

## LKQ Corporation Announces Results for Fourth Quarter and Full Year 2023

February 23, 2024

- Fourth quarter 2023 revenue of \$3.5 billion (a 16.6% increase compared to the same period of 2022); annual revenue of \$13.9 billion (an 8.4% increase compared to 2022)
- Parts and services organic revenue increased 2.8% (3.4% on a per day basis); annual increase of 4.7% (5.1% on a per day basis)
- Fourth quarter 2023 diluted EPS<sup>2</sup> of \$0.69; adjusted diluted EPS<sup>1,2</sup> of \$0.84
- Annual diluted EPS<sup>2</sup> of \$3.51; adjusted diluted EPS<sup>1,2</sup> of \$3.83
- Annual operating cash flow of \$1.4 billion; free cash flow<sup>1</sup> of \$1.0 billion
- Dividend of \$0.30 per share approved to be paid in the first quarter of 2024
- 2024 outlook provided

Chicago, IL. LKQ Corporation (Nasdaq: LKQ) yesterday reported fourth quarter and full year 2023 financial results. “The fourth quarter was a strong finish to a successful year for LKQ. I am proud of how the entire team worked through challenging macroeconomic conditions, persistent inflation and declining commodity prices to deliver solid organic revenue growth, year over year improvement in Segment EBITDA, and strong cash flow generation. I look forward to collaborating with Justin Jude, my successor as Chief Executive Officer, over the coming months to continue enhancing LKQ’s industry leading business,” stated Dominick Zarcone, President and Chief Executive Officer. “Operational excellence will remain at the forefront in 2024 as we look to drive organic revenue growth, productivity, strong margins and excellent free cash flow,” said Justin Jude, Executive Vice President and Chief Operating Officer.

### Fourth Quarter and Full Year 2023 Financial Results

Revenue for the fourth quarter of 2023 was \$3.5 billion, an increase of 16.6% compared to \$3.0 billion for the fourth quarter of 2022. For the fourth quarter of 2023, parts and services organic revenue increased 2.8% (3.4% on a per day basis), foreign exchange rates increased revenue by 2.7% and the net impact of acquisitions and divestitures increased revenue by 13.1% year over year, for a total parts and services revenue increase of 18.7%. Other revenue

for the fourth quarter of 2023 fell 16.4% primarily due to weaker precious metals prices relative to the same period in 2022.

Net income<sup>2</sup> for the fourth quarter of 2023 was \$184 million compared to \$193 million for the same period of 2022. Diluted earnings per share<sup>2</sup> for the fourth quarter of 2023 was \$0.69 compared to \$0.72 for the same period of 2022, a decrease of 4.2%.

On an adjusted basis, net income<sup>1,2</sup> in the fourth quarter of 2023 was \$226 million compared to \$209 million for the same period of 2022, an increase of 7.9%. Adjusted diluted earnings per share<sup>1,2</sup> was \$0.84 for the fourth quarter of 2023 compared to \$0.78 for the same period of 2022, an increase of 8.0%.

Revenue for the full year of 2023 was \$13.9 billion, an increase of 8.4% compared to \$12.8 billion for the full year of 2022. For the full year of 2023, parts and services organic revenue increased 4.7% (5.1% on a per day basis), foreign exchange rates increased revenue by 0.9% and the net impact of acquisitions and divestitures increased revenue by 4.8% year over year, for a total parts and services revenue increase of 10.4%. Other revenue for the full year of 2023 fell 19.6% primarily due to weaker commodity prices relative to 2022.

Net income<sup>2</sup> for the full year of 2023 was \$0.94 billion compared to \$1.14 billion for the same period of 2022. Diluted earnings per share<sup>2</sup> for the full year of 2023 was \$3.51 compared to \$4.11 for the same period of 2022, a decrease of 14.6%.

On an adjusted basis, net income<sup>1,2</sup> for the full year of 2023 was \$1.03 billion compared to \$1.07 billion for the same period of 2022, a decrease of 4.0%. Adjusted diluted earnings per share<sup>1,2</sup> was \$3.83 for the full year of 2023 compared to \$3.85 for the same period of 2022, a decrease of 0.5%.

### **Cash Flow and Balance Sheet**

Cash flow from operations and free cash flow<sup>1</sup> were \$1.4 billion and \$1.0 billion, respectively, for the full year of 2023. As of December 31, 2023, the balance sheet reflected total debt of \$4.3 billion and total leverage, as defined in our credit facility, was 2.3x EBITDA.

### **Stock Repurchase and Dividend Programs**

During the fourth quarter of 2023, the Company invested \$30 million to repurchase 0.7 million shares of its common stock. For the year ended December 31, 2023, the Company invested \$35 million to repurchase

0.8 million shares of its common stock. Since initiating the stock repurchase program in late October 2018, the Company has repurchased approximately 56 million shares for a total of \$2.4 billion through December 31, 2023.

On February 20, 2024, the Board of Directors declared a quarterly cash dividend of \$0.30 per share of common stock, payable on March 28, 2024, to stockholders of record at the close of business on March 14, 2024.

**Other Events**

In October 2023, we entered into a definitive agreement to sell GSF Car Parts Limited. The sale was completed on October 25, 2023.

Uni-Select integration is ongoing with roughly half of the FinishMaster locations converted or consolidated into LKQ locations to date and the remainder scheduled for completion by the end of the first quarter. Mr. Jude commented, “Our Wholesale – North America team’s agility and integration experience has the Uni-Select plan ahead of schedule, and we are confident in our ability to exceed the \$55 million of synergies previously disclosed.”

On November 27, 2023, the Company announced that the Board unanimously selected Justin Jude to succeed Dominick Zarcone as LKQ’s next President and CEO. In the interim, the Board has appointed Mr. Jude to serve as LKQ’s Executive Vice President and Chief Operating Officer from January 1, 2024 until he officially succeeds Mr. Zarcone on July 1, 2024.

**2024 Outlook**

Rick Galloway, Senior Vice President and Chief Financial Officer, commented, “Our annual guidance reflects our emphasis on profitable revenue growth and free cash flow generation. We expect organic revenue growth from each of our operating segments. We also believe that in 2024, our margin enhancement initiatives will boost profitability, including a return to double digit Europe Segment EBITDA margins.”

For 2024, management is anticipating the following outlook:

	2024 Previous Full Year Outlook
Organic revenue growth for parts and services	3.5% to 5.5%
Diluted EPS <sup>2</sup>	\$3.43 to \$3.73
Adjusted diluted EPS <sup>1,2</sup>	\$3.90 to \$4.20
Operating cash flow	approx. \$1.35 billion
Free cash flow <sup>1</sup>	approx. \$1.0 billion
Free cash flow conversion of EBITDA <sup>1</sup>	50% to 60%

Our outlook for the full year 2024 is based on current conditions and recent trends, and assumes a global effective tax rate of 26.8%, the prices of scrap and precious metals hold near the December average, and no further deterioration due to the Ukraine/Russia conflict. We have applied foreign currency exchange rates near recent average levels, including \$1.09, \$1.27 and \$0.74 for the euro, pound sterling and Canadian dollar, respectively, for the year. 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 from stock-based payments; losses on debt extinguishment; impairment charges; direct impacts of the Ukraine/Russia conflict, and gains and losses related to acquisitions or divestitures (including changes in the fair value of contingent consideration liabilities).

<sup>1</sup>Non-GAAP measure. Refer to 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.

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

### **Non-GAAP Financial Measures**

This release contains (and management's presentation on the related investor 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](http://www.lkqcorp.com)) in the Investor Relations section.

A replay of the conference call will be available by telephone at (866) 813-9403 or (929) 458-6194 for international calls. The telephone replay will require you to enter conference ID: 457147. An online replay of the audio webcast will be available on the Company's website. Both formats of replay will be available through March 7, 2024. Please allow approximately two hours after the live presentation before attempting to access the replay.

## About LKQ Corporation

LKQ Corporation ([www.lkqcorp.com](http://www.lkqcorp.com)) is a leading provider of alternative and specialty parts to repair and accessorize automobiles and other vehicles. LKQ has operations in North America, Europe and Taiwan. LKQ offers its customers a broad range of 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 ([www.lkqcorp.com](http://www.lkqcorp.com)), headquartered in Zug, Switzerland, is the leading distributor of automotive aftermarket parts for cars, commercial vans, and industrial vehicles in Europe. It currently employs approximately 27,500 people with a network of more than 1,000 branches and approximately \$6.3 billion in revenue in 2023. The organization supplies more than 100,000 workshops in over 20 European countries.

The group includes LKQ UK & Ireland, LKQ Benelux-France, LKQ RHIAG Group, Elit, LKQ CZ, and LKQ DACH, as well as recycling specialist, Atracco. LKQ is the largest shareholder in MEKO Group.

## Forward Looking Statements

Statements and information in this press release and on the related conference call, including our outlook for 2024, as well as remarks by the Chief Executive Officer and other members of management, that are not historical are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and are made pursuant to the “safe harbor” provisions of such Act.

Forward-looking statements include, but are not limited to, statements regarding our outlook, guidance, expectations, beliefs, hopes, intentions and strategies. These statements are subject to a number of risks, uncertainties, assumptions and other factors including those identified below. All forward-looking statements are based on information available to us at the time the statements are made. We undertake no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

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 the factors set forth below, and other 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, and in our Annual Report on Form 10-K to be filed for the year ended December 31, 2023. 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)).

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

- our operating results and financial condition have been and could continue to be adversely affected by the economic, political and social conditions in North America, Europe, Taiwan and other countries, as well as the economic health of vehicle owners and numbers and types of vehicles sold;
- we face competition from local, national, international, and internet-based vehicle products providers, and this competition could negatively affect our business;
- we rely upon insurance companies and our customers to promote the usage of alternative parts;
- intellectual property claims relating to aftermarket products could adversely affect our business;
- if the number of vehicles involved in accidents or being repaired declines, or the mix of the types of vehicles in the overall vehicle population changes, our business could suffer;
- fluctuations in the prices of commodities could adversely affect our financial results;
- an adverse change in our relationships with our suppliers, disruption to our supply of inventory, or the misconduct, performance failures or negligence of our third party vendors or service providers could increase our expenses, impede our ability to serve our customers, or expose us to liability;
- future public health emergencies could have a material adverse impact on our business, results of operation, financial condition and liquidity, the nature and extent of which is highly uncertain;
- if we determine that our goodwill or other intangible assets have become impaired, we may incur significant charges to our pretax income;
- we could be subject to product liability claims and involved in product recalls;
- we may not be able to successfully acquire businesses or integrate acquisitions, and we may not be able to successfully divest certain businesses;
- we have a substantial amount of indebtedness, which could have a material adverse effect on our financial condition and our ability to obtain financing in the future and to react to changes in our business;
- our senior notes do not impose any limitations on our ability to incur additional debt or protect against certain other types of transactions, and we may incur additional indebtedness under our credit agreement;
- our credit agreement imposes operating and financial restrictions on us and our subsidiaries, which may prevent us from capitalizing on business opportunities;
- we may not be able to generate sufficient cash to service all of our indebtedness, and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful;
- our future capital needs may require that we seek to refinance our debt or obtain additional debt or equity financing, events that could have a negative effect on our business;
- our variable rate indebtedness subjects us to interest rate risk, which could cause our indebtedness service obligations to increase significantly;
- repayment of our indebtedness is dependent on cash flow generated by our subsidiaries;
- a downgrade in our credit rating would impact our cost of capital;
- the amount and frequency of our share repurchases and dividend payments may fluctuate;
- existing or new laws and regulations, or changes to enforcement or interpretation of existing laws or regulations, may prohibit, restrict or burden the sale of aftermarket, recycled, refurbished or remanufactured products;
- we are subject to environmental regulations and incur costs relating to environmental matters;
- if we fail to maintain proper and effective internal control over financial reporting in the future, our ability to produce accurate and timely financial statements could be negatively impacted, which could harm our operating results and investor perceptions of our company and as a result may have a material adverse effect on the value of our common stock;
- we may be adversely affected by legal, regulatory or market responses to global climate change;
- our amended and restated bylaws provide that the courts in the State of Delaware are the exclusive forums for substantially all disputes between us and our stockholders, which could limit our

stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees;

- our effective tax rate could materially increase as a consequence of various factors, including U.S. and/or international tax legislation, applicable interpretations and administrative guidance, our mix of earnings by jurisdiction, and U.S. and foreign jurisdictional audits;
- if significant tariffs or other restrictions are placed on products or materials we import or any related counter-measures are taken by countries to which we export products, our revenue and results of operations may be materially harmed;
- governmental agencies may refuse to grant or renew our operating licenses and permits;
- the costs of complying with the requirements of laws pertaining to data privacy and cybersecurity of personal information and the potential liability associated with the failure to comply with such laws could materially adversely affect our business and results of operations;
- our employees are important to successfully manage our business and achieve our objectives;
- we operate in foreign jurisdictions, which exposes us to foreign exchange and other risks;
- our business may be adversely affected by union activities and labor and employment laws;
- we rely on information technology and communication systems in critical areas of our operations and a disruption relating to such technology could harm our business;
- business interruptions in our distribution centers or other facilities may affect our operations, the function of our computer systems, and/or the availability and distribution of merchandise, which may affect our business;
- if we experience problems with our fleet of trucks and other vehicles, our business could be harmed;
- we may lose the right to operate at key locations; and
- activist investors could cause us to incur substantial costs, divert management's attention, and have an adverse effect on our business.

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