



## Bank of America Merrill Lynch 2019 Leveraged Finance Conference

December 3, 2019

# 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 including those identified below. All forward-looking statements are based on information available to us at the time the statements are made. We undertake no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

You should not place undue reliance on our forward-looking statements. Actual events or results may differ materially from those expressed or implied in the forward-looking statements. The risks, uncertainties, assumptions and other factors that could cause actual results to differ from the results predicted or implied by our forward-looking statements include the factors 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, 2018 and in our subsequent Quarterly Reports on Form 10-Q. These reports are available on our investor relations website at [lkqcorp.com](http://lkqcorp.com) and on the SEC website at [sec.gov](http://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.



***To be the leading global value-added distributor of vehicle parts and accessories by offering our customers the most comprehensive, available and cost effective selection of part solutions while building strong partnerships with our employees and the communities in which we operate***

# Today's Agenda



LKQ Today

LKQ Business Overview

LKQ's Strategy to Drive Shareholder Value

Engaged Board with Strong Governance Practices

Concluding Remarks

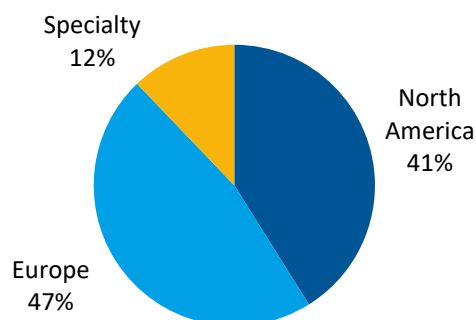
# Overview of LKQ



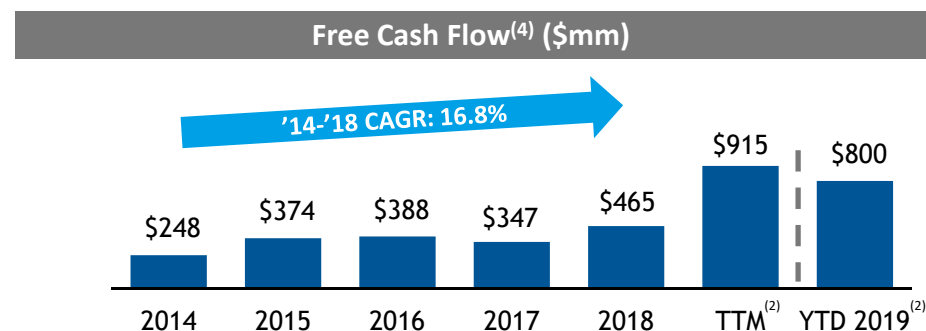
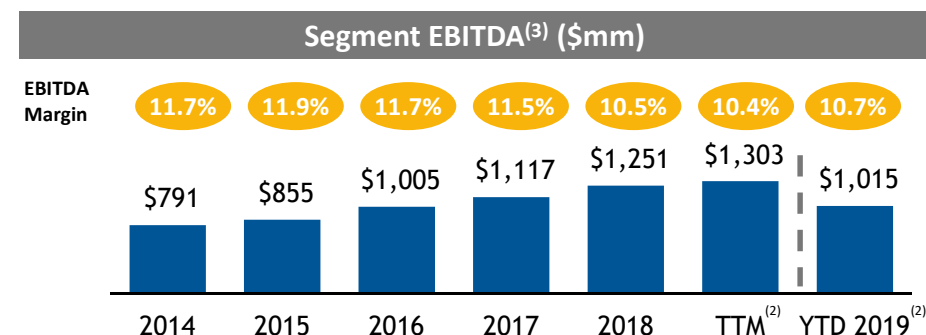
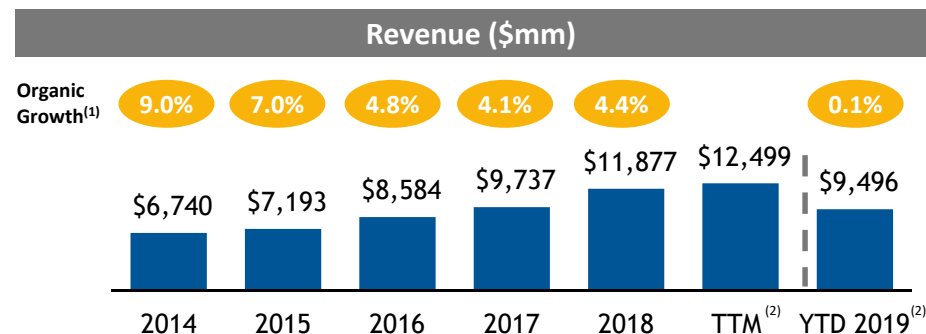
## Company Overview

- LKQ is a global distributor of vehicle products, including replacement parts, components and systems used in repair and maintenance of vehicles and specialty products and accessories
- Founded in 1998 through a combination of wholesale recycled products businesses, which subsequently expanded through organic growth and ~290 acquisitions of aftermarket, recycled, refurbished and remanufactured product suppliers
- Customers are primarily wholesale collision and mechanical DIFM shops
- Organized into three reportable segments: North America, Europe and Specialty
- ~1,700 facilities, including over 600 in North America and 1,100 in 24 other countries with ~51,000 employees (22,500 in North America)

## Revenue by Segment<sup>(2)</sup>

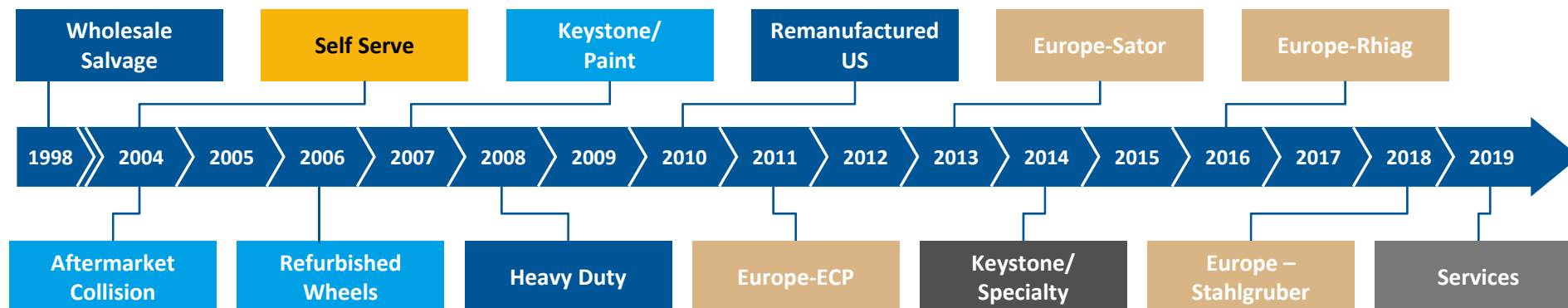


## Financial Performance



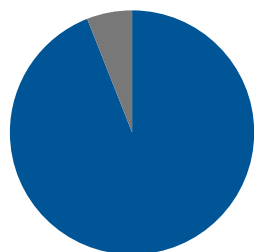
- 1) Represents Parts and Services organic growth.
- 2) YTD and TTM reflect period through 9/30/2019.
- 3) Segment EBITDA reflects continuing operations only. It is a non-GAAP measure. Refer to EBITDA reconciliation on Appendix 1.
- 4) Free cash flow amount only includes free cash flow generated by continuing operations and is defined as cash flow from operations less capital expenditures. It is a non-GAAP measure. Refer to Free Cash Flow reconciliation on Appendix 2.

# Over 15 Years of Growth



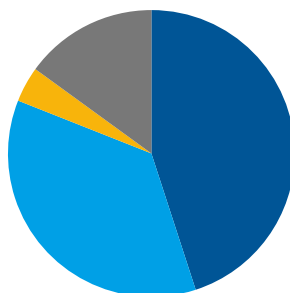
**2003**

Total Revenue  
\$328 million



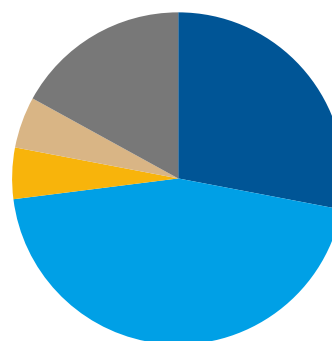
**2007**

Total Revenue  
\$1.11 billion



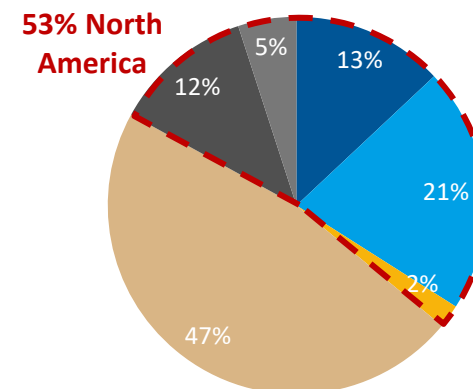
**2011**

Total Revenue  
\$3.27 billion



**2019<sup>(1)</sup>**

Total Revenue  
\$12.5 billion



Recycled Products  
North America

Aftermarket  
North America

Self Service Parts  
North America

European  
Operations

Specialty

Other

*LKQ has grown from a North American collision operation to a globally diversified aftermarket distributor*



**Executing on a plan to consistently create shareholder value by transforming LKQ into an integrated global vehicle replacement parts distributor**

## **1 Creating “1 LKQ Europe”**

- Simplifying and integrating European operations and achieving European segment EBITDA margins by 2021 in a range of 9.5%<sup>(1)</sup> to 11.1%<sup>(1)</sup> through cost savings in procurement, product strategy, revenue management and local initiatives

## **2 Driving North American organic growth and profitability**

- Expanding product offerings, optimizing pricing and data-driven procurement

## **3 Specialty segment growth plan**

- Focused on new product lines and services, as well as targeting new customers, increased penetration of existing customers and extension of exclusive brand and online fulfillment offering

## **4 Focused capital allocation strategy**

- Transitioning from emphasis on building scale through acquisitions to enabling organic growth, de-levering and returning capital to shareholders

## **5 Governance initiatives**

- Including compensation structure and continual Board refreshment, evidenced by the appointment of four new Independent Directors during the last three years

*Recent results underscore that plan is working and that we have a clear trajectory towards our targets*

# Today's Agenda



LKQ Today

LKQ Business Overview

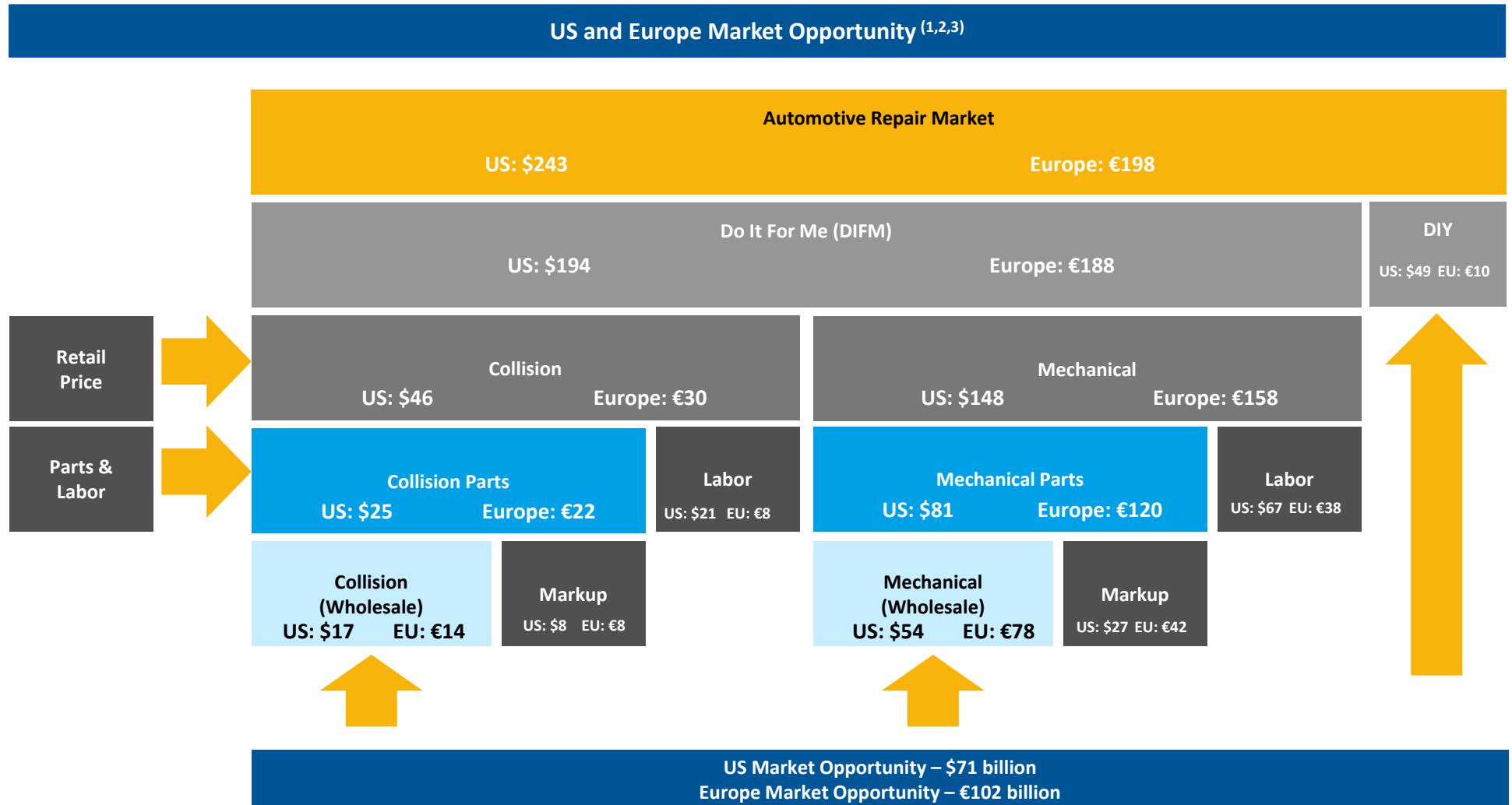
LKQ's Strategy to Drive Shareholder Value

Engaged Board with Strong Governance Practices

Concluding Remarks



# Significant Market Opportunity for LKQ in the US and Europe



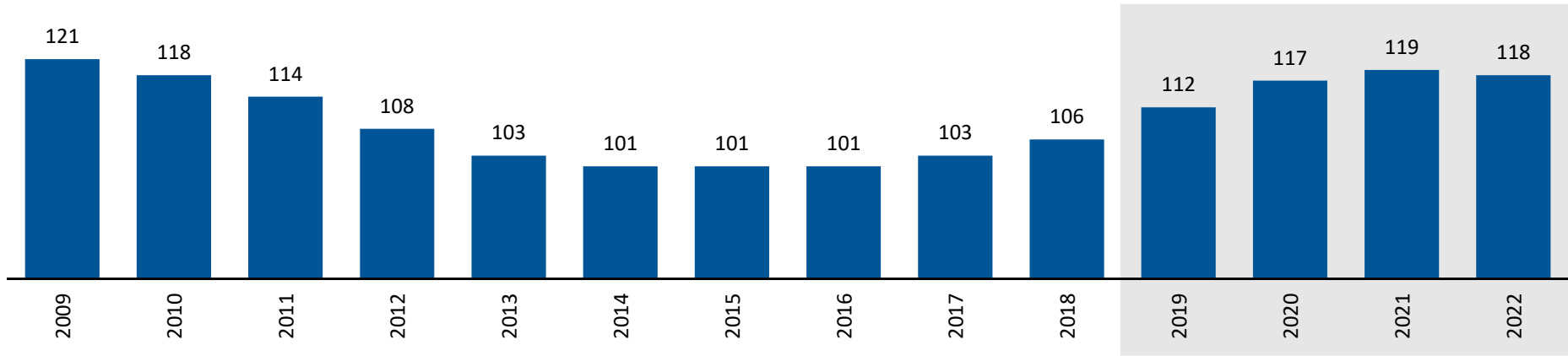
- 1) Source: 2014 Datamonitor; Management estimates.
- 2) Source: AAIA Factbook, 27th Edition 2018; 2016 data is estimated, excludes tires.
- 3) Note: All \$ and € in billions; Excludes VAT and sales taxes.

# Aging Vehicles Coupled with Increasing Complexity and Cost of Repairs Contribute to Growth Opportunities



## United States Vehicles in Operation (between 3-10 years old)

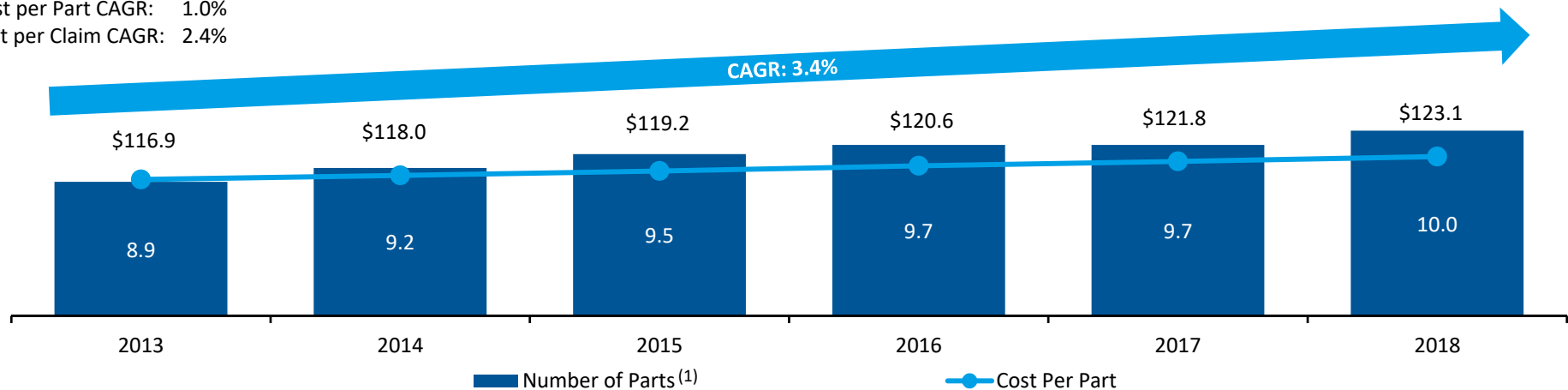
(in millions)



## Cost per Part and Number of Parts 2013 – 2018

Cost per Part CAGR: 1.0%

Part per Claim CAGR: 2.4%



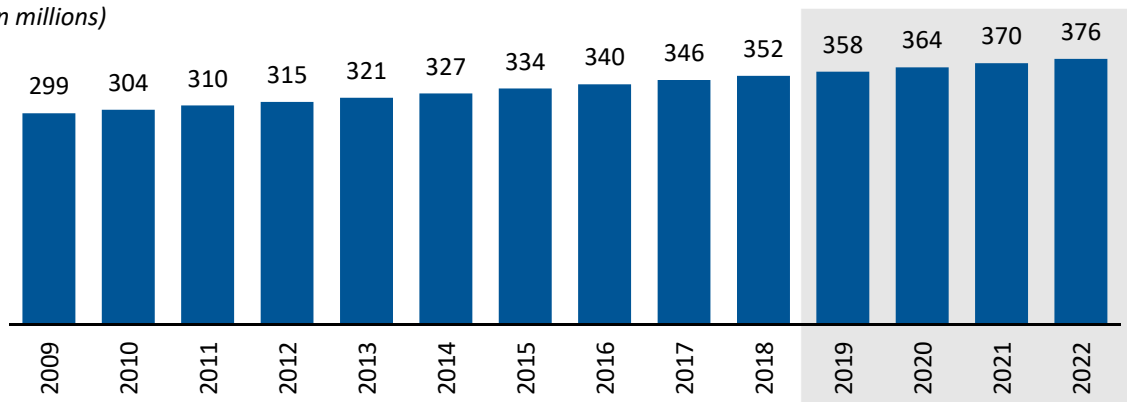
Source: Experian vehicles in operation as of 12/31/17; SAAR projections, Bank of America Merrill Lynch 1/8/18 and CCC Information Services.

1) Number of parts per repairable claim.

# Growing European Market with Aging Fleet

## Europe Total Vehicles in Operation







(in millions)



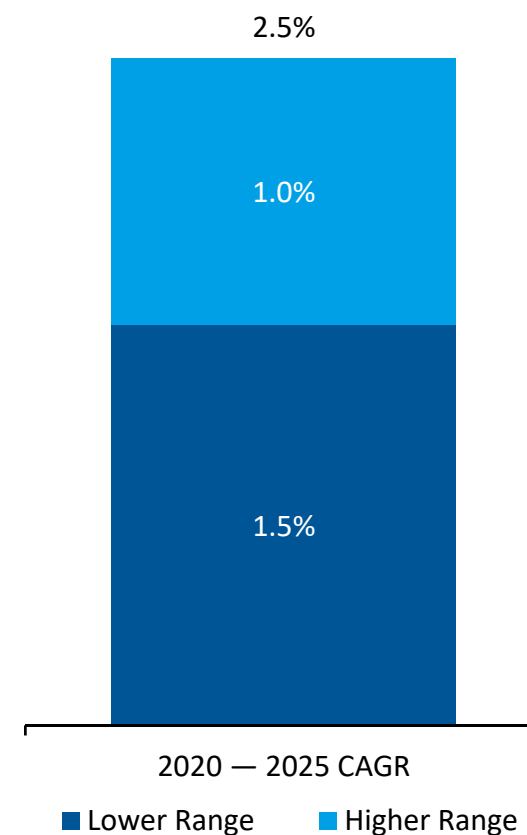
## LKQ Europe Footprint

Parc Size<sup>(1)</sup>

Age of Fleet<sup>(2)</sup>

Germany		47.1	9.3
United Kingdom		36.0	7.8
Netherlands		8.6	10.4
Italy		39.0	10.8
CEE Region <sup>(3)</sup>		49.3	14.2
LKQ Europe Coverage		180.0	10.7
European Union		282.1	10.5
2013 – 2017 CAGR		2.0%	1.4%

## Expected Organic Growth for LKQ Europe 2020 — 2025 CAGR



Sources: Industry Sources, LKQ Analysis, European Automobile Manufacturers Association.

- 11
- 1) Passenger and Light Commercial Vehicles as of 2019.
  - 2) As of 2016.
  - 3) Includes Czech Republic, Slovakia, Ukraine, Hungary, Poland, Romania.

# LKQ's Business Model Supports Sustainable Growth in all Macro Environments



## Select North American Brands

## Select European Brands



# LKQ's Operating Segments Demonstrate Attractive Growth and Margin Profiles

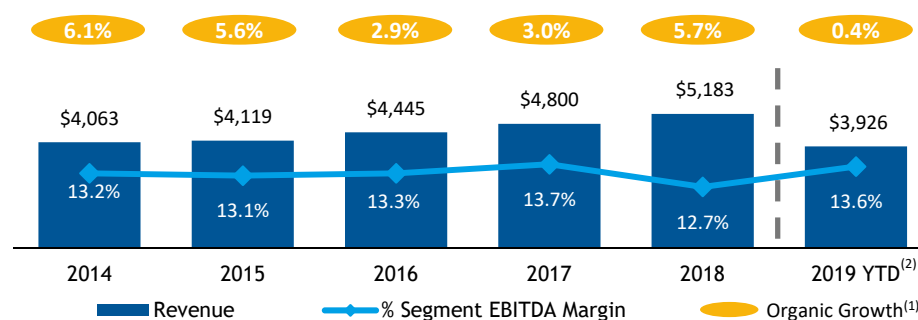


## Product Overview

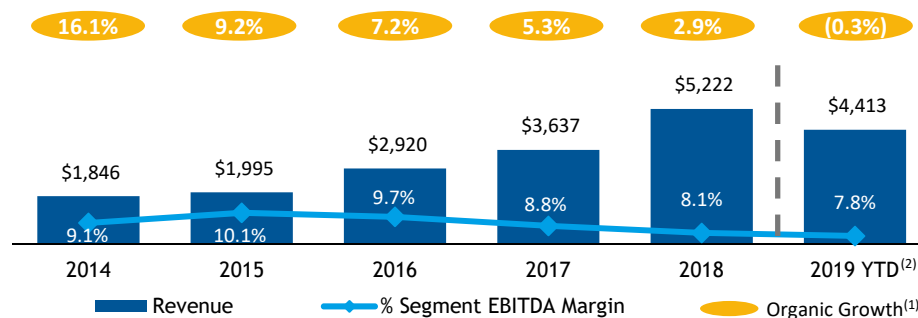
- North America**
- Collision
    - Aftermarket automotive products
    - Automotive glass distribution
    - Recycled & Refurbished
  - Mechanical
    - Recycled engines & transmissions
    - Remanufactured engines & transmissions



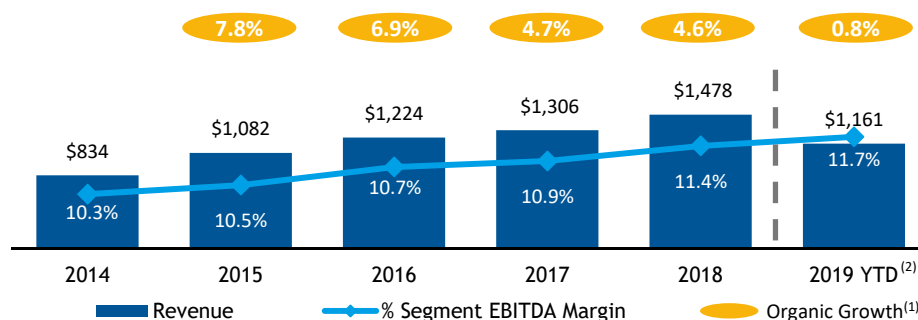
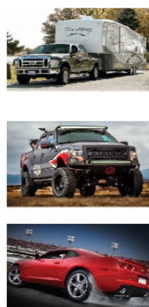
## Financial Overview



- Europe**
- Mechanical
    - 175,000+ small part SKUs
    - Brakes, filters, hoses, belts, etc.
  - Collision
    - Aftermarket (UK) & Recycled (Sweden)



- Specialty**
- Performance products
  - Appearance & accessories
  - RV, trailer & other
  - Specialty wheels & tires



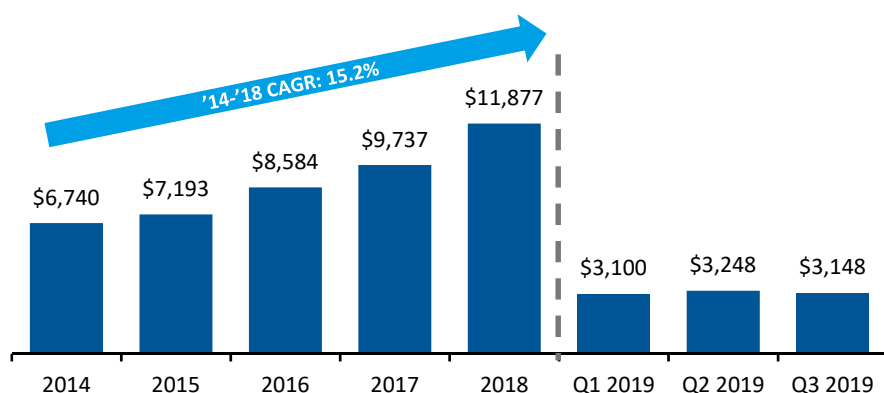
13 1) Organic growth represents year over year change of Parts and Services organic growth.  
 2) YTD reflects period through 9/30/2019.

# Overview of Consolidated Financial Performance



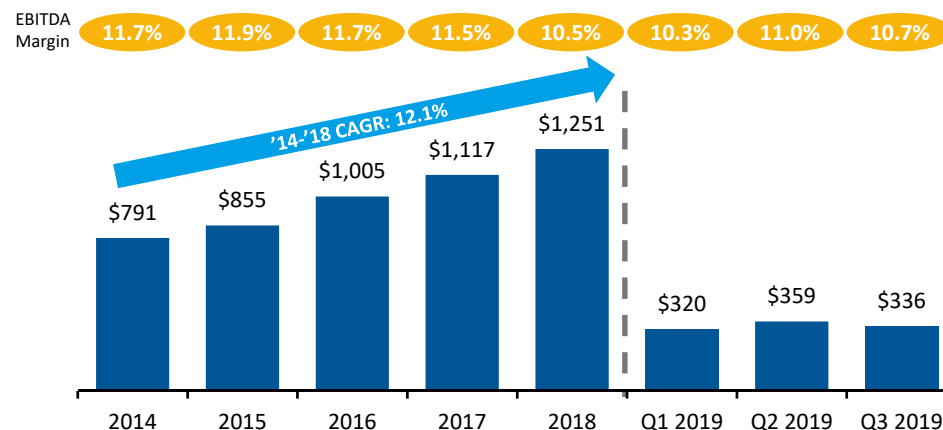
## Revenue

(\$ in millions)



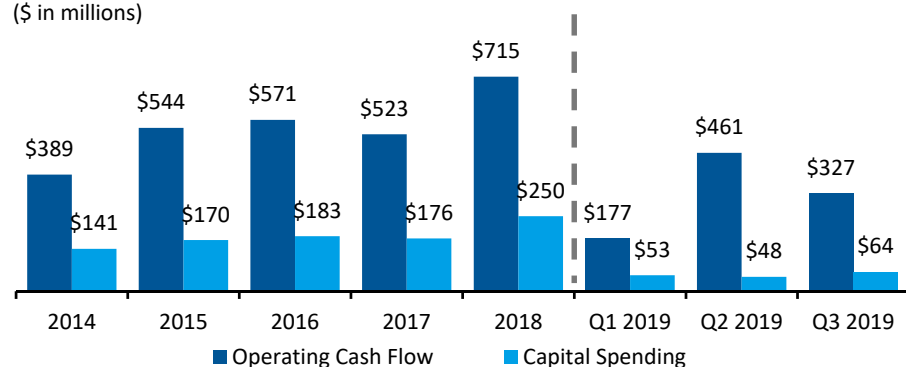
## Segment EBITDA <sup>(1)(2)</sup>

(\$ in millions)



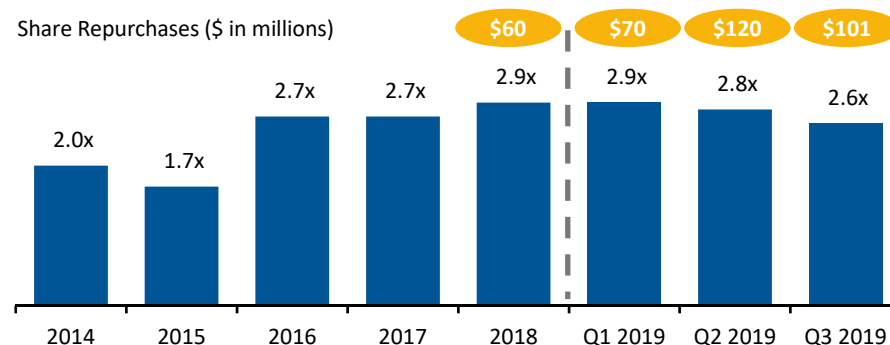
## Cash Flow/Capex <sup>(1)</sup>

(\$ in millions)



## Net Leverage <sup>(3)</sup>

Share Repurchases (\$ in millions)

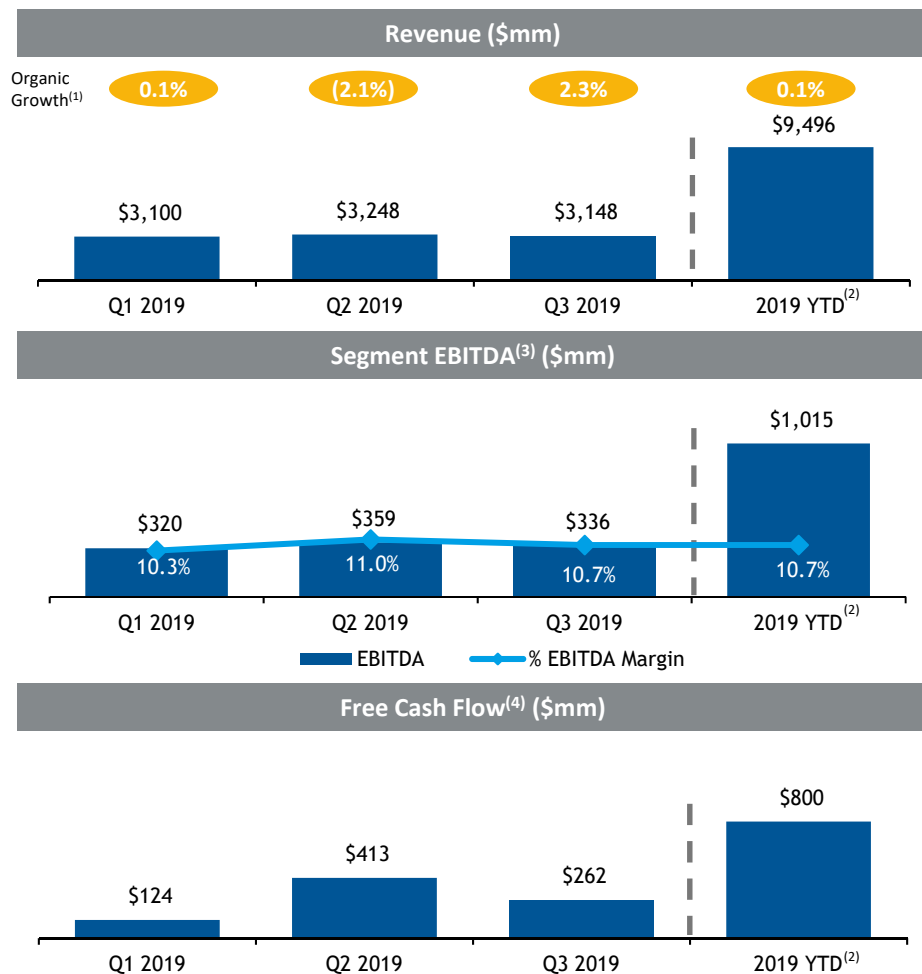


- 1) Amounts reflect continuing operations only.
- 2) EBITDA is a non-GAAP measure. Refer to EBITDA reconciliation on Appendix 1.
- 3) Net leverage per bank covenants is defined as Net Debt / EBITDA. See the definitions of Net Debt and EBITDA in the credit agreement filed with the SEC for further details.

# 2019 Performance Indicates Positive Trajectory and Successful Implementation of Initiatives...



## Quarterly Performance



## Commentary

- Q3 2019 parts & services revenue growth of 0.8% driven by organic parts and services revenue growth of 2.3% (0.9% on a per day basis) and acquisition growth of 0.8%, partially offset by a decline due to foreign currency translation (2.3%)
- YTD 2019<sup>(2)</sup>, organic revenue growth for parts and services was 0.1% driven by increases in the North America and Specialty business mostly offset by Europe
- Q3 North America Segment EBITDA margin improved 60bps relative to Q3 2018 while YTD 2019<sup>(2)</sup> North America Segment EBITDA margin improved 70bps year-over-year
- 3.9 million shares of stock repurchased for \$101 million in Q3 2019
- Paid down \$109 million of debt; net leverage declined to 2.6x<sup>(5)</sup> EBITDA in Q3 2019
- Excellent operating cash conversion in Q3 2019; delivered \$327 million in operating cash flows (up 70% year over year); and free cash flow of \$262 million (up 93% year over year)
- Recent operating momentum the result of initiatives began in early 2018

1) Organic growth represents year over year change of Parts and Services organic growth.

2) YTD reflects period through 9/30/2019.

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# 2019 Guidance Reflects Continued Focus on Operational Improvements



## Guidance

(\$ in millions excluding EPS)	Full Year 2018 Actual	Full Year 2019 Guidance <sup>(1)(2)</sup>
Organic Growth, Parts and Services	4.4%	0.25% - 1.00%
Net Income Attributable to LKQ Shareholders	\$485	\$526 - \$546
Adjusted Net Income Attributable to LKQ Shareholders <sup>(3)</sup>	\$691	\$718 - \$738
Diluted EPS Attributable to LKQ Shareholders	\$1.53	\$1.69 - \$1.76
Adjusted Diluted EPS Attributable to LKQ Shareholders <sup>(3)</sup>	\$2.19	\$2.31 - \$2.37
Cash Flow from Operations	\$711	\$950 - \$1,000
Capital Expenditures	\$250	\$240 - \$260

- 1) Guidance for 2019 is based on current conditions and excludes the impact of restructuring and acquisition related expenses, impairment charges, excess tax benefits and deficiencies from stock based payments, amortization expense related to acquired intangibles, and gains on debt extinguishment. In addition, it excludes gains or losses (including changes in fair value of contingent consideration liabilities) and capital spending related to acquisitions or divestitures, and assumes no material disruptions associated with the United Kingdom's potential exit from the European Union. Our forecasted results for our international operations were calculated using current foreign exchange rates for the remainder of the year. Guidance for 2019 includes a global effective tax rate of 27.5%. Full year 2018 actual figures for adjusted net income and adjusted diluted EPS were calculated using the same methodology as the 2019 guidance. Organic revenue guidance refers only to parts and services revenue. LKQ updated its guidance on October 31, 2019, and it is only effective on the date of issuance. It is LKQ's policy to comment on its annual guidance only when the company issues its quarterly press releases with financial results. LKQ has no obligation to update this guidance.
- 2) All guidance figures are for continuing operations with the exception of cash flow from operations.
- 3) Adjusted net income and Adjusted Diluted EPS are non-GAAP measures. See Appendix 3 for reconciliation of forecasted adjusted Net income and forecasted adjusted diluted EPS attributable to LKQ stockholders.



# LKQ Investment Highlights



Leading Positions In Large Markets	Diversified Revenue Stream	Expanding Alternative Parts Usage	Clear Value Proposition	Solid Financial Metrics
<ul style="list-style-type: none"> <li>• Largest participant in each market served</li> <li>• Scale provides purchasing leverage and depth of inventory</li> <li>• European &amp; Specialty expansion drives diversification</li> <li>• Opportunities for new locations &amp; adjacent markets</li> </ul>	<ul style="list-style-type: none"> <li>• Global balance with Pan-European footprint</li> <li>• Multiple end markets</li> <li>• Broad parts segment exposure</li> <li>• Self funded growth</li> </ul>	<ul style="list-style-type: none"> <li>• Increasing availability of quality aftermarket and recycled products</li> <li>• Distribution network and inventory levels allow higher fulfilment rates</li> <li>• Expanding number of vehicles comprising “sweet spot” in our target market</li> </ul>	<ul style="list-style-type: none"> <li>• Insurers focused on controlling repair costs</li> <li>• Alternative products offer savings of 20%-50% of OEM parts repairs</li> <li>• Best partner for insurance companies</li> </ul>	<ul style="list-style-type: none"> <li>• History of delivering organic revenue growth &amp; EBITDA expansion</li> <li>• Strong FCF generation supports growth</li> <li>• Diversified capital structure</li> <li>• Limited near-term structured debt repayments &amp; ample liquidity</li> </ul>

Market Leader

Growing Markets

Diversified Revenue Base

Demonstrated Performance

# Today's Agenda



LKQ Today

LKQ Business Overview

LKQ's Strategy to Drive Shareholder Value

Engaged Board with Strong Governance Practices

Concluding Remarks

# LKQ's Plan to Drive Shareholder Value



1

## Enhanced European simplification through "1 LKQ Europe"

- ✓ Expansion into new markets mostly complete
  - ✓ Euro Car Parts (United Kingdom & ROI)
  - ✓ Sator (Benelux & France)
  - ✓ Rhiag (Italy & 9 other European countries)
  - ✓ Stahlgruber (Germany & Eastern Europe)
- ✓ Plan to integrate & drive margins

2

## Continued growth and profitability in North America segment

- ✓ Share gains in existing markets
  - ✓ Greenfield / brownfield expansion projects (warehouse capacity and dismantling facilities)
  - ✓ Consolidation within existing markets through the acquisition of smaller businesses (Stag & Parts Channel)
  - ✓ Additional market penetration

3

## Driving further growth and profitability in Specialty segment

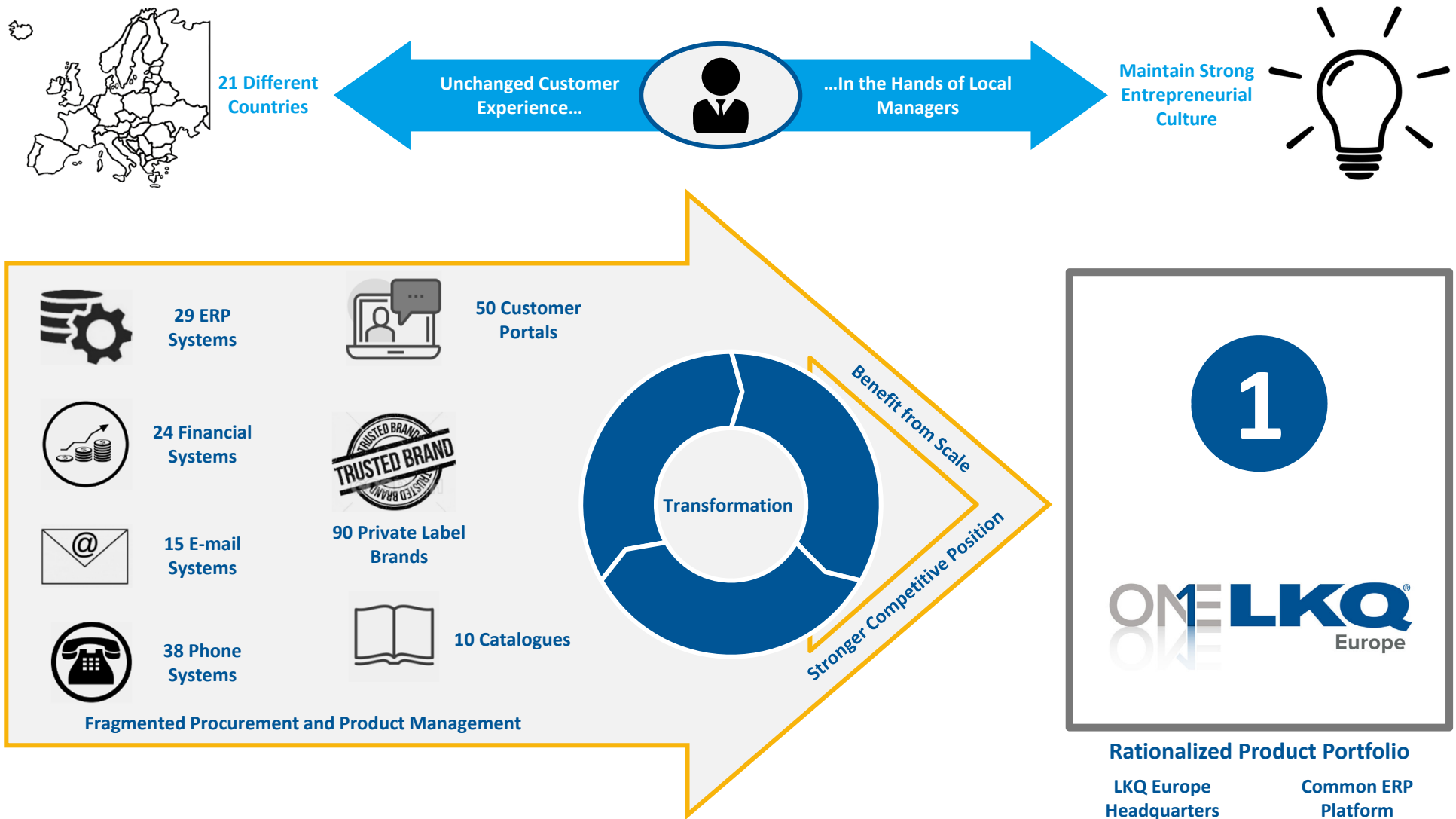
- ✓ Higher penetration of proprietary & exclusive brands
- ✓ Pursue "marquee brands" within existing markets (e.g. Warn)
- ✓ OE warranty programs
- ✓ Facility & warehouse integration
- ✓ Pursue additional value-added services through technology

4

## Focused capital allocation strategy

- ✓ Focused capital allocation strategy enabling organic growth, de-levering & returning capital to shareholders

# ① 1 LKQ Europe: Simplification and Integration of EU Operations



# 1 LKQ Europe: Benefits from LKQ Europe Initiatives

*LKQ is uniquely positioned to leverage its scale and capabilities in Europe*

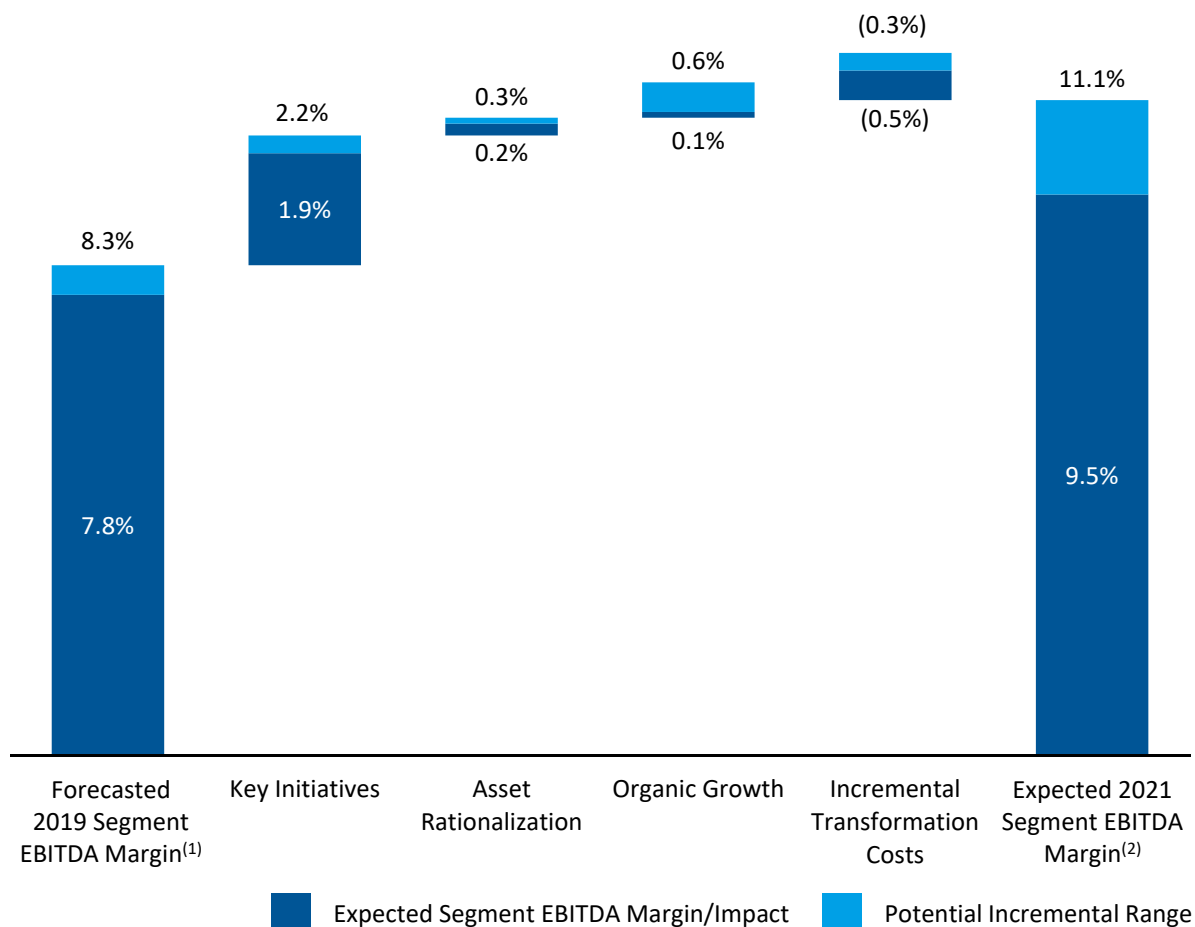
	Procurement	Private Label	Revenue Optimization	ERP
Revenue Impact	○	++	+	○
Complexity Reduction	++	++	+	++
Cost Reduction	++	++	○	+
Customer Value	○	++	+	+
Leveraging LKQ Scale	++	++	+	++

**+** Positive Impact      **○** Minimal Impact

# 1 LKQ Europe Expectations in 2021 and Beyond



## LKQ Europe: Path to Sustainable Double Digit Segment EBITDA Margin



## Benefit of Initiatives Post 2021

- Procurement
- Private Label
- Centralization and Shared Services
- Logistics
- Digital Services
- ERP



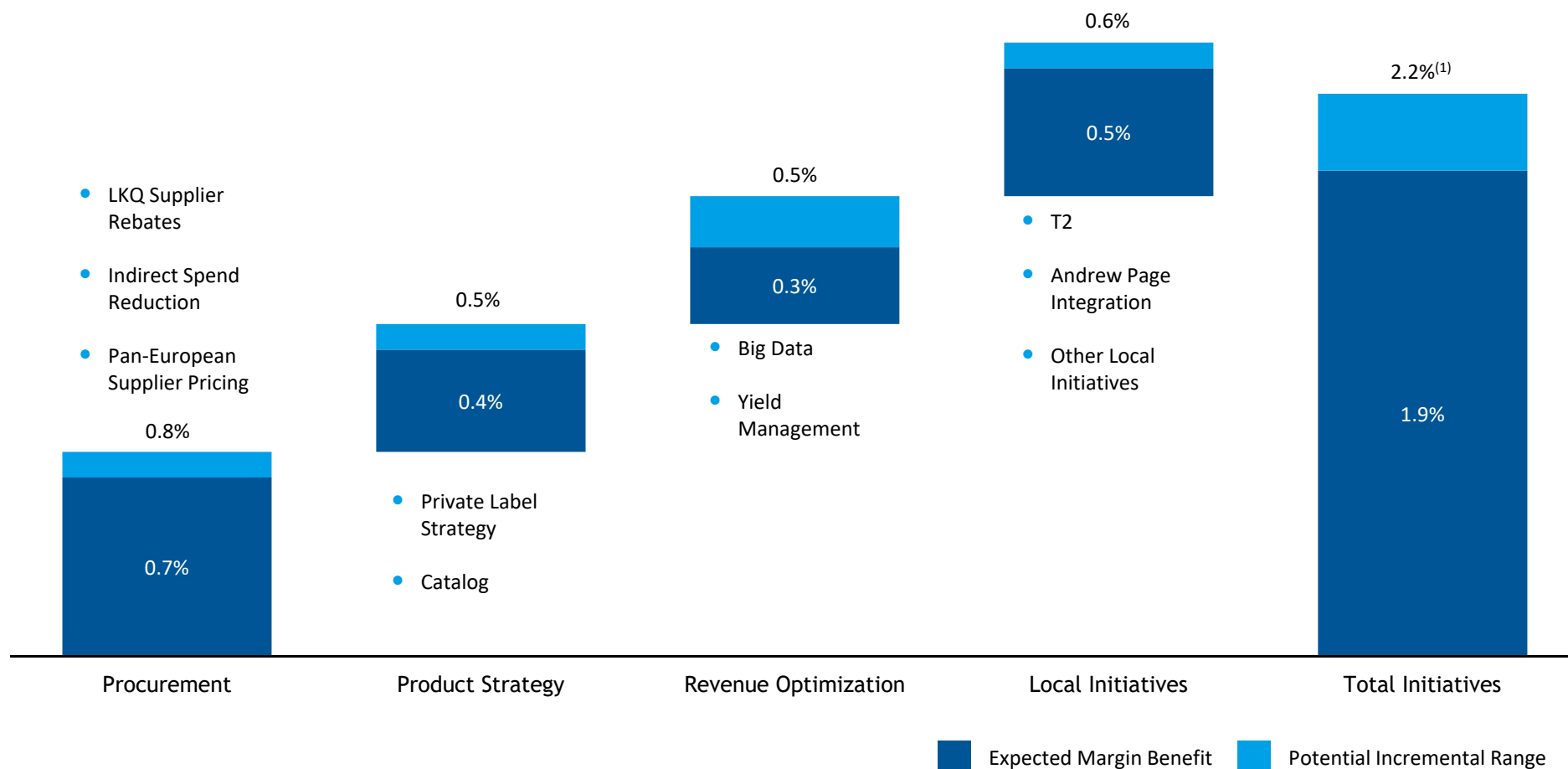
**Additional 0.5%–1.0%  
Segment EBITDA Margin Benefit**

1) Includes 30 bps negative impact from transformation costs.  
 2) Includes 60-80 bps negative impact from transformation costs.

# 1 Expected Benefit of Initiatives



## LKQ Europe Initiatives' Expected Segment EBITDA Benefit 2019–2021



1) Numbers may not foot due to rounding.

# 1 Initiatives to Drive Cash Flow Generation



## Cash Flow Considerations

- Trade Working Capital (TWC) improvement in Europe launched as a key objective in 2019, primarily driven by:
  - Supplier payment terms normalization, incl. vendor financing program
  - Stock level rationalization
  - Improved supply chain approach (e.g. Category management)
  - Past due receivables
- Expectation that transformation costs will be entirely funded by the improved TWC performance

## Vendor Financing Program - Update

- European segment's annual direct spend is approximately \$3.6 billion with ~1,800 suppliers with annualized spend >\$23,000
- The Top 40 suppliers - key strategic partners - represent 60% of the annual spend, or about \$2.2 billion
- Launched the European vendor financing program in 2019:
  - Initiated negotiations with the Top 40 suppliers in order to extend the average payment terms in line with market convention for customers of similar spend scale globally
  - Secured financing partners in key markets such as Germany, Italy and UK
- By end-July 2019, completed meetings with suppliers representing 80%+ of the spend in scope
- Preliminary feedback, incl. suppliers that have already signed up to the program is largely positive. Our intention is to secure longer payment terms that will generate >\$200 million in incremental OCF by 2021



## ② Multiple Levers to Drive North American Results

### Key Initiatives

#### Organic Revenue Growth

- Favorable collision tailwinds
- Expansion of product offerings
- Monitoring opportunity of ADAS and EV

#### Margin Improvement

- Further optimizing aftermarket and pricing
- Salvage product pricing
- Continual improvement on our salvage procurement
- Compensation tied more closely to margin and Free Cash Flow improvement

#### Operating Leverage

- Mitigate rising freight
- Roadnet – Phase 2
- Increased use of our centralized back office operations
- Heavy focus on employee retention & talent recruitment

### A Great Stable of Brands

#### Collision & Mechanical

##### Aftermarket



##### Salvage



##### Glass



##### Paint (PBE)



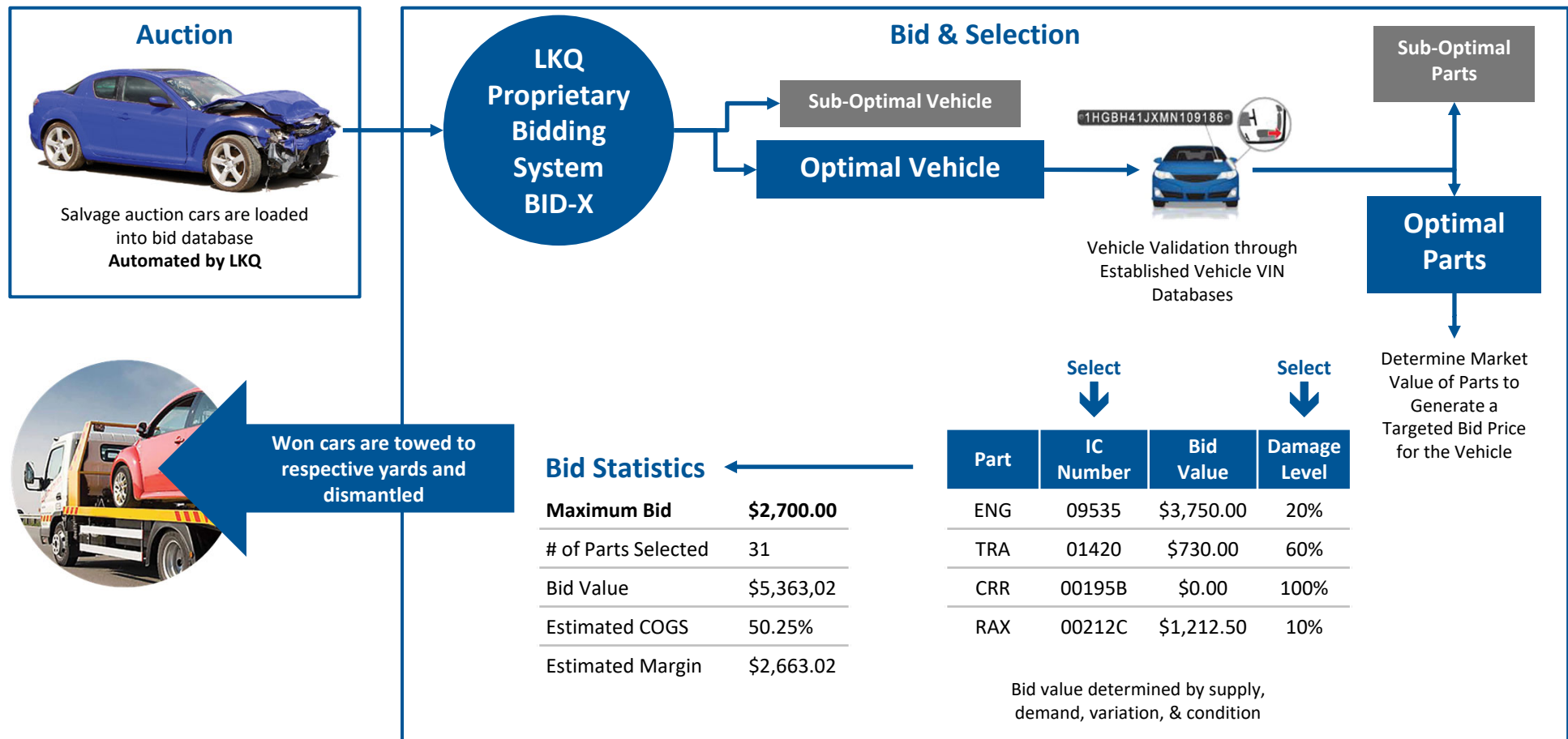
#1

#### Provider of:

- Recycled & aftermarket collision parts
- Recycled & remanufactured engines and transmissions
- Wholesale auto replacement glass

*Organic revenue & EBITDA improvement from initiatives*

## ② Efficient & Scalable Salvage Procurement



# 3 Leading Brands and Multiple Levers to Drive Strong Specialty Growth



## Key Initiatives

New Product Lines	<ul style="list-style-type: none"> <li>New product lines through the same distribution (target \$25M/year)</li> <li>New products within existing lines</li> <li>New services</li> </ul>
New Customers	<ul style="list-style-type: none"> <li>New customers (Jobbers, Dealers, Retailers, Installers), existing markets</li> <li>New customers in adjacent space markets (e.g. Trailering, Hard Parts)</li> </ul>
Increased Customer Penetration	<ul style="list-style-type: none"> <li>Drive new and existing lines into new and existing customers (e.g. selling crossover truck accessory products to RV Dealers)</li> </ul>
Company / Exclusive Brands	<ul style="list-style-type: none"> <li>Pursue a greater percentage of business with proprietary products</li> </ul>
Lead the Industry in On-Line Selling Fulfillment	<ul style="list-style-type: none"> <li>The best solution to drop ship selling</li> <li>Drive new Parts Via program (click to mortar)</li> </ul>

## A Great Stable of Brands



Market leading management team poised to deliver

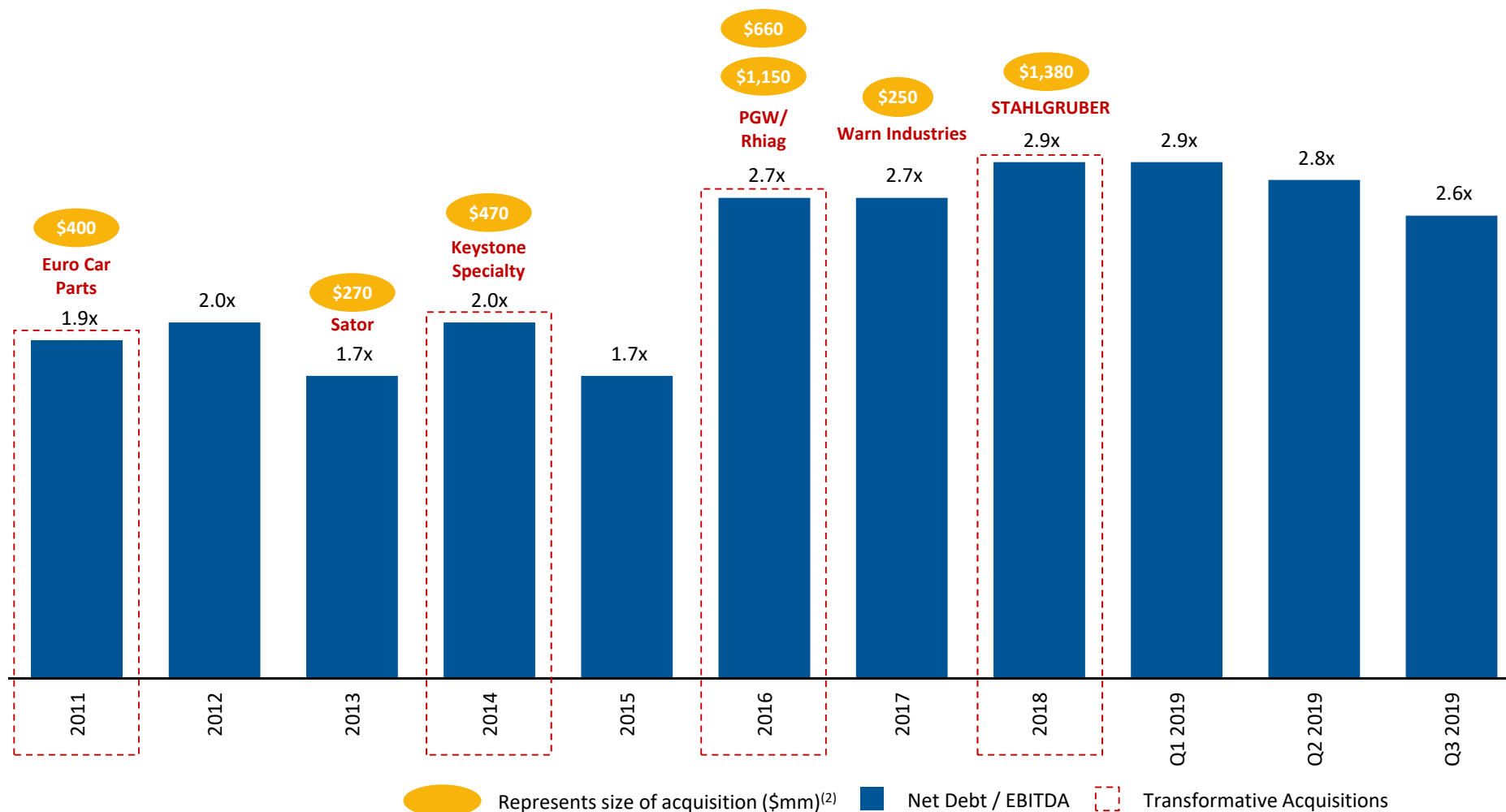
### 3 Specialty Segment has Competitive Advantages



Competitive Advantage	Commentary	
• Logistics Network	<ul style="list-style-type: none"> <li>• North America – best coverage, next day</li> <li>• Late cut off times, 99.9% fill rate</li> <li>• Big &amp; Bulky items</li> <li>• Company Fleet and Drivers (560 Cube Vans, 90 TT)</li> <li>• Best e-tailer service option</li> </ul>	
• Inventory	<ul style="list-style-type: none"> <li>• Biggest (\$320M)</li> <li>• Deepest (185K stocking SKU's)</li> <li>• Daily relationship with customers (36K cust. loc.)</li> </ul>	
• Transaction Processing	<ul style="list-style-type: none"> <li>• Customer Care (1.4M calls, 400K emails, etc)</li> <li>• AR / AP (4M Invoices, 800K Payments)</li> </ul>	
• Product Data Set	<ul style="list-style-type: none"> <li>• Best Data in the industry</li> <li>• Most accurate YMM lookup</li> <li>• Going to mobile w/ VIN &amp; License Plate lookup</li> </ul>	
• Sales Team	• Outside (60)	• Auto
	• Inside (160)	• RV
• Technology	• Customer Support (60)	• Nat'l Retail
	• Customer Service (50)	• Canada / Export
	• e-Keystone / Via (B2B)	• Magnifinder (service parts)
	• Topline (DMS)	• PartsVIA (click 2 Mortar)

## 4 Strong Track Record of Delevering

### Net Debt / EBITDA Over Time<sup>(1)</sup>



*Within five quarters following the company's largest-ever transaction, we got back to the Stahlgruber pre-acquisition leverage ratio*

- 1) Net leverage per bank covenants is defined as Net Debt / EBITDA. See the definitions of Net Debt and EBITDA in the credit agreement filed with the SEC for further details.
- 2) Rounded to nearest \$10mm.

## 4 LKQ has the Tools in Place to Opportunistically Return Capital to Shareholders



### LKQ Recent Share Repurchase Activity

# of Shares  
Repurchased

2.3mm

2.6mm

4.4mm

3.9mm

(\$ in millions)

\$60

\$70

\$120

\$101

Q4 '18

Q1 '19

Q2 '19

Q3 '19

*Existing share repurchase program with ability to repurchase up to approximately \$650 million through October 2022*

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Concluding Remarks

# Corporate Governance Highlights



## Independent Leadership & Oversight

- LKQ is governed by 10-member board of directors, 8 of whom are independent directors under NASDAQ guidelines
- Separate Chairman / CEO roles

## Continued Focus on Board Refreshment

- Ongoing process to refresh and strengthen board composition with shareholder input; 4 new directors, added in the past 3 years
- The average tenure of board is ~6 years
- Appointed Patrick Berard to its Board of Directors effective October 2, 2019, as part of the Board's ongoing refreshment process
- A. Clinton Allen and William M. Webster, IV have announced that they will retire from the Board when their terms expire in connection with the Company's 2020 Annual Meeting

## Structured to Empower Shareholder Rights

- Annual election of directors
- Majority voting standard (plurality carve-out voting standard only in contested elections)
- Proxy access provision
- No poison pill in place



# LKQ's Directors are Well Equipped to Drive Shareholder Value Creation



Director	Executive Leadership	Automotive Industry	Digital Technology	Operations	Treasury/ Capital Allocation/ Corporate Development	Finance/ Accounting/ Auditing	Government Relations/ Regulatory	Human Capital Management/ Compensation	Corporate Governance	Europe / Other Experience	Supply Chain/ Logistics	Risk Assessment and Management	Investor Relations
Dominick Zarcone	✓	✓		✓	✓	✓		✓		✓		✓	✓
Joseph Holsten	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓		✓
Patrick Berard	✓			✓		✓			✓	✓	✓	✓	✓
Meg Divitto	✓	✓	✓	✓	✓			✓		✓		✓	
Robert Hanser	✓	✓	✓	✓	✓		✓	✓		✓	✓		
Blythe McGarvie	✓		✓	✓	✓	✓			✓	✓		✓	✓
John Mendel	✓	✓		✓			✓	✓		✓	✓		✓
Jody Miller	✓	✓	✓	✓	✓		✓		✓				
John O'Brien	✓			✓	✓	✓	✓	✓	✓	✓			✓
Guhan Subramanian						✓	✓		✓				✓

Note: LKQ Board of Directors (in reverse order of tenure). Only displays continuing directors. Excludes A. Clinton Allen and William M. Webster.

# LKQ's Directors are Well Equipped to Drive Shareholder Value Creation



Photo	Name	Years on Board	Age	Primary Occupation	Key Skills	Independent
	<b>Joseph Holsten</b>	16	66	Chairman of the Board	<ul style="list-style-type: none"> <li>Unparalleled knowledge of LKQ business and industry</li> </ul>	
	<b>Dominick Zarcone</b>	2	60	President and CEO	<ul style="list-style-type: none"> <li>Extensive finance experience</li> </ul>	
	<b>Patrick Berard</b>	<1	66	CEO and Director of Rexel Group	<ul style="list-style-type: none"> <li>Variety of leadership positions in European businesses</li> </ul>	✓
	<b>Meg Divitto</b>	1	47	Principal of Divitto Design Group	<ul style="list-style-type: none"> <li>Expertise in technology and IoT</li> </ul>	✓
	<b>Robert Hanser</b>	4	63	Retired from Robert Bosch GmbH	<ul style="list-style-type: none"> <li>Worked at Bosch for 23 years with extensive automotive aftermarket experience</li> </ul>	✓
	<b>Blythe McGarvie</b>	7	62	Retired Harvard Business School professor	<ul style="list-style-type: none"> <li>CPA with experience in European operations</li> </ul>	✓
	<b>John Mendel</b>	1	64	Retired EVP of American Honda Motor Company Automotive Division	<ul style="list-style-type: none"> <li>Knowledge on automotive industry</li> </ul>	✓
	<b>Jody Miller</b>	1	60	CEO of Business Talent Group	<ul style="list-style-type: none"> <li>Diverse technology, automotive, and Board experience</li> </ul>	✓
	<b>John O'Brien</b>	16	75	Retired CEO of Allmerica Financial	<ul style="list-style-type: none"> <li>Board experience and financial expertise</li> </ul>	✓
	<b>Guhan Subramanian</b>	7	48	Professor of Law and Business at Harvard Business School	<ul style="list-style-type: none"> <li>Knowledge on corporate governance and Board of Directors legal processes</li> </ul>	✓

 Indicates Directors Who Have Joined the LKQ Board Since 2012

*Ongoing refreshment program that has resulted in four new directors added over last three years; total of eight added since 2012*

# LKQ's Performance-Based Compensation Practices



- The Compensation Committee of LKQ's board carefully considers the most effective ways to motivate and incentivize management to accomplish specific strategic goals
- Objective, tailored metrics with challenging performance targets are chosen annually to align LKQ's compensation program with its strategic plan and effectively align the interests of management with shareholders
  - In 2019, selected Adjusted EBITDA, EBITDA margin percentage and free cash flow as annual metrics to focus management on profitability and the optimization of cash flow
  - Furthermore in 2019, shifted 50% of the 3-year incentive award from cash to performance based RSU. The metrics for the 3-year incentive awards (both cash and equity) now include organic revenue growth, adjusted EPS and ROIC
- The interests of each of LKQ's current board members and executives are closely aligned with the shareholders. Together, the LKQ directors and executive officers beneficially own more than 2,200,000 shares of LKQ common stock
- All of LKQ's compensation plans are designed to create a pay-for-performance culture and grant a high percentage of at-risk compensation

*The compensation program developed by the Compensation Committee is designed to drive shareholder value*

# Today's Agenda



LKQ Today

LKQ Business Overview

LKQ's Strategy to Drive Shareholder Value

Engaged Board with Strong Governance Practices

Concluding Remarks

# LKQ's Management and Board are Executing on a Strategy That is Delivering Shareholder Value



- The Company has delivered three strong quarters, underscoring management's focus on operating improvement and execution
- Results since initiatives began in Q2 2018 include the Company's first and second best quarters ever in terms of cash flow generation
- Continued strengthening of the balance sheet, with a 2.6x leverage ratio, comparable to leverage prior to the Stahlgruber acquisition
- Deleveraging as part of a balanced capital allocation strategy, with the Company also committing to a new \$500 million share repurchase program (having executed on \$352mm of the first \$500mm authorization)
- Ongoing growth and profitability initiatives in place; the "1 LKQ Europe" plan announced in September provides a roadmap for improved profitability
- Commitment to governance best practices, including the addition of 4 new independent directors in the past 3 years and better improved alignment of the compensation structure

1) FactSet as of November 4, 2019.

## 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 — Reconciliation of Net Income to EBITDA and Segment EBITDA



(\$ in millions)	Three Months Ended September 30 <sup>(1)</sup>		Nine Months Ended September 30 <sup>(1)</sup>	
	2019	2018	2019	2018
<b>Net income</b>	<b>\$153</b>	<b>\$134</b>	<b>\$404</b>	<b>\$445</b>
<b>Subtract:</b> Net (loss) income attributable to continuing noncontrolling interest	(0)	0	2	1
Net income attributable to discontinued noncontrolling interest	0	—	1	—
<b>Net income attributable to LKQ stockholders</b>	<b>\$152</b>	<b>\$134</b>	<b>\$401</b>	<b>\$444</b>
<b>Subtract:</b> Net income from discontinued operations	1	—	1	—
Net income attributable to discontinued noncontrolling interest	(0)	—	(1)	—
<b>Net income from continuing operations attributable to LKQ stockholders</b>	<b>\$152</b>	<b>\$134</b>	<b>\$400</b>	<b>\$444</b>
<b>Add:</b> Depreciation and amortization	72	77	213	196
Depreciation and amortization - cost of goods sold	5	5	16	15
Depreciation and amortization - restructuring expenses - cost of goods sold	0	—	0	—
Depreciation and amortization - restructuring expenses	1	—	1	—
Interest expense, net of interest income	32	41	104	108
Provision for income taxes	58	46	165	156
<b>EBITDA</b>	<b>\$319</b>	<b>\$303</b>	<b>\$900</b>	<b>\$919</b>
<b>Subtract:</b> Equity in earnings (losses) of unconsolidated subsidiaries	4	(20)	(34)	(18)
Fair value gain on Mekonomen derivative instrument	—	3	—	3
Gains on bargain purchase	—	—	—	0
<b>Add:</b> Restructuring and acquisition related expenses	8	7	20	27
Restructuring expenses - cost of goods sold	17	—	17	—
Inventory step-up adjustment - acquisition related	—	—	—	0
Impairment of net assets held for sale	(4)	—	45	2
Change in fair value of contingent consideration liabilities	(0)	(1)	0	(0)
<b>Segment EBITDA</b>	<b>\$336</b>	<b>\$326</b>	<b>\$1,015</b>	<b>\$964</b>
Net income from continuing operations attributable to LKQ stockholders as a percentage of revenue	4.8%	4.3%	4.2%	5.0%
EBITDA as a percentage of revenue	10.1%	9.7%	9.5%	10.4%
Segment EBITDA as a percentage of revenue	10.7%	10.5%	10.7%	10.9%

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

## Appendix 1 — EBITDA and Segment EBITDA Reconciliation



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, less net income (loss) attributable to continuing and discontinued noncontrolling interest, excluding discontinued operations and discontinued noncontrolling interest, depreciation, amortization, interest (which includes gains and losses on debt extinguishment) and income tax expense. 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, 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 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 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.



## Appendix 2 — Reconciliation of Net Cash Provided by Operating Activities to Free Cash Flow



(in millions)	Three Months Ended September 30 <sup>(1)</sup>			Nine Months Ended September 30 <sup>(1)</sup>	
	3/31/2019	6/30/2019	9/30/2019	2019	2018
Net cash provided by operating activities	\$177	\$461	\$327	\$965	\$521
Less: purchases of property, plant and equipment	53	48	64	166	172
<b>Free cash flow</b>	<b>\$124</b>	<b>\$413</b>	<b>\$263</b>	<b>\$800</b>	<b>\$349</b>

(in millions)	Year Ended December 31 <sup>(1)</sup>				
	2014	2015	2016	2017	2018
Operating Cash Flows	\$389	\$544	\$635	\$519	\$711
Less: Operating Cash Flows - Discontinued Operations	—	—	64	(4)	(4)
<b>Operating Cash Flows from Continuing Operations</b>	<b>\$389</b>	<b>\$544</b>	<b>\$571</b>	<b>\$523</b>	<b>\$715</b>
Capital Expenditures	141	170	207	179	250
Less: Capital Expenditures - Discontinued Operations	—	—	24	4	—
<b>Continuing Capital Expenditures</b>	<b>\$141</b>	<b>\$170</b>	<b>\$183</b>	<b>\$175</b>	<b>\$250</b>
<b>Free Cash Flow from Continuing Operations</b>	<b>\$248</b>	<b>\$374</b>	<b>\$388</b>	<b>\$347</b>	<b>\$465</b>

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. 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.

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

## Appendix 3 — Forecasted EPS Reconciliation<sup>(1)</sup>



	For the year ending December 31, 2019	
	Minimum Guidance	Maximum Guidance
(in millions, except per share data)		
Net income from continuing operations attributable to LKQ stockholders	\$526	\$546
Adjustments:		
Amortization of acquired intangibles	125	125
Restructuring expenses - cost of goods sold	17	17
Restructuring and acquisition related expenses	21	21
Impairment of net assets held for sale	45	45
Impairment of Mekonomen equity method investment	40	40
Other	(1)	(1)
Tax effect of adjustments	(55)	(55)
<b>Adjusted net income from continuing operations attributable to LKQ stockholders</b>	<b>\$718</b>	<b>\$738</b>
Weighted average diluted common shares outstanding	311	311
Diluted EPS from continuing operations attributable to LKQ stockholders:		
U.S. GAAP	\$1.69	\$1.76
Non-GAAP (Adjusted)	\$2.31	\$2.37

We have presented forecasted Adjusted Net Income and forecasted Adjusted Diluted Earnings per Share from Continuing Operations Attributable to LKQ Stockholders in our financial guidance. 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 income from continuing operations attributable to LKQ stockholders, amortization of acquired intangibles for the full fiscal year 2019 and the related tax effect; we included for all other components the amounts incurred through September 30, 2019.

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