



LKQ Corporation

Breaking Down Growth - in Parts

Scott R. Inglis, CFA

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The opinions presented are subject to change without notice in reaction to shifting market conditions. The information provided is for general informational purposes only and should not be considered



LKQ Corporation

- #1 in U.S. with 25%-30% share of highly fragmented market for aftermarket/refurbished auto parts
- Started in 1998, IPO'd 2003, added to S&P500 May, 2016
- only national distributor of alternative auto parts
- 20X the size of the competition in the U.S.

Clear Value Proposition



	2008 Chevrolet Corvette Wheel	2006 Chevrolet Silverado Engine	2005 Honda Accord Bumper Cover
New OEM	\$995	\$3,499	\$610
Remanufactured	\$454	\$2,454	\$272
Recycled OEM	\$425	\$1,450	\$345
New A/M	\$354	N/A	\$231
Average Savings	55%	39%	49%

...and Improved Cycle Time for Repairs

Note: Parts price only - excludes labor.

Sustainable Competitive Advantages

- Buying Power and Sophistication: LKQ is the largest U.S. buyer of salvaged vehicles - 78,000 purchased in Q1 '16 and 287,000 in 2015
- Combining Channels: (aftermarket & refurbished) + (recycled & remanufactured), + now OEM (glass)
- Fulfillment: 500 locations ...unmatched distribution network of recycled, remanufactured and aftermarket parts
- Technology - integration with body and repair shops; inventory; purchasing; routing
- Cheaper and Faster: LKQ is the insurance industry's best friend...network effect

6 Large, Strategic Acquisitions among 220 Total

- 2007 - Keystone Automotive Industries - leading U.S. distributor of aftermarket products
- 2011 - Euro Car Parts Holdings - UK leading distributor of mechanical aftermarket parts
- 2013 - Sator Beheer - NL and leading Benelux distributor of mechanical aftermarket parts
- 2014 - Keystone Specialty - specialty vehicle aftermarket equipment and accessories
- 2015 - Rhiag - #1 Italy and Czech Republic distributor of aftermarket spare parts, also in Spain, Hungary, and other emerging Europe
- 2016 - PGW - #1 U.S. OEM auto glass and #2 U.S. after-market auto glass, global distribution

Well Managed Growth, Management Continuity

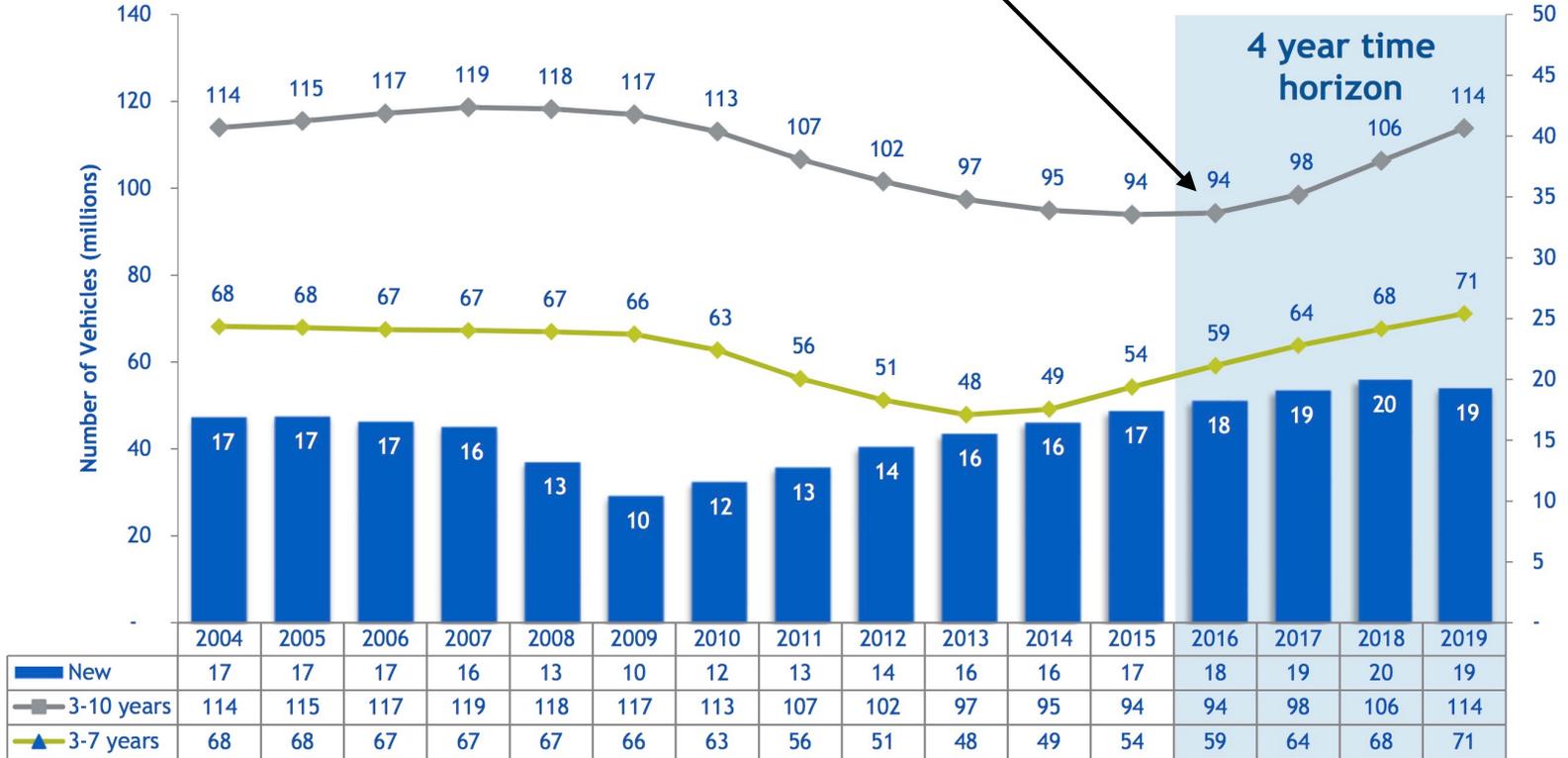
100 acquisitions past five years, 200+ since inception

Margins % of Sales	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	TTM
Revenue	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
COGS	54.7	55.1	55.8	54.7	55.7	57.4	58.2	59.0	60.7	60.6	60.6
Gross Margin	45.3	44.9	44.2	45.3	44.3	42.6	41.8	41.0	39.4	39.4	39.4
SG&A	34.0	32.5	32.0	32.2	30.7	29.8	29.6	28.7	27.7	27.6	27.8
Other	1.5	1.6	2.0	1.8	1.6	1.8	1.6	1.8	2.0	2.0	2.1
Operating Margin	9.8	10.9	10.2	11.3	12.1	11.1	10.6	10.5	9.6	9.8	9.6
Net Int Inc & Other	-0.6	-1.3	-1.8	-1.3	-1.1	-0.8	-0.7	-1.1	-0.9	-0.8	-0.8
EBT Margin	9.2	9.6	8.4	10.0	10.9	10.3	9.9	9.4	8.7	9.0	8.8
Profitability	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	TTM
Tax Rate %	39.0	39.1	38.9	38.1	38.1	37.4	36.2	34.5	34.8	33.9	33.6
Net Margin %	5.6	5.9	5.2	6.2	6.9	6.4	6.3	6.2	5.7	5.9	5.8
Asset Turnover	1.6	1.0	1.1	1.1	1.1	1.2	1.2	1.2	1.3	1.3	1.1
Return on Assets %	8.9	5.8	5.6	6.5	7.8	7.7	7.6	7.6	7.6	7.5	6.6
Financial Leverage	1.4	2.0	1.8	1.7	1.6	2.0	1.9	1.9	2.1	1.8	2.3
Return on Equity %	12.0	10.5	10.7	11.6	13.0	13.8	14.5	14.4	15.1	14.5	14.1
Return on Inv Capital %	10.8	7.5	7.7	8.5	9.8	9.7	9.8	10.2	10.3	9.9	8.0

LKQ's "Sweet Spot" is Growing

Age & size of US Car Parc

We are at the bottom



Sources: Sales & Production-Wards; Projections-Bank of America Merrill Lynch, 1/11/2016.
Data assumes oldest vehicles are retired first in each year (not a precise assumption).



Source: Company Presentation

Growth History

- Fortune 500: #17 in Revenue Growth
#18 in Shareholder Return

Two-Stage Dividend Discount Model

17.3% Yahoo - EPS growth Past 5 years

26.8% Yahoo - EPS growth Next 5 years

0.1493307

Growth Option:	Mean SGR	StdDev SGF	# of Est	Retention
1 Bloomberg	15.5%	+/- 2.0%		100%
2 Carnegie	15.0%	+/- 2.0%		
3 ROE*b	14.8%	+/- 2.0%		

Growth History				
	<u>1 Yr</u>	<u>3 Yr</u>	<u>5 Yr</u>	<u>10 Yr</u>
Revenue	6.7%	20.4%	23.8%	29.4%
Oper Inc	8.4%	17.2%	18.8%	29.5%
EPS	10.3%	16.2%	18.9%	24.2%
CFO	42.9%	37.0%	27.2%	24.9%
Div Growth	0.0%	0.0%	0.0%	0.0%
Book Value Per Share	13.7%	17.5%	15.4%	19.2%

Growth Drivers

Company Targets: 10% long-term revenue growth,
6-8% organic, and 15% EPS growth

- Continue to Increase market share in U.S. organically and through acquisition
- Europe: Rinse and repeat U.S. strategy
- Increase usage of alternative parts in collisions from 36% to 50% in U.S. (State Farm re-entry?), and from 7% to ??% in Europe over time
- Increased exposure to U.S. mechanical parts market through acquisition

Two-Stage Dividend Discount Model

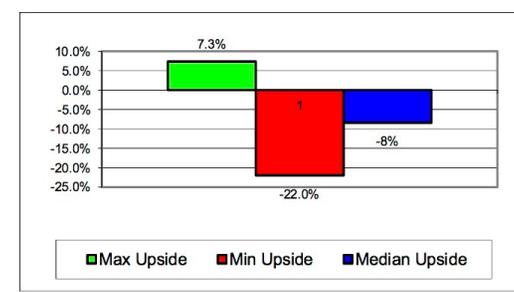
LKQ Corp

Major Assumptions

	# Estimates: 13										
	Last Year	FY1	FY2	NE	10YE						
	12/2015	12/2016	12/2017								
Actual EPS =	1.42	1.79	2.06	1.52	1.69						
P/E Ratio	22.6 x	18.0 x	15.6 x	21.2 x	19.0 x						
PE/G Ratio	0.9 x	1.2 x				Div Yield					
Actual Net Income =	\$ 432	+/- 0.040	+/- 0.070			0.0%					
	EPS Growth Yrs 3-5 =		14.93%								
	1	2	3	4	5	6	7	8	9	10	
Expected Growth Rate	26.0%	15.4%	14.9%	14.9%	14.9%	12.9%	11.0%	9.0%	7.0%	5.0%	
Earnings per share	1.79	2.06	2.37	2.72	3.13	3.53	3.92	4.27	4.57	4.80	
Payout ratio	0%	0%	0%	0%	0%	10%	20%	30%	40%	50%	
Dividends per share	0.00	0.00	0.00	0.00	0.00	0.35	0.78	1.28	1.83	2.40	
Cost of Equity	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	
Cumulative Cost of Equity	109.00%	118.81%	129.50%	141.16%	153.86%	167.71%	182.80%	199.26%	217.19%	236.74%	
Present Value	0.00	0.00	0.00	0.00	0.00	0.21	0.43	0.64	0.84	1.01	
		(\$32.12)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.35	\$0.78	\$1.28	\$1.83	\$65.41

Payout-High Growth Phase=	0%
Cost of Equity =	9.0%
Growth Rate-Stable Phase =	5.0%
Payout Ratio-Stable Phase =	50%
Cost of Equity-Stable Phase =	9.0%

Price at the end of growth phase = **63.01**



IRR Range	Probability
Negative IRR	1%
0-5% IRR	0%
5.0-6.5% IRR	0%
6.5-8.0% IRR	10%
8.0%-9.5% IRR	64%
> 9.5% IRR	25%
Total	75%

Max	7.3%	Min	-22.0%	Median	-8%	Reward/Risk	-0.38
	34.47		25.06		29.42		1.17
IRR						9.0%	

Valuation Results		
Valuation	Present Value of Dividends:	3.14
	+ Present Value of Terminal Price	26.62
	= DDM Value of the stock	29.75
	Vs. Current Price of:	32.12
	= DOWNSIDE	-7.4%
	IRR=	9.1%
Growth Rate Comparisons	PEG Ratio	0.87
	Est 5 Yr Growth Rate=	17.1%
	Market Implied 5 Yr Growth Rate=	15.5%
	5-yr Historical Earnings Growth=	17.7%
	Growth Rate Required for 15% IRR=	20.7%

5 Year Price and P/E History

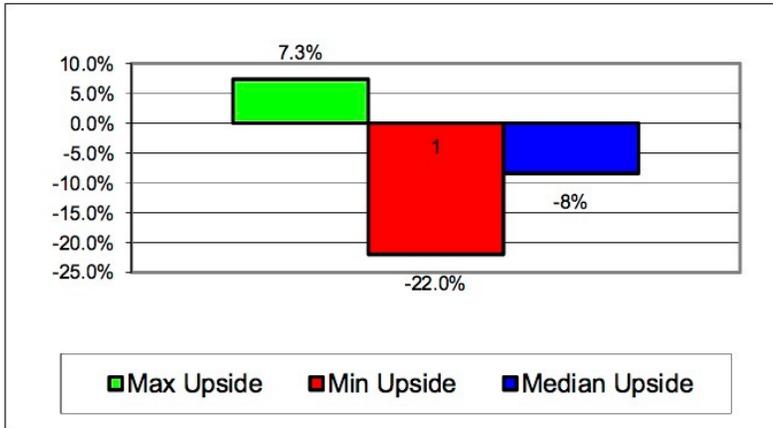


Speculative Target 1.5X PEG = \$40
 +25% appreciation from \$32

Two-Stage Dividend Discount Model

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Actual Net Income =	\$ 432	+/- 0.040	+/- 0.070		0.0%

Conservative Approach: Entry Point Below \$25



Probability Table		
IRR	Upside	
Negative IRR	1%	38% Return < -10%
0-5% IRR	0%	55% -10% - 0%
5.0-6.5% IRR	0%	7% 0% - 10%
6.5-8.0% IRR	10%	0% 10% - 20%
8.0%-9.5% IRR	64%	0% 20% - 30%
> 9.5% IRR	25%	0% > 30%
	75%	100%

<u>Max</u>	<u>Min</u>	<u>Median</u>	<u>Reward/Risk</u>
7.3%	-22.0%	-8%	-0.38
34.47	25.06	29.42	1.17
IRR		9.0%	



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Q&A





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