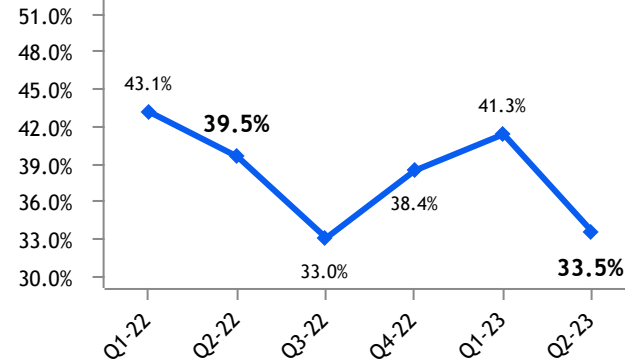
(2) Segment EBITDA for each segment is a GAAP measure, while total Segment EBITDA is a non-GAAP measure. Refer to Appendix 3 for total Segment EBITDA reconciliation and Appendix 2 for the breakout of Segment EBITDA for each segment.

## Self Service Segment EBITDA Margin Bridge

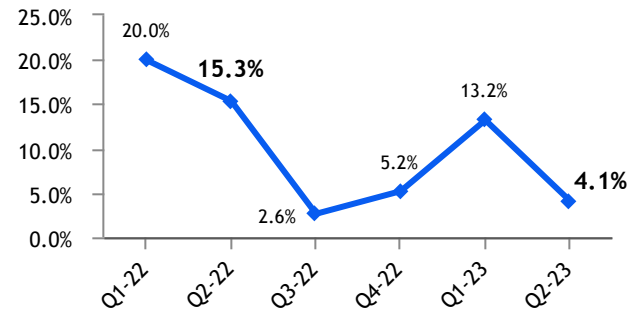


Note: In the table and Segment EBITDA Margin Bridge above, the sum of the individual percentages may not equal the total due to rounding

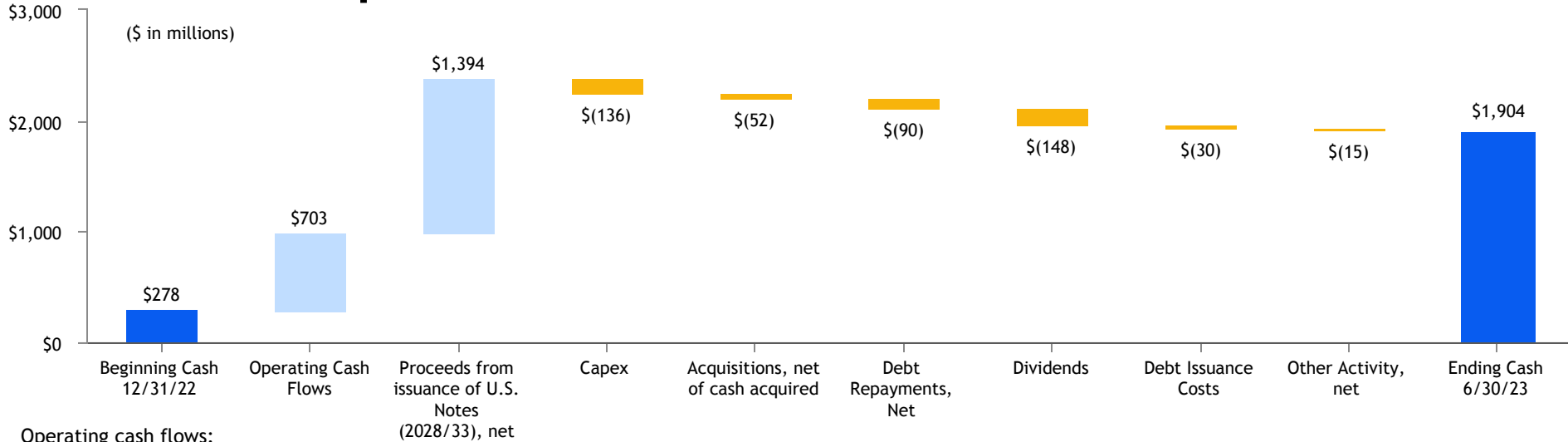
## Gross Margin



## Segment EBITDA Margin



# YTD 2023 Capital Allocation



## Operating cash flows:

- Operating cash flows of \$703 million represent a 5%, or \$34 million, decrease year over year primarily driven by higher payments for taxes and interest

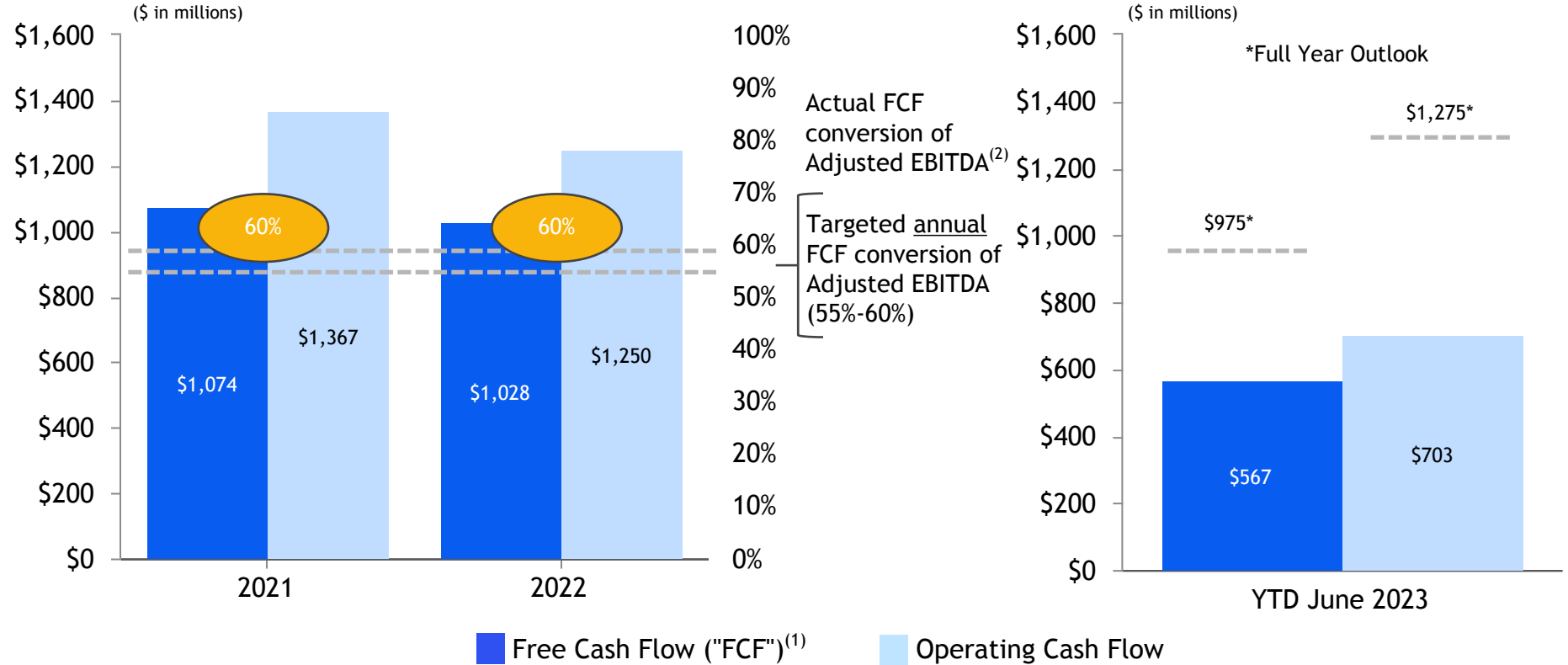
## Investing cash flows:

- Capex of \$136 million vs. \$99 million in 2022; up 37.0%, primarily driven by capital projects in our Self Service, Europe and Specialty segments
- \$52 million of cash invested in business acquisitions vs. \$5 million in the prior year

## Financing cash flows:

- \$1,394 million in net proceeds from the issuance of U.S. Notes (2028/33) in the current year
- \$148 million for our YTD cash dividend vs. \$142 million in the prior year
- \$8 million to repurchase shares vs. \$528 million in the prior year
- \$90 million of debt repayments, net vs. \$301 million in the prior year
- \$30 million of debt issuance costs (none in the prior year)

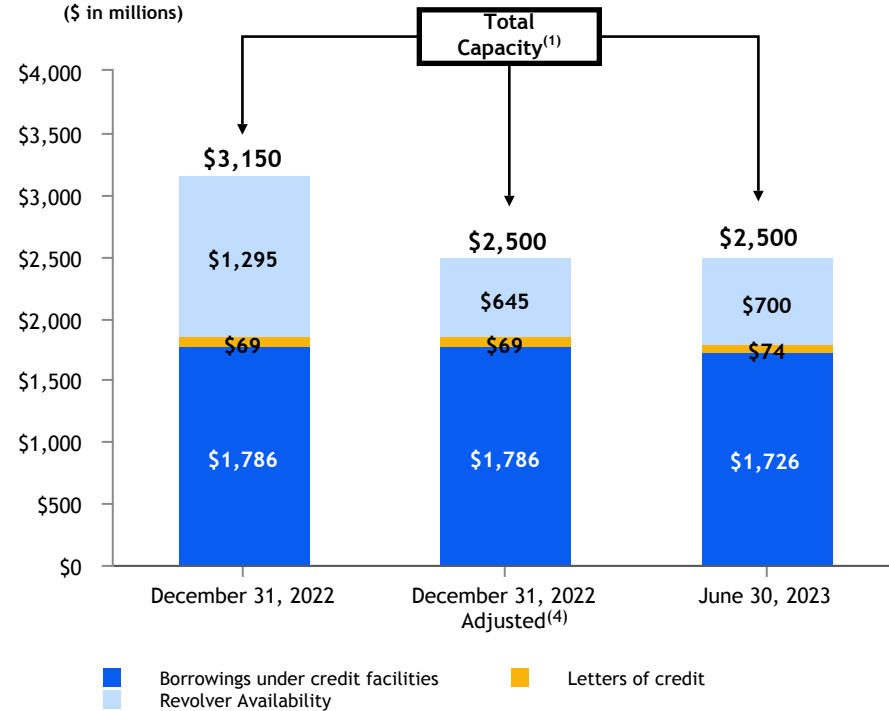
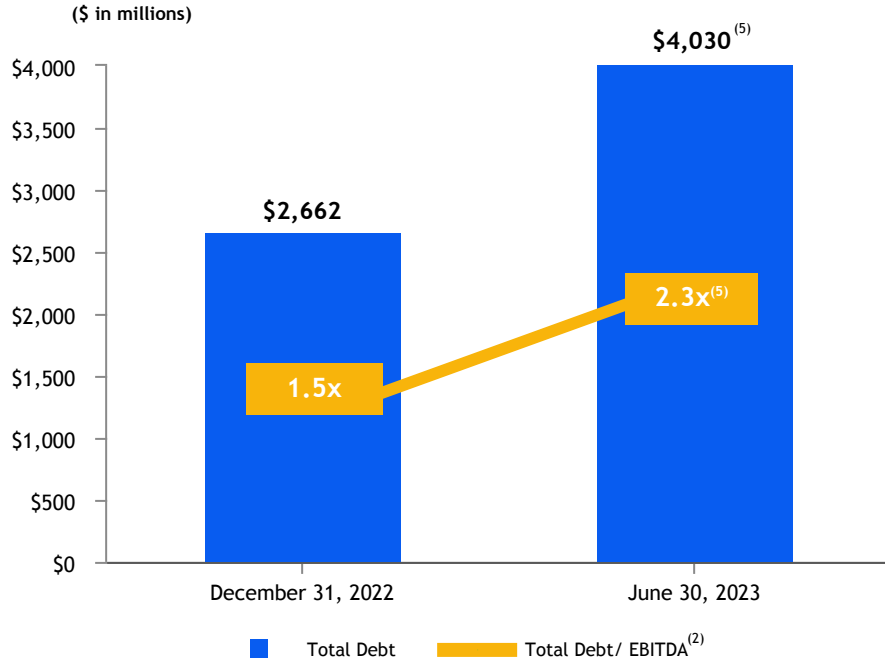
# Operating Cash Flow & Free Cash Flow <sup>(1)</sup>



(1) Free Cash Flow is a non-GAAP measure. Refer to Appendix 6 for Free Cash Flow reconciliation

(2) Adjusted EBITDA is a non-GAAP measure. Refer to Appendix 6 for Adjusted EBITDA reconciliation

# Leverage & Liquidity



Effective borrowing rate for Q2 2023 was 5.3%<sup>(3)</sup>

(1) Total capacity includes our revolving credit facilities and term loans

(2) Total leverage per bank covenants is defined as Total Debt/EBITDA. See the definitions of Total Debt and EBITDA in the senior unsecured credit agreement filed January 6, 2023 with the SEC for further details

(3) Including our interest rate swaps, approximately 74% of our borrowings at June 30, 2023 is effectively at fixed interest rates

(4) Adjusted reflects the terms of the new credit agreement (effective January 5, 2023)

(5) Total Debt/EBITDA increased due to \$1.4 billion bond offering ahead of Uni-Select acquisition closing. Total Debt without the \$1.4 billion bond offering was \$2.6 billion



# Liquidity as of June 30, 2023

Credit Rating	<ul style="list-style-type: none"> <li>Rated Baa3 (investment grade) by Moody's</li> <li>Rated BBB- (investment grade) by S&amp;P Global Ratings</li> <li>Rated BBB- (investment grade) by Fitch</li> </ul>
Debt Structure	<ul style="list-style-type: none"> <li>Fixed Interest Rate Bonds: <ul style="list-style-type: none"> <li>\$1.4 billion in aggregate (\$800 million (5.75%) due in 2028/\$600 million (6.25%) due in 2033)</li> <li>€750 million (\$818 million) in aggregate (\$545 million (3.875%) due in 2024 /\$273 million (4.125%) due in 2028)</li> </ul> </li> <li>Variable Interest Rate Credit Facility Borrowings: \$1.7 billion <ul style="list-style-type: none"> <li>\$500 million term loan maturing January 2026 and \$1.2 billion of revolver borrowings</li> </ul> </li> <li>Other Debt (capital leases, local lines of credit): \$86 million</li> </ul>
Interest Rates	<ul style="list-style-type: none"> <li>Credit Facility Borrowings: (i) SOFR plus applicable spread or (ii) other risk-free interest rates for specified currency</li> <li>\$400 million notional amount interest rate swap at a fixed weighted average of 4.63% maturing February 2025</li> <li>\$300 million notional amount interest rate swap at a fixed weighted average of 4.23% maturing February 2026</li> </ul>
Maturities	<ul style="list-style-type: none"> <li>Current maturities: \$579 million primarily related to the Euro Notes (2024)<sup>(1)</sup> maturing in April 2024</li> </ul>
Financial Covenants <sup>(2)</sup>	<ul style="list-style-type: none"> <li>Credit Facility maximum leverage ratio covenant: 4.0x <ul style="list-style-type: none"> <li>Total debt to EBITDA as of June 30, 2023: 2.3x</li> </ul> </li> <li>Credit Facility minimum interest expense coverage ratio: 3.0x <ul style="list-style-type: none"> <li>EBITDA to interest expense as of June 30, 2023: 15.4x</li> </ul> </li> <li>U.S. and Euro Notes do not include financial maintenance covenants</li> </ul>
Liquidity	<ul style="list-style-type: none"> <li>Cash on balance sheet of \$1,904 million; Adjusted cash on balance sheet<sup>(3)</sup> of \$519 million</li> <li>\$2.0 billion revolving credit facility: \$700 million available as of June 30, 2023</li> <li>Total Available Liquidity: \$2,604 million; Adjusted Total Available Liquidity<sup>(3)</sup>: \$1,219 million</li> </ul>
Cash Flows	<ul style="list-style-type: none"> <li>YTD 2023 operating cash flow of \$703 million; free cash flow<sup>(4)</sup> of \$567 million</li> </ul>

(1) We intend to refinance the 3.875% €500 million Euro Notes (2024) due on April 1, 2024 through the issuance of a new debt instrument prior to the scheduled maturity

(2) See the definition of Total debt, interest expense and EBITDA in the senior unsecured credit agreement filed January 6, 2023 with the SEC for further details

(3) Adjusted balances exclude \$1,385 million of net proceeds from the issuance of senior notes related to the Uni-Select Acquisition

(4) Free Cash Flow is a non-GAAP measure. Refer to Appendix 6 for Free Cash Flow reconciliation

# Uni-Select Acquisition: Q2 Activity

- The Uni-Select Acquisition has received approval from regulatory authorities in the U.S. and Canada and is pending clearance from the U.K. Competition and Markets Authority
  - On July 21, 2023, the U.K.'s Competition and Markets Authority issued its Phase 1 decision on the plan of arrangement, and in response we submitted proposed undertakings relating to the divestiture of Uni-Select's GSF Car Parts business in the U.K.
  - As a result of the satisfaction or waiver of all the closing conditions relating to required regulatory approvals on July 26, 2023, Uni-Select and LKQ Corporation will proceed with the remaining procedures necessary to give effect to the Arrangement
  - Subject to the satisfaction or waiver of the remaining closing conditions pursuant to its terms, the Arrangement is currently anticipated to be completed on or around August 1, 2023, and we plan to divest the GSF Car Parts business soon thereafter
  - The pending divestiture of GSF continues to progress in accordance with our desired timeline
- Completed an offering of \$1,400 million aggregate principal amount of senior unsecured notes, consisting of \$800 million senior notes due 2028 and \$600 million senior notes due 2033
  - Recorded the net proceeds received of \$1,385 million to cash and cash equivalents
- Terminated the bridge loan facility upon issuance of the U.S. Notes (2028/33), resulting in amortizing the remaining \$6 million of upfront fees in Q2 (\$9 million YTD) through interest expense (excluded from Adjusted Diluted EPS<sup>(1)</sup>)
- Settled the forward-starting interest rate swaps upon issuance of the U.S. Notes (2028/33), resulting in total payments of \$13 million
- Recorded a \$23 million gain in Q2 (\$46 million YTD) relating to our FX forward contracts on the CAD purchase price (excluded from Adjusted Diluted EPS<sup>(1)</sup>)
- With the issuance of the U.S. Notes (2028/33) and CAD delayed draw term loan facility in place, we have secured the necessary funding for the Uni-Select Acquisition

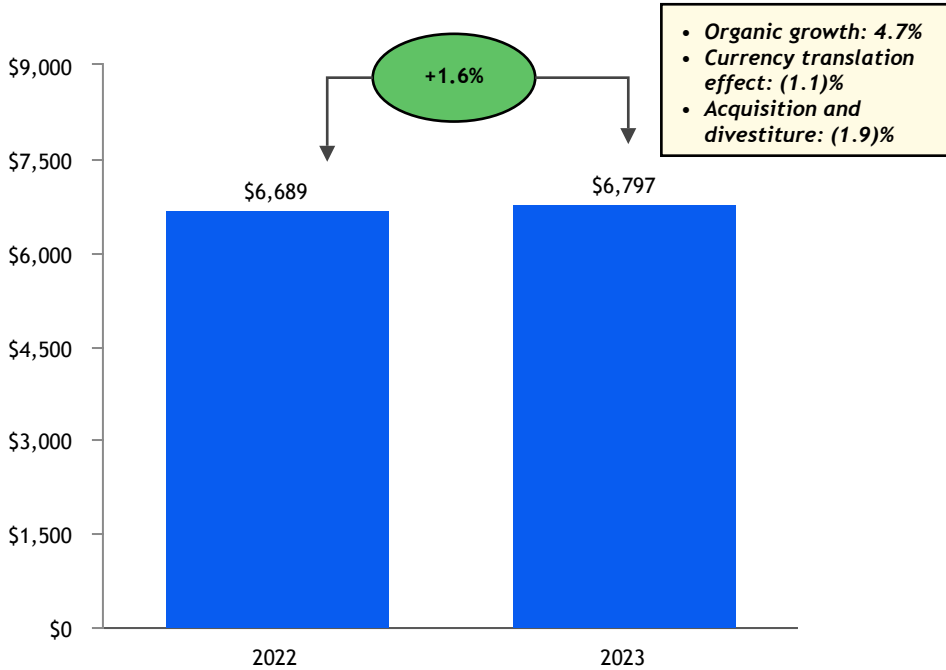
(1) Adjusted Diluted EPS is a non-GAAP measure. Refer to Appendix 4 for Adjusted Diluted EPS reconciliation

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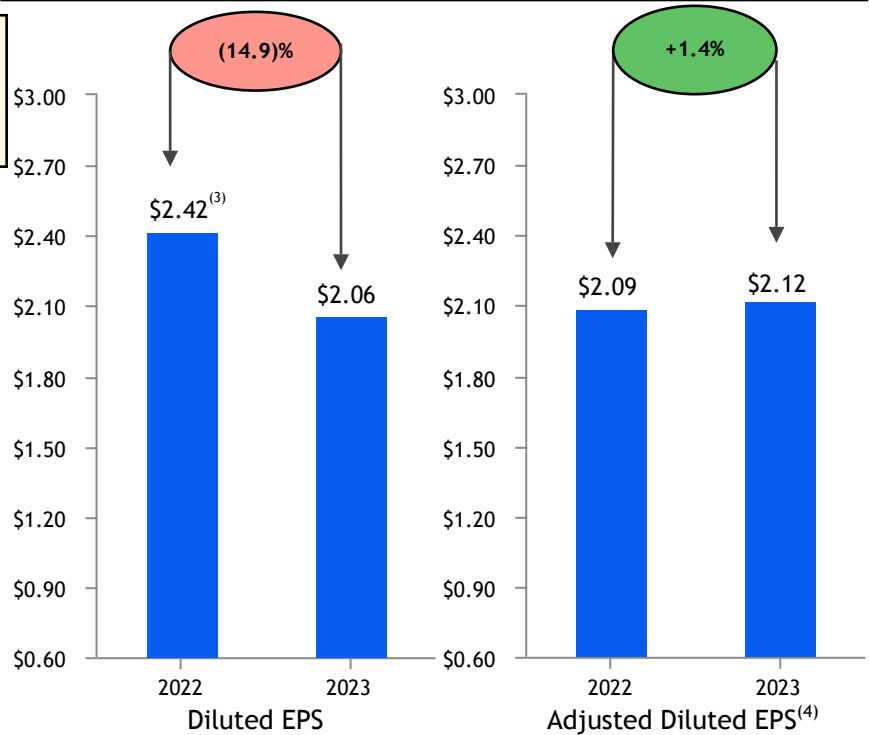
# YTD Results and Supplementary Information

# Consolidated Results YTD 2023

## Revenue<sup>(1)</sup>



## EPS<sup>(2)</sup>



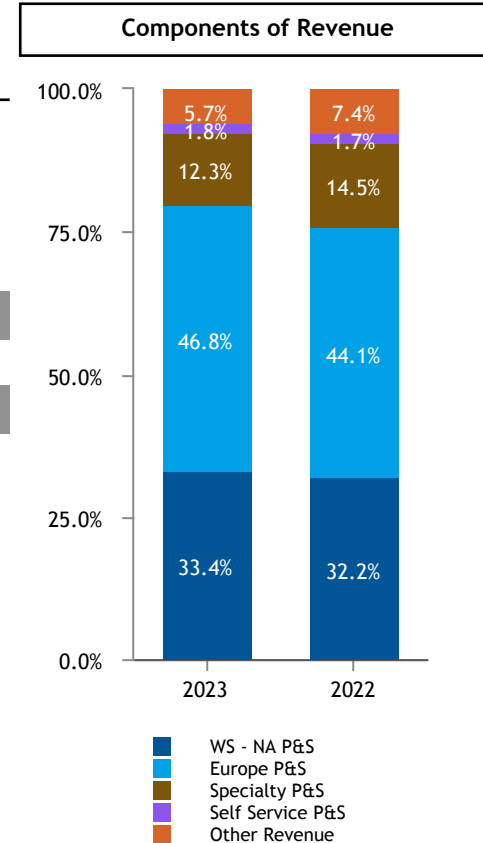
(1) Revenue in millions  
 (2) Earnings per share figures refer to net income from continuing operations attributable to LKQ stockholders  
 (3) Includes \$0.45 from gain on sale of the PGW business  
 (4) Adjusted Diluted EPS is a non-GAAP measure. Refer to Appendix 4 for Adjusted Diluted EPS reconciliation

# YTD 2023 Revenue

## Revenue Changes by Source:

	Organic	Acquisition and Divestiture	Foreign Exchange	Total <sup>(1)</sup>
Wholesale - North America	11.4%	(5.9)%	(0.3)%	5.2%
Europe	9.1%	0.8%	(2.2)%	7.8%
Specialty	(13.2)%	(0.1)%	(0.5)%	(13.7)%
Self Service	4.8%	—%	—%	4.8%
Parts and Services	6.4%	(1.7)%	(1.2)%	3.5%
Other	(16.7)%	(4.6)%	(0.3)%	(21.6)%
<b>Total Revenue</b>	<b>4.7%</b>	<b>(1.9)%</b>	<b>(1.1)%</b>	<b>1.6%</b>

- Wholesale - North America organic revenue for parts and services increased 11.4%; primarily driven by pricing initiatives which focused on offsetting inflation on input costs and a net volume increase. Aftermarket collision parts volumes increased year over year due to (i) reduced pressures on our supply chain, with the improved aftermarket inventory availability contributing to a year over year decrease in recycled parts volumes and (ii) the continued rollout of State Farm's aftermarket parts program, which began on a trial basis in June 2022 and has subsequently been expanded
- Wholesale - North America acquisition and divestiture revenue was a net decrease primarily due to the divestiture of our PGW aftermarket glass business in the second quarter of 2022
- Europe organic revenue for parts and services increased by 9.1%; primarily driven by pricing initiatives across all geographies to offset inflation on input costs and to a lesser extent, higher volumes
- Unfavorable F/X impact on European parts and services revenue of \$64 million; European constant currency<sup>(2)</sup> parts and services revenue increased 10.0%
- Specialty organic revenue for parts and services decreased 13.2%; primarily due to demand softness in the RV product line, as RV unit retail sales and wholesale shipments have declined year over year
- Self Service organic revenue for parts and services increased 4.8%; driven by pricing initiatives which focused on offsetting inflation on input costs
- Other organic revenue decreased 16.7%; primarily driven by lower commodity prices
- Other acquisition and divestiture revenue was a net decrease primarily due to the divestiture of a business in our Self Service segment in the third quarter of 2022



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

(2) Constant currency is a non-GAAP financial measure. Refer to Appendix 1 for constant currency reconciliation

# Operating Results - YTD

(\$ in millions, except per share data)	YTD		
	2023	2022	Change F/(U)
Revenue	\$6,797	\$6,689	1.6%
Gross Margin	2,786	2,724	2.3%
Operating Expenses	1,869	1,822	(2.6)%
Operating Income	772	930	(17.0)%
Income from continuing operations before provision for income taxes	750	899	(16.6)%
Net income from continuing operations attributable to LKQ stockholders	551	689	(20.0)%
Segment EBITDA <sup>(1)</sup>	941	922	2.1%
Segment EBITDA <sup>(1)</sup> Margin	13.8%	13.8%	- bps
Diluted EPS from continuing operations attributable to LKQ stockholders:			
Reported	\$2.06	\$2.42	(14.9)%
Adjusted <sup>(2)</sup>	\$2.12	\$2.09	1.4%

- Effective income tax rate for the six months ended June 30, 2023 was 27.1% compared to 24.1% for the six months ended June 30, 2022
- 2022 figures include a \$155 million pretax gain on the sale of businesses (primarily PGW) (\$127 million after tax, or \$0.45 per share); gain is excluded from Segment EBITDA and Adjusted Diluted EPS
- Year over year variances:

Impact on Diluted EPS from continuing operations attributable to LKQ stockholders:		
	Reported	Adjusted
Foreign exchange (see slide 27)	\$0.10	\$(0.02)
Metals pricing (see slide 27)	\$(0.12)	\$(0.12)
Interest expense, net	\$(0.12)	\$(0.09)

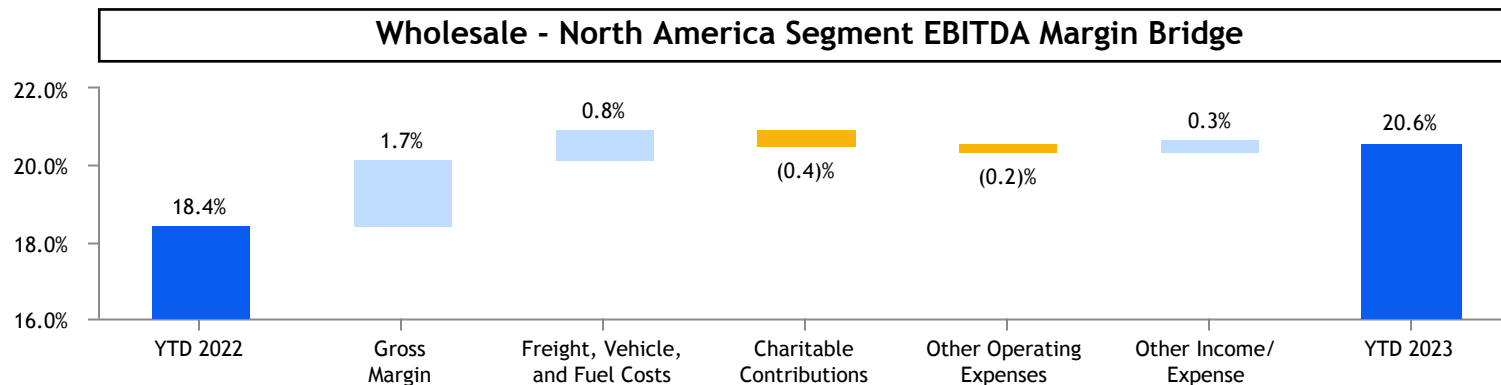
(1) Segment EBITDA is a non-GAAP measure. Refer to Appendix 3 for Segment EBITDA reconciliation

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

# Wholesale - North America - YTD

(\$ in millions)	2023	2022	Change F/(U)	% of Revenue	
				2023	2022
Total Revenue	\$2,428	\$2,345	3.5%		
Gross Margin	\$1,206	\$1,125	7.2%	49.7%	48.0%
Operating Expenses	\$718	\$699	(2.8)%	29.6%	29.8%
Segment EBITDA <sup>(1)</sup>	\$500	\$432	15.5%	20.6%	18.4%

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



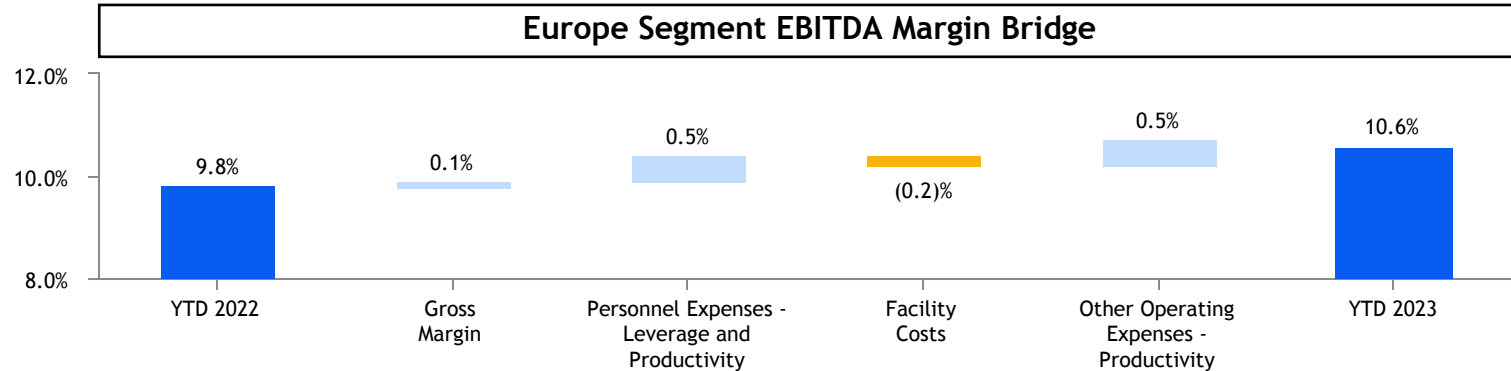
Note: In the table and Segment EBITDA Margin Bridge above, the sum of the individual percentages may not equal the total due to rounding

# Europe - YTD

(\$ in millions)	2023	2022	Change F/(U)	% of Revenue	
				2023	2022
Total Revenue <sup>(1)</sup>	\$3,193	\$2,965	7.7%		
Gross Margin	\$1,233	\$1,141	8.0%	38.6%	38.5%
Operating Expenses	\$901	\$861	(4.7)%	28.2%	29.0%
Segment EBITDA <sup>(2)</sup>	\$339	\$291	16.6%	10.6%	9.8%

(1) The foreign currency impact on parts and services revenue was a \$64 million unfavorable impact which brings revenue growth at a constant currency to 10.0%. Refer to Appendix 1 for a reported revenue to constant currency revenue reconciliation.

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



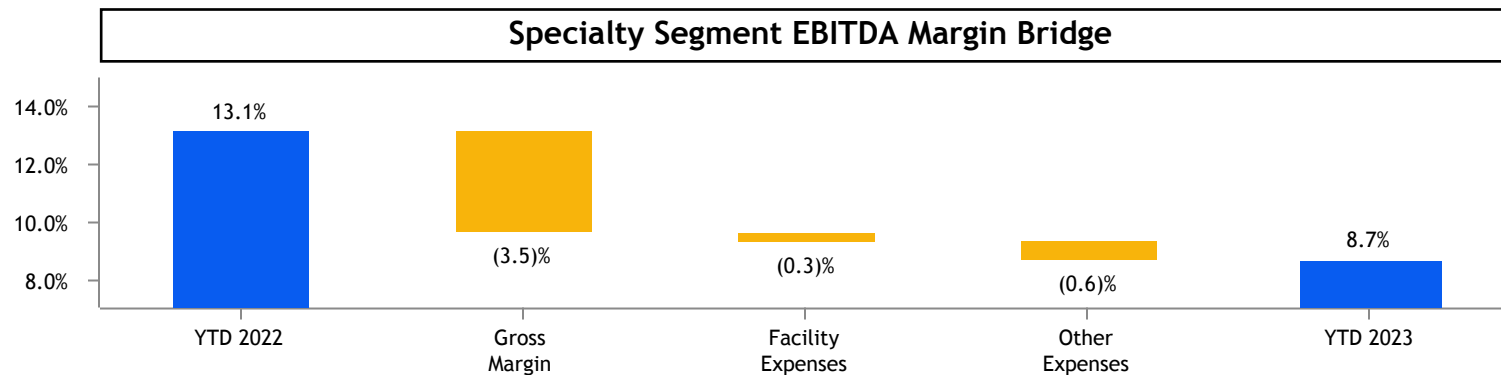
Note: In the table and Segment EBITDA Margin Bridge above, the sum of the individual percentages may not equal the total due to rounding



# Specialty - YTD

(\$ in millions)	2023	2022	Change F/(U)	% of Revenue	
				2023	2022
Total Revenue	\$840	\$974	(13.7)%		
Gross Margin	\$221	\$290	(23.8)%	26.3%	29.8%
Operating Expenses	\$152	\$165	7.8%	18.1%	16.9%
Segment EBITDA <sup>(1)</sup>	\$73	\$127	(42.2)%	8.7%	13.1%

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



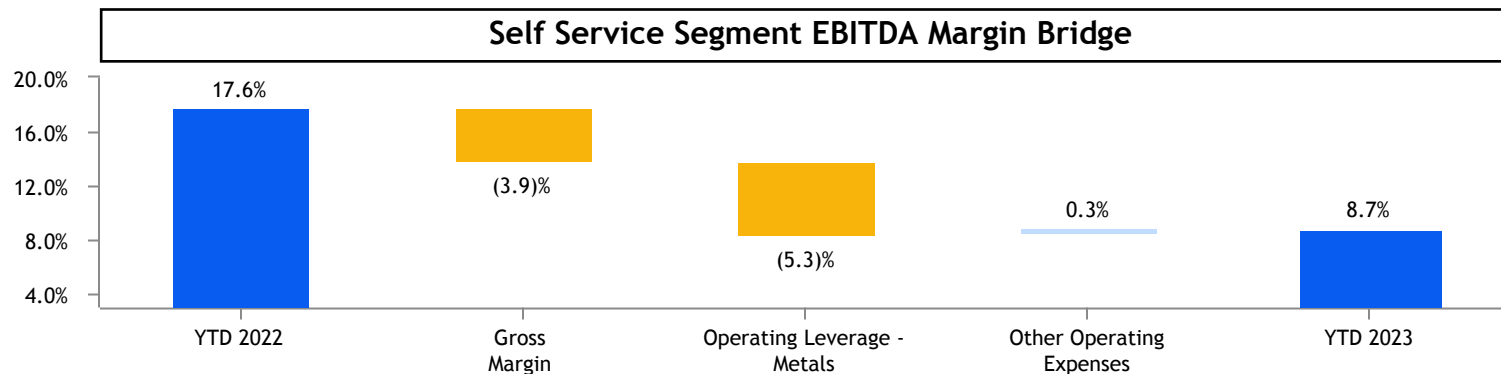
Note: In the table and Segment EBITDA Margin Bridge above, the sum of the individual percentages may not equal the total due to rounding

# Self Service - YTD

(\$ in millions)	2023	2022	Change F/(U)	% of Revenue	
				2023	2022
Total Revenue <sup>(1)</sup>	\$338	\$407	(16.9)%		
Gross Margin	\$126	\$168	(24.7)%	37.4%	41.3%
Operating Expenses	\$98	\$97	(0.5)%	28.9%	23.9%
Segment EBITDA <sup>(2)</sup>	\$29	\$72	(59.1)%	8.7%	17.6%

(1) Includes Other Revenue of \$215 million and \$290 million for YTD 2023 and YTD 2022, respectively. See slide 27 for further detail on metals price trends.

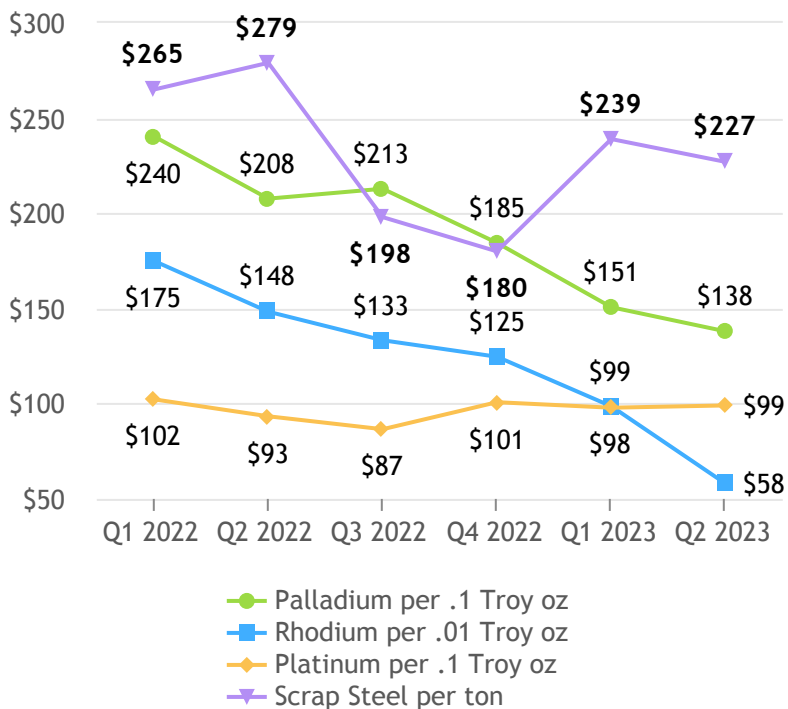
(2) Segment EBITDA for each segment is a GAAP measure, while total Segment EBITDA is a non-GAAP measure. Refer to Appendix 3 for total Segment EBITDA reconciliation and Appendix 2 for the breakout of Segment EBITDA for each segment.



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

# Metals Prices and Foreign Exchange

Average Metals Prices



Q2 2023 vs Q2 2022 Segment EBITDA Impact

(\$ in millions)	Self Service	Wholesale - North America	Total
Scrap Steel	\$ (5)	\$ 1	\$ (4)
Precious Metals	\$ (15)	\$ (8)	\$ (23)
Total	\$ (20)	\$ (7)	\$ (27)

YTD 2023 vs YTD 2022 Segment EBITDA Impact

(\$ in millions)	Self Service	Wholesale - North America	Total
Scrap Steel	\$ 4	\$ 2	\$ 6
Precious Metals	\$ (30)	\$ (17)	\$ (47)
Total	\$ (26)	\$ (15)	\$ (41)

Foreign Exchange

	YoY Impact	Q2 2023	Q2 2022
GBP	(0.3)%	1.25	1.26
EUR	2.3%	1.09	1.06
		<b>YTD 2023</b>	<b>Q2 2023</b>
GAAP EPS <sup>(1)</sup> Impact	\$0.10	\$0.05	
Adjusted EPS Impact	\$ (0.02)	\$—	

<sup>(1)</sup> Includes gains on foreign exchange contracts related to the Uni-Select acquisition of \$23 million and \$46 million for the three and six months ended June 30, 2023, respectively; excluded from Adjusted EPS

# Inventory Procurement

(\$ in millions, vehicles purchased in 000s)

	Q2			YTD		
	2023	2022	% Change	2023	2022	% Change
Total aftermarket procurement	\$1,486	\$1,532	(3.0)%	\$2,930	\$3,207	(8.6)%
Wholesale - North America salvage vehicles	65	65	—%	129	125	3.2%
Europe wholesale salvage vehicles	7	8	(12.5)%	15	16	(6.3)%
Self Service salvage vehicles	143	139	2.9%	280	274	2.2%

- Aftermarket purchases in 2023 decreased on a QTD and YTD basis
  - Aftermarket purchases in Wholesale - North America decreased relative to the prior year period primarily due to restocking efforts to rebuild inventory levels in the prior year
  - Europe aftermarket purchases decreased by \$39 million YTD attributable to the decrease in the value of the pound sterling, and to a lesser extent, the euro
  - Specialty aftermarket purchases decreased by \$149 million YTD primarily due to matching inventory levels with demand
- Wholesale - North America salvage procurement increased relative to the prior year primarily due to increased availability of vehicles at auction

# Appendix

## Non-GAAP Financial Measures

This presentation contains non-GAAP financial measures. Following are reconciliations of each non-GAAP financial measure with the most directly comparable financial measure calculated in accordance with GAAP.

# Appendix 1

## Constant Currency Reconciliation

The following unaudited table reconciles revenue 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 June 30, 2023		Six Months Ended June 30, 2023	
	Consolidated	Europe	Consolidated	Europe
<b>Parts &amp; Services</b>				
Revenue as reported	\$3,259	\$1,633	\$6,411	\$3,181
Less: Currency impact	\$19	\$23	\$(75)	\$(64)
Revenue at constant currency	\$3,240	\$1,610	\$6,486	\$3,245
<b>Total</b>				
Revenue as reported	\$3,448		\$6,797	
Less: Currency impact	\$17		\$(77)	
Revenue at constant currency	\$3,431		\$6,874	

# Appendix 1(cont.)

## Constant Currency Reconciliation

	Three Months Ended June 30, 2023		Six Months Ended June 30, 2023	
	Consolidated	Europe	Consolidated	Europe
<b>Parts &amp; Services</b>				
Revenue growth as reported	5.4%	11.1%	3.5%	7.8%
Less: Currency impact	0.6%	1.6%	(1.2)%	(2.2)%
Revenue growth at constant currency	4.8%	9.5%	4.7%	10.0%
<b>Total</b>				
Revenue growth as reported	3.2%		1.6%	
Less: Currency impact	0.5%		(1.1)%	
Revenue growth at constant currency	2.7%		2.7%	

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.

# Appendix 2

## Revenue and Segment EBITDA by segment

(in millions)	Three Months Ended June 30				Six Months Ended June 30			
	2023	% of revenue	2022	% of revenue	2023	% of revenue	2022	% of revenue
<b>Revenue</b>								
Wholesale - North America	\$1,199		\$1,144		\$2,428		\$2,345	
Europe	1,638		1,477		3,193		2,965	
Specialty	443		513		840		974	
Self Service	169		208		338		407	
Eliminations	(1)		(1)		(2)		(2)	
<b>Total Revenue</b>	<b>\$3,448</b>		<b>\$3,341</b>		<b>\$6,797</b>		<b>\$6,689</b>	
<b>Segment EBITDA</b>								
Wholesale - North America	\$248	20.6%	\$214	18.7%	\$500	20.6%	\$432	18.4%
Europe	188	11.5%	160	10.8%	339	10.6%	291	9.8%
Specialty	42	9.5%	69	13.4%	73	8.7%	127	13.1%
Self Service	7	4.1%	32	15.3%	29	8.7%	72	17.6%
<b>Total Segment EBITDA</b>	<b>\$485</b>	<b>14.1%</b>	<b>\$475</b>	<b>14.2%</b>	<b>\$941</b>	<b>13.8%</b>	<b>\$922</b>	<b>13.8%</b>

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.



## Appendix 3 Reconciliation of Net Income to Segment EBITDA

(in millions)	Three Months Ended June 30		Six Months Ended June 30	
	2023	2022	2023	2022
Net income	\$282	\$420	\$552	\$693
Less: net income attributable to continuing noncontrolling interest	1	—	1	—
Net income attributable to LKQ stockholders	\$281	\$420	\$551	\$693
Less: net income from discontinued operations	—	—	—	4
Net income from continuing operations attributable to LKQ stockholders	\$281	\$420	\$551	\$689
Adjustments - continuing operations attributable to LKQ stockholders:				
Depreciation and amortization	70	68	135	133
Interest expense, net of interest income	42	14	75	29
Loss on debt extinguishment	—	—	1	—
Provision for income taxes	109	127	203	216
Equity in earnings of unconsolidated subsidiaries	(2)	(4)	(5)	(6)
Gains on foreign exchange contracts - acquisition related <sup>(1)</sup>	(23)	—	(46)	—
Equity investment fair value adjustments	—	2	1	3
Restructuring and transaction related expenses	8	4	26	7
Gain on disposal of businesses	—	(155)	—	(155)
Losses on previously held equity interests	—	—	—	1
Direct impacts of Ukraine/Russia conflict <sup>(2)</sup>	—	(1)	—	5
Segment EBITDA	\$485	\$475	\$941	\$922
Net income from continuing operations attributable to LKQ stockholders as a percentage of revenue	8.1%	12.6%	8.1%	10.3%
Segment EBITDA as a percentage of revenue	14.1%	14.2%	13.8%	13.8%

(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

# Appendix 3

## EBITDA and Segment EBITDA Reconciliation

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 in Appendix 2 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.

# Appendix 4

## Reconciliation of Net Income and Diluted EPS to Adjusted Net Income and Adjusted EPS from Continuing Operations Attributable to LKQ Stockholders

(in millions, except per share data)	Three Months Ended June 30		Six Months Ended June 30	
	2023	2022	2023	2022
Net income	\$282	\$420	\$552	\$693
Less: net income attributable to continuing noncontrolling interest	1	—	1	—
Net income attributable to LKQ stockholders	\$281	\$420	\$551	\$693
Less: net income from discontinued operations	—	—	—	4
Net income from continuing operations attributable to LKQ stockholders	\$281	\$420	\$551	\$689
Adjustments - continuing operations attributable to LKQ stockholders:				
Amortization of acquired intangibles	15	16	30	33
Restructuring and transaction related expenses	8	4	26	7
Loss on debt extinguishment	—	—	1	—
Pre-acquisition interest expense, net of interest income <sup>(1)</sup>	9	—	12	—
Gains on foreign exchange contracts - acquisition related <sup>(1)</sup>	(23)	—	(46)	—
Losses on previously held equity interests	—	—	—	1
Direct impacts of Ukraine/Russia conflict <sup>(2)</sup>	—	(1)	—	5
Gain on disposal of businesses	—	(155)	—	(155)
Excess tax benefit from stock-based payments	—	—	(2)	(2)
Tax effect of adjustments	1	23	(2)	16
Adjusted net income from continuing operations attributable to LKQ stockholders	\$291	\$307	\$570	\$594
Weighted average diluted common shares outstanding	268.2	282.3	268.3	284.5
Diluted earnings per share from continuing operations attributable to LKQ stockholders:				
Reported	\$1.05	\$1.49	\$2.06	\$2.42
Adjusted	\$1.09	\$1.09	\$2.12	\$2.09

(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

# Appendix 4

## Reconciliation of Net Income and Diluted EPS to Adjusted Net Income and Adjusted EPS from Continuing Operations Attributable to LKQ Stockholders

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.

# Appendix 5

## Forecasted EPS Reconciliation

(in millions, except per share data)	Forecasted Fiscal Year 2023	
	Minimum Outlook	Maximum Outlook
Net income from continuing operations attributable to LKQ stockholders	\$981	\$1,035
Adjustments:		
Amortization of acquired intangibles	60	60
Restructuring and transaction related expenses	48	48
Gains on foreign exchange contracts - acquisition related	(46)	(46)
Pre-acquisition interest expense, net of interest income	22	22
Other adjustments	(2)	(2)
Tax effect of adjustments	(14)	(14)
Adjusted net income from continuing operations attributable to LKQ stockholders	\$1,049	\$1,103
Weighted average diluted common shares outstanding	269.0	269.0
Diluted EPS from continuing operations attributable to LKQ stockholders:		
U.S. GAAP	\$3.65	\$3.85
Non-GAAP (Adjusted)	\$3.90	\$4.10

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, interest and financing costs related to the Uni-Select transaction prior to closing, and the related tax effect; we included for all other components the amounts incurred through June 30, 2023.

# Appendix 6

## Reconciliations of Net Cash Provided by Operating Activities to Free Cash Flow and Net Income to Adjusted EBITDA

(in millions)	Three Months Ended June 30		Six Months Ended June 30	
	2023	2022	2023	2022
Net cash provided by operating activities	\$480	\$328	\$703	\$737
Less: purchases of property, plant and equipment	66	40	136	99
Free cash flow	\$414	\$288	\$567	\$638
Net income	\$282	\$420	\$552	\$693
Less: net income attributable to continuing noncontrolling interest	1	—	1	—
Net income attributable to LKQ stockholders	\$281	\$420	\$551	\$693
Less: net income from discontinued operations	—	—	—	4
Net income from continuing operations attributable to LKQ stockholders	\$281	\$420	\$551	\$689
Adjustments - continuing operations attributable to LKQ stockholders:				
Depreciation and amortization	70	68	135	133
Interest expense, net of interest income	42	14	75	29
Loss on debt extinguishment	—	—	1	—
Provision for income taxes	109	127	203	216
Gain on disposal of businesses	—	(155)	—	(155)
Gains on foreign exchange contracts - acquisition related <sup>(1)</sup>	(23)	—	(46)	—
Adjusted EBITDA	\$479	\$474	\$919	\$912
Adjusted EBITDA as a percentage of revenue	13.9%	14.2%	13.5%	13.6%

(1) Related to the Uni-Select acquisition

# Appendix 6

## Reconciliations of Net Cash Provided by Operating Activities to Free Cash Flow and Net Income to Adjusted EBITDA

(in millions)	Year Ended December 31	
	2022	2021
Net cash provided by operating activities	\$1,250	\$1,367
Less: purchases of property, plant and equipment	222	293
<b>Free cash flow</b>	<b>\$1,028</b>	<b>\$1,074</b>
Free cash flow conversion (Free cash flow / Adjusted EBITDA)	60%	60%
<b>Net income</b>	<b>\$1,150</b>	<b>\$1,092</b>
Less: net income attributable to continuing noncontrolling interest	1	1
<b>Net income attributable to LKQ stockholders</b>	<b>\$1,149</b>	<b>\$1,091</b>
Less: net (loss) income from discontinued operations	6	1
<b>Net income from continuing operations attributable to LKQ stockholders</b>	<b>\$1,143</b>	<b>\$1,090</b>
Adjustments - continuing operations attributable to LKQ stockholders:		
Depreciation and amortization	264	284
Interest expense, net of interest income	70	70
Loss on debt extinguishment	–	24
Provision for income taxes	385	331
Gain on disposal of businesses <sup>(1)</sup>	(159)	–
<b>Adjusted EBITDA</b>	<b>\$1,703</b>	<b>\$1,799</b>

(1) FCF conversion of Adjusted EBITDA excludes \$159 million of gains related to the sale of businesses (primarily PGW) from Adjusted EBITDA, as the proceeds are included in investing cash flows

# Appendix 6

## Reconciliation of Net Cash Provided by Operating Activities to Free Cash Flow and Net Income to Adjusted EBITDA

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.

(in millions)	<u>Forecasted Fiscal Year 2023</u>
	<u>Outlook</u>
Net cash provided by operating activities	\$1,275
Less: purchases of property, plant and equipment	300
Free cash flow	\$975

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.