

LKQ Corporation Announces Results for Third Quarter 2022

October 28, 2022

- Revenue of \$3.1 billion ; revenue on a constant currency basis¹ of \$3.3 billion
- Parts and services organic revenue growth of 4.8% (5.3% on a per day basis)
- Diluted EPS 2 of \$0.95 (down 1.0%); adjusted diluted EPS^{1,2} of \$0.97 (down 4.9%)
- Third quarter operating cash flow of \$273 million ; free cash flow¹ of \$224 million
- Deployed \$343 million in the quarter to repurchase 6.8 million shares
- Stock repurchase program expanded by a further \$1 billion through October 2025
- Dividend increased by 10%; \$0.275 per share approved to be paid in the fourth quarter of 2022
- Full year 2022 guidance range updated

CHICAGO, IL, Oct. 27, 2022 (GLOBE NEWSWIRE) -- LKQ Corporation (Nasdaq:LKQ) today reported third quarter 2022 financial results.

“We are pleased with our third quarter results as they once again highlight our ongoing ability to combine best-in-class customer service with operational excellence. Our strong same day organic revenue growth and segment EBITDA margins in Wholesale - North America and Europe demonstrate our ability to serve our stakeholders in any environment,” noted Dominick Zarcone, President and Chief Executive Officer. “I want to thank our global teams for delivering another quarter of strong performance in a challenging macro environment, including commodities and foreign exchange volatility as well as other inflationary pressures that impacted our reported earnings. Additionally, we remain committed to returning capital to our stockholders, as evidenced by the 10% increase of the quarterly dividend and the expansion of our stock repurchase program.”

Third Quarter 2022 Financial Results

Revenue for the third quarter of 2022 was \$3.1 billion, a decrease of 5.9% as compared to \$3.3 billion in the third quarter of 2021. On a constant currency basis¹, third quarter revenue grew by 1.0% to \$3.3 billion. Parts and services organic revenue increased 4.8% on a reported basis (5.3% on a per day basis), while the net impact of acquisitions and divestitures decreased revenue by 2.3% and foreign exchange rates decreased revenue by 7.4%, for a total parts and services revenue decrease of 5.0%. Other revenue fell 17.4% primarily due to weaker commodity prices relative to the same period in 2021.

Net income² for the quarter was \$261 million as compared to \$284 million for the same period in 2021. Diluted earnings per share² for the quarter was \$0.95 as compared to \$0.96 for the same period of 2021, a decrease of 1.0%.

On an adjusted basis, net income^{1,2} in the quarter was \$266 million as compared to \$300 million for the same period of 2021, a decrease of 11.4%. Adjusted diluted earnings per share^{1,2} for the quarter was \$0.97 as compared to \$1.02 for the same period of 2021, a decrease of 4.9%.

Cash Flow and Balance Sheet

For the third quarter, cash flow from operations and free cash flow¹ were \$273 million and \$224 million, respectively. Cash flow from operations and free cash flow¹ were \$1.01 billion and \$862 million, respectively, for the nine months ended September 30, 2022. As of September 30, 2022, the balance sheet reflected total debt of \$2.4 billion and net debt¹ of \$2.2 billion. Net leverage, as defined in the credit facility, was 1.3x EBITDA.

Stock Repurchase and Dividend Programs

During the third quarter of 2022, the Company invested \$343 million to repurchase 6.8 million shares of its common stock. For the nine months ended September 30, 2022, the Company has deployed \$891 million to repurchase 17.6 million shares. Since initiating the stock repurchase program in late October 2018, the Company has repurchased approximately 52 million shares for a total of \$2.2 billion through September 30, 2022. On October 25, 2022, the Board of Directors authorized a \$1 billion increase to the existing share repurchase program and extended the duration through October 25, 2025.

On October 25, 2022, the Board of Directors declared a quarterly cash dividend of \$0.275 per share of common stock, payable on December 1, 2022, to stockholders of record at the close of business on November 17, 2022. This reflects a 10% increase over the prior quarterly dividend of \$0.25 per share.

Other Events

On September 19, 2022, the Company announced new leadership appointments, effective immediately. Varun Laroyia, Executive Vice President and Chief Financial Officer, was appointed as Chief Executive Officer and Managing Director of LKQ Europe. Rick Galloway, Chief Financial Officer of LKQ's Wholesale - North America and Self Service segments, was appointed as LKQ's Senior Vice President and Chief Financial Officer.

2022 Outlook

Rick Galloway, Senior Vice President and Chief Financial Officer, commented: "The business continues to produce strong financial results in a difficult macro-economic environment. We anticipate the benefits associated with our operational excellence programs and capital allocation activities will be more than offset by the weak foreign exchange rates relative to the US dollar along with soft metals prices. Therefore, we have updated our guidance metrics to reflect these current market conditions, and also narrowed our guidance range for the balance of the year."

For 2022, management updated the outlook as set forth below:

Our outlook for the full year 2022 is based on current conditions and recent trends, and assumes current U.S. federal tax legislation remains unchanged, the prices of scrap and precious metals hold near the September average, and no further deterioration due to the Ukraine/Russia conflict. We have applied foreign currency exchange rates near October spot levels, including \$0.97 and \$1.11 for the euro and pound sterling, respectively, for the balance of the year. Prior guidance issued on July 28, 2022 had currency exchange rate levels of \$1.02 and \$1.20 for the euro and pound sterling, respectively. Changes in these conditions may impact our ability to achieve the estimates. Adjusted figures exclude (to the extent applicable) the impact of restructuring and transaction related expenses; amortization expense related to acquired intangibles; excess tax benefits and deficiencies

	2022 Previous Full Year Outlook	2022 Updated Full Year Outlook
Organic revenue growth for parts and services	4.5% to 6.5%	4.75% to 5.75%
Diluted EPS ²	\$4.09 to \$4.29	\$4.12 to \$4.22
Adjusted diluted EPS ^{1,2}	\$3.85 to \$4.05	\$3.85 to \$3.95
Operating cash flow	\$1.3 billion	\$1.25 billion
Free cash flow ¹	minimum \$1.0 billion	approx. \$1.0 billion
Free cash flow conversion of EBITDA ¹	55% to 60%	55% to 60%

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) and gains and losses related to acquisitions or divestitures (including changes in the fair value of contingent consideration liabilities and the gain on the PGW Auto Glass sale).

¹ Non-GAAP measure. See the table accompanying this release that reconciles the actual or forecasted U.S. GAAP measure to the actual or forecasted adjusted measure, which is non-GAAP.

² References in this release to Net income and Diluted earnings per share, and the corresponding adjusted figures, reflect amounts from continuing operations attributable to LKQ stockholders.

Non-GAAP Financial Measures

This release contains (and management’s presentation on the related conference call will refer to) non-GAAP financial measures within the meaning of Regulation G promulgated by the Securities and Exchange Commission. Included with this release are reconciliations of each non-GAAP financial measure with the most directly comparable financial measure calculated in accordance with GAAP.

Webcast and Presentation Details

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

A replay of the conference call will be available by telephone at (800) 770-2030 or (647) 362-9199 for international calls. The telephone replay will require you to enter conference ID: 5232422#. An online replay of the audio webcast will be available on the Company's website. Both formats of replay will be available through November 11, 2022.

About LKQ Corporation

LKQ Corporation (www.lkqcorp.com) is a leading provider of alternative and specialty parts to repair and accessorize automobiles and other vehicles. LKQ has operations in North America, Europe and Taiwan. LKQ offers its customers a broad range of OEM recycled and aftermarket parts, replacement systems, components, equipment, and services to repair and accessorize automobiles, trucks, and recreational and performance vehicles.

About LKQ Europe

LKQ Europe, a subsidiary of LKQ Corporation, with its head office in Zug, Switzerland, is the leading distributor of automotive aftermarket parts for cars, commercial vans, and industrial vehicles in Europe. It currently employs approximately 26,000 people with a network of more than 1,000 branches and approximately 6.1 billion in revenue in 2021. The organization supplies more than 100,000 independent workshops in over 20 European countries.

The group includes Euro Car Parts, LKQ Fource, RHIAG Group, Elit, LKQ CZ, and STAHLGRUBER Group, as well as recycling specialist, Atracco. LKQ also holds a minority interest in MEKO Group.

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