LKQ provides replacement systems, components, and parts to repair cars and light trucks, primarily in North America and Europe.

LKQ’s second quarter 2015 results (quarter ending 6/30) featured revenue growth of 7.5% (quarter over quarter) resulting in record sales of $1.84, slightly less, however, than analysts wanted to see ($1.87) billion. Net income rose at 14%, producing EPS of $0.39/share, $0.03 better than consensus forecasts. ROE TTM was 14.4. Current P/E is 24.3

LKQ expects organic revenue growth in the 7-8.5% range and the company still expects to spend around $150-180 million on capital expenditures this year. After the quarter ended, LKQ acquired aftermarket collision parts distributor Parts Channel and signed a definitive agreement to purchase Coast Distribution Systems (RV parts). LKQ also recently purchased 8 aftermarket parts distributors in the Netherlands and various parts, salvage and retail businesses in CA, AL, and IA.

S&P gives LKQ an A- rating on quality, with a fair value calculation of $42.10. Morningstar’s fair value estimate (before earnings call) was $25, with investors to consider selling at $33.75. Value Line, however, lowered LKQ’s safety rating to 3 on 6/5/15, before quarterly earnings were announced.

Debt to capital is up to 36%, but this company has grown largely through acquisitions.
Major headwinds for LKQ still include declining scrap metal prices (the company is slowly weaning itself out of this business) and currency fluctuations (most of the company’s current growth is overseas).

LKQ is a HOLD. Upside/downside of 2.8:1.