LKQ Corporation

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>BUY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price</td>
<td>$32.59 (as of Jun 08, 2018 4:00 PM ET)</td>
</tr>
<tr>
<td>12-Mo. Target Price</td>
<td>$35.00</td>
</tr>
<tr>
<td>Report Currency</td>
<td>USD</td>
</tr>
<tr>
<td>Investment Style</td>
<td>Mid-Cap Blend</td>
</tr>
</tbody>
</table>

Security Analyst Efraim Levy, CFA

GICS Sector: Consumer Discretionary
Sub-Industry: Distributors

Summary LKQ is a global distributor of vehicle products, including replacement parts, components and systems.

Key Stock Statistics [Source: CFRA, S&P Global Market Intelligence (SPGMI), Company Reports]

- **52-Wk Range**: $43.86 - $26.60
- **Trailing 12-Month EPS**: 1.78
- **$10K Invested 5 Yrs Ago**: $13,210

### Price Performance

- **50-Week Mov. Avg.**: 100
- **10-Week Mov. Avg.**: 100
- **12-Mo. Target Price**: 100
- **GAAP Earnings vs. Previous Year**: 100
- **Volume Above Avg**: 100
- **Below Avg**: 100
- **STARS**: 100

Source: CFRA, S&P Global Market Intelligence

Past performance is not an indication of future performance and should not be relied upon as such.

Analysis prepared by Equity Analyst Efraim Levy on May 07, 2018 11:17 AM, when the stock traded at $30.13.

### Details

**Source: CFRA, S&P Global Market Intelligence**

**Investment Rationale/Risk**

- **We see a combination of organic growth (4.0% to 5.5% for parts and services) and favorable currency exchange [primarily the weaker dollar against most currencies] to drive growth in 2018. We expect acquisitions to add to sales growth, including five purchases in 2017’s fourth quarter. We do not include the purchase of Germany’s Stahlgruber (sales of 1.6 billion euros), expected to close in Q2, in our forecast. Assuming no additional acquisitions, we expect revenues to advance 14% in 2018, before adding 6.7% in 2019.**

- **We estimate gross margin in 2018 of 38.9%, compared to 39.0% in 2017. With projected well-controlled SG&A spending and acquisitions, we see operating margins easing to 8.3% in 2018, compared to 2017’s 8.7%. We forecast improved operating efficiency in 2018. We expect positive free cash flow of about $440 million in 2018, compared to $442 million in 2017.**

- **Tax reform should have a net EPS benefit of about $0.21 in 2018. Debt remained at $3.3 billion at December 31, 2017, after rising in 2016 largely due to acquisition funding. Capital spending should be between $235 million and $265 million in 2018, up from $179 million in 2017. Adjusted EPS from continuing operations was $1.88 in 2017.**

- **We think LKQ will continue to benefit over the long term from organic growth, as well as acquisitions, including internationally. Many markets that LKQ operates in are highly fragmented. While growth and acquisitions have shifted mix and margins for the company, LKQ will likely continue to benefit from organic as well as strategic and bolt-on acquisition growth. We think the planned purchase of Stahlgruber will enhance the company’s geographic presence in Europe as well as improve its procurement buying power.**

- **Risks to our recommendation and target price include unfavorable vehicle accident trends, currency rates swings and poorer-than-expected results from acquisitions. Increased financial leverage is a concern, as is the potential negative Brexit impact on European business. Less-than-expected ongoing cost reductions and volatility in raw material and scrap prices are also risks.**

- **Our 12-month target price of $35 reflects a P/E of 14 times our 2019 EPS estimate of $2.50, at discount to the company’s three-year average forward P/E ratio. This excludes the impact of new accounting for excess tax benefits. Towards the low end of its historical P/E, LKQ is attractive, in our view.**

### Dividend Data

No cash dividends have been paid in the last year.

### Highlights

- **We see a combination of organic growth (4.0% to 5.5% for parts and services) and favorable currency exchange [primarily the weaker dollar against most currencies] to drive growth in 2018. We expect acquisitions to add to sales growth, including five purchases in 2017’s fourth quarter. We do not include the purchase of Germany’s Stahlgruber (sales of 1.6 billion euros), expected to close in Q2, in our forecast. Assuming no additional acquisitions, we expect revenues to advance 14% in 2018, before adding 6.7% in 2019.**

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LKQ Corporation

Business Summary May 07, 2018

LKQ Corporation is a global distributor of vehicle products, including replacement parts, components and systems used in the repair and maintenance of vehicles, as well as specialty vehicle products and accessories.

The company thinks that it is the largest U.S. provider of alternative vehicle collision replacement products and a leading provider of alternative vehicle mechanical replacement products, with sales, processing and distribution facilities reaching most major markets in the U.S. and Canada. It also is a leading provider of alternative vehicle replacement and maintenance products in the U.K. and the Benelux region (Belgium, Netherlands & Luxembourg) of continental Europe. In addition to its wholesale operations, it operates self-service retail facilities across the U.S. that sell recycled automotive products from end-of-life-vehicles. With its 2014 acquisition of Keystone Automotive Holdings, Inc., it also is a leading distributor of specialty vehicle products and accessories, reaching most major markets in the U.S. and Canada.

LKQ has four operating segments: Wholesale-North America, Europe, specialty and self service. The company aggregates its Wholesale-North America and self service operating segments into one reportable segment, North America, resulting in three reportable segments: North America, Europe and specialty.

The company has expanded into Europe via acquisitions. In March 2016, LKQ acquired the holding company of RhiagInter Auto Parts Italia S.p.A (Rhiag), a leading pan-European business-to-business distributor of aftermarket spare parts for passenger cars and commercial vehicles. Rhiag has operations in Italy, the Czech Republic, Switzerland, Hungary, Romania, Ukraine, Bulgaria, Slovakia, Poland and Spain.

In April 2016, LKQ purchased Pittsburgh Glass Works LLC (PGW), a leading global distributor and manufacturer of automotive glass products. It operates approximately 120 distribution branches serving more than 7,000 automotive glass retailer shops across North America. In addition, it operates 12 manufacturing, fabrication and assembly facilities.

In addition to the Rhiag and PGW acquisitions, during the first quarter of 2016, the company acquired a wholesale salvage business in Sweden, and in the second quarter it purchased a distributor of automotive aftermarket products in Belgium.

The company is focused on creating economic value for stockholders by enhancing its position as a leading source for alternative collision and mechanical repair products, and by expanding into other product lines and businesses. The company thinks a supply network with a broad inventory of quality alternative collision and mechanical repair products, specialty vehicle aftermarket products, high fulfillment rates and superior customer service provides it with a competitive advantage.

Other than OEMs, the competition in the markets that it serves is fragmented and the supply of products tends to be localized, often leading to low fulfillment rates, particularly with recycled products. In North America, the distribution channels for aftermarket and refurbished products have historically been distinct and separate from those for recycled and remanufactured products despite serving the same customer segment. LKQ provides value to customers by bringing these two channels together to provide a broader product offering and more efficient distribution process.

To execute its strategy in North America, LKQ expanded its network of parts warehouses and dismantling plants in major metropolitan areas and employs a distribution system that allows for order fulfillment from regional warehouses located across the U.S. and Canada. By increasing local inventory levels and expanding its network to provide timely access to a greater range of parts, LKQ increased fulfillment rates beyond the levels that most of its competitors realize, particularly for recycled products.

In April 2018, the company updated its 2018 financial outlook provided in February. It expects organic revenue growth (parts & services) of 4.0% to 5.5% [from 4.0% to 6.0%]; adjusted net income from continuing operations of $685 million to $715 million [$720 million to $750 million]; adjusted diluted EPS of $2.20 to $2.30 [$2.30 to $2.40]; cash flow from operations of $625 million to $675 million [$650 million to $700 million]. The forecast excludes the impact of restructuring and acquisition-related expenses; loss on debt extinguishment; amortization of acquired intangibles; gains or losses related to acquisitions or divestitures (including changes in the fair value of contingent consideration liabilities); and capital spending related to future business acquisitions. It also assumes stable scrap prices and currency exchange rates.
Since June, 2018, the technical indicators for LKQ have been NEUTRAL. Analysis of the stock’s current worth, based on CFRA’s proprietary quantitative model suggests that LKQ is undervalued by $12.45 or 38.2%.

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Figures based on fiscal year-end price.

Volatility LOW AVERAGE HIGH

Technical Evaluation NEUTRAL Since June, 2018, the technical indicators for LKQ have been NEUTRAL.

Insider Activity UNFAVORABLE NEUTRAL FAVORABLE

Company Financials Fiscal year ending Dec. 31


| Tangible Book Value | -0.27 | -0.64 | 1.90 | 0.61 | 0.86 | 0.58 | 0.20 | 1.07 | 0.61 | 0.15 |
| Free Cash Flow | 1.10 | 1.39 | 1.23 | 0.82 | 1.13 | 0.40 | 0.43 | 0.34 | 0.38 | 0.24 |
| Earnings | 1.74 | 1.47 | 1.38 | 1.25 | 1.02 | 0.87 | 0.71 | 0.57 | 0.44 | 0.34 |
| Earnings [Normalized] | 1.60 | 1.49 | 1.35 | 1.22 | 1.01 | 0.82 | 0.73 | 0.58 | 0.44 | 0.37 |
| Dividends | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA |
| Payout Ratio [%] | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA |
| Prices: High | 41.42 | 36.35 | 32.25 | 32.90 | 34.32 | 22.29 | 15.63 | 11.63 | 10.04 | 12.50 |
| Prices: Low | 27.85 | 23.85 | 22.90 | 24.46 | 20.09 | 14.63 | 10.19 | 8.84 | 5.38 | 4.35 |
| P/E Ratio: High | 23.5 | 25.0 | 24.9 | 34.5 | 36.5 | 50.3 | 46.9 | 54.7 | 56.1 | 86.8 |
| P/E Ratio: Low | 19.0 | 18.0 | 18.9 | 21.3 | 23.2 | 22.0 | 33.5 | 33.3 | 22.9 | 22.9 |

Income Statement Analysis (Million U.S.$)

| Revenue | 9,737 | 8,584 | 7,193 | 6,740 | 5,063 | 4,123 | 3,270 | 2,470 | 2,048 | 1,909 |
| Operating Income | 871 | 805 | 724 | 665 | 540 | 423 | 369 | 299 | 234 | 202 |
| Depreciation + Amortization | 230 | 198 | 128 | 125 | 86 | 70 | 55 | 41 | 38 | 33 |
| Interest Expense | 101.6 | 88.3 | 57.9 | 64.5 | 51.2 | 31.4 | 24.3 | 29.8 | 32.3 | 37.8 |
| Pretax Income | 773 | 677 | 643 | 586 | 476 | 409 | 336 | 270 | 205 | 159 |
| Effective Tax Rate | 30.5 | 30.6 | 34.2 | 34.9 | 34.5 | 36.2 | 37.4 | 38.1 | 38.1 | 39.0 |
| Net Income | 534 | 484 | 423 | 382 | 321 | 261 | 210 | 169 | 128 | 100 |

Balance Sheet and Other Financial Data (Million U.S.$)

| Cash | 280 | 227 | 87 | 115 | 150 | 60 | 48 | 96 | 109 | 79 |
| Current Assets | 3,822 | 3,586 | 2,341 | 2,236 | 1,800 | 1,384 | 1,150 | 837 | 703 | 630 |
| Total Assets | 9,367 | 8,303 | 5,648 | 5,476 | 4,519 | 3,723 | 3,200 | 2,300 | 2,020 | 1,882 |
| Current Liabilities | 1,323 | 1,211 | 752 | 745 | 678 | 488 | 398 | 225 | 168 | 167 |
| Long Term Debt | 3,339 | 3,279 | 1,529 | 1,787 | 1,273 | 1,062 | 837 | 548 | 598 | 635 |
| Total Capital | 7,572 | 6,788 | 4,701 | 4,572 | 3,665 | 3,098 | 2,611 | 2,017 | 1,793 | 1,678 |
| Capital Expenditures | 179 | 207 | 170 | 141 | 90 | 88 | 86 | 61 | 56 | 67 |
| Cash from Operations | 519 | 635 | 544 | 389 | 428 | 206 | 212 | 159 | 164 | 133 |
| Current Ratio | 2.89 | 2.95 | 3.11 | 3.00 | 2.65 | 2.84 | 2.89 | 3.71 | 4.17 | 3.77 |
| % Long Term Debt of Capitalization | 43.5 | 48.3 | 32.5 | 39.1 | 34.7 | 34.3 | 35.9 | 27.2 | 33.4 | 37.9 |
| % Net Income of Revenue | 5.48 | 5.41 | 5.88 | 5.66 | 6.16 | 6.34 | 6.43 | 6.85 | 6.23 | 5.23 |
| % Return on Assets | 6.18 | 7.21 | 8.14 | 8.31 | 8.19 | 7.63 | 8.39 | 8.64 | 7.50 | 7.06 |
| % Return on Equity | 14.0 | 15.9 | 14.5 | 15.0 | 14.4 | 14.5 | 13.8 | 12.9 | 11.6 | 10.4 |

Source: S&P Global Market Intelligence. Data may be preliminary or restated; before results of discontinued operations/special items. Per share data adjusted for stock dividends; EPS diluted. E—Estimated. NA—Not Available. NM—Not Meaningful, NR—Not Ranked, UR—Under Review.
CFRA recommends marketweighting the S&P 500 consumer discretionary sector. Year to date through May 7, 2018, the S&P 500 Consumer Discretionary Index, which represented 12.9% of the S&P 500 Index, was up 5.8% in price, compared with a less-than-1% decline for the S&P 500. In 2017, this sector index gained 21.2% versus a price advance of 19.4% for the S&P 500. There are 30 sub-industry indices in this sector. Internet & Direct Marketing Retail is the largest, representing 30.6% of the sector’s market value, while Specialized Consumer Services is the smallest, accounting for less than one-quarter of 1% of the sector.

The cap-weighted average of this sector’s component company CFRA STARS [STock Appreciation Ranking System] is 4.0 out of 5.0, as compared to a cap-weighted average of 4.0 for the S&P 500. The sub-industries within this sector that currently show the highest average STARS are auto manufacturers, broadcasting, household appliances, and movies & entertainment. The sub-industries with the lowest average STARS include apparel, accessories & luxury goods, motorcycle manufacturers, and home furnishing retail. According to S&P Capital IQ consensus estimates, the sector is projected to record a 17.2% year-over-year increase in operating earnings per share in 2018, as compared with the S&P 500’s estimated EPS gain of 20.3%. During 2017, this sector reported a 3.7% rise in EPS versus a 12% advance for the S&P 500. In addition, revenues for the sector are forecast to increase by 8.3% in 2018 versus the S&P 500’s projected rise of 6.7%. The sector’s price-to-earnings ratio of 20.4X, based on consensus 2018 operating EPS estimates, is above the S&P 500’s forward P/E of 16.9X. The sector’s price-to-earnings ratio of 20.4X, based on consensus 2018 operating EPS estimates, is above the S&P 500’s forward P/E of 16.9X. SP Capital IQ also reports that the consensus long-term EPS growth estimate for this sector is 21.8% versus the S&P 500’s 14.6%, giving the sector a P/E-to-projected EPS growth rate [PEG] ratio of 1.1X, which is below the broader market’s PEG of 1.4X. Finally, this sector pays a dividend yield of 1.4%, as compared with the yield of 2.0% for the S&P 500. CFRA’s proprietary technical indicator for this sector currently shows a positive reading. In researching the past market history of prices and trading volume for each company, CFRA’s computer models apply special technical methods and formulas to identify and project price trends for the sector.

/Sam Stovall

Sub-Industry: Distributors

**Recent Stock Price ($)** **Stock Mkt. Cap. (M $)** **30-Day Price Chg. (%)** **1-Year Price Chg. (%)** **P/E Ratio** **Fair Value Calc. ($)** **Yield (%)** **Return on Equity (%)** **LTD to Cap (%)**

<table>
<thead>
<tr>
<th>Peer Group</th>
<th>Stock Symbol</th>
<th>Exchange</th>
<th>Currency</th>
<th>Recent Stock Price ($)</th>
<th>Stock Mkt. Cap. (M $)</th>
<th>30-Day Price Chg. (%)</th>
<th>1-Year Price Chg. (%)</th>
<th>P/E Ratio</th>
<th>Fair Value Calc. ($)</th>
<th>Yield (%)</th>
<th>Return on Equity (%)</th>
<th>LTD to Cap (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>LKQ Corporation</td>
<td>LKQ</td>
<td>NasdaqGS</td>
<td>USD</td>
<td>32.59</td>
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<td>18</td>
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*For Peer Groups with more than 10 companies or stocks, selection of issues is based on market capitalization.
NA-Not Available NM-Not Meaningful.
Note: Peers are selected based on Global Industry Classification Standards and market capitalization. The peer group list includes companies with similar characteristics, but may not include all the companies within the same industry and/or that engage in the same line of business.
May 07, 2018
11:04 am ET... CFRA RAISES OPINION ON SHARES OF LKQ CORPORATION TO BUY FROM HOLD (LKQ 30.13***): We lower our 12-month target price to $35 from $43 and use a 14X multiple to our `19 EPS estimate of $2.50 (trimmed from $2.55), below its three-year average forward P/E, after weaker-than-expected recent results. We cut our `18 EPS forecast to $2.25 from $2.35. We expect organic revenues in `18 to outperform regional market growth. Our forecast does not include the purchase of Stahlgruber GmbH (Euro 1.6 billion sales), expected to close in Q2, subject to standard approvals. At 12X our `19 EPS forecast, on the low end of its historical range, we find LKQ attractive. LKQ posts adjusted Q1 EPS of $0.55 vs. $0.49, below the $0.59 S&P Capital IQ consensus estimate. Revenues were better-than-expected, helped by favorable exchange rate movements. Parts and services organic sales growth was 3.7%. We expect proceeds from a March Euro 1.8 billion senior note offering to help fund the Stahlgruber acquisition, general corporate purposes and to pay debt refinancing fees. /Efraim Levy, CFA

February 22, 2018
01:38 pm ET... CFRA MAINTAINS HOLD OPINION ON SHARES OF LKQ CORPORATION (LKQ 41.58***): We raise our 12-month target by $4 to $43. We use an 18.3X multiple to our `18 EPS estimate of $2.35 (up $0.22, helped by U.S. tax reform), in line with its three-year average forward P/E and within its peer range. We set `19’s forecast at $2.55 and we expect organic revenues in `18 to again exceed 5% and outperform regional market growth. Our forecast does not include the purchase of Stahlgruber GmbH (Euro 1.6 billion sales), expected to close in Q2, subject to approvals. Adjusted Q4 EPS of $0.41 vs. $0.35, missed the $0.42 consensus, despite better-than-expected revenues. /Efraim Levy, CFA

October 27, 2017
12:23 pm ET... CORRECTION - CFRA REDUCES OPINION ON SHARES OF LKQ CORPORATION TO HOLD FROM BUY (LKQ 36.4937***): Our prior note said reiterates Hold opinion. Our 12-month target of $39 applies an 18.3X multiple to our `18 EPS estimate of $2.13, between three-year average and five-year forward P/E ratios and within its peer range. Our `17 EPS projection of $1.90 excludes the impact of new accounting for excess tax benefits. We cut our forecast for organic revenues in `17 to rise to between 4.0% and 4.5% (from up to 5.0%). Adjusted Q3 EPS of $0.45 vs. $0.41 is in line with our forecast, but above the $0.42 consensus, on better-than-expected revenues. EBITDA margins were up 0.40%. /Efraim Levy, CFA

October 26, 2017
02:03 pm ET... CFRA REITERATES HOLD OPINION ON SHARES OF LKQ CORPORATION (LKQ 37.22***): Our 12-month target of $39 applies an 18.3X multiple to our `18 EPS, between its three-year average and five-year forward P/E ratios and within its peer range. We increase our `17 and `18 EPS estimates by $0.01 each, to $1.90 and $2.13, respectively. Our `17 projection excludes the impact of new accounting for excess tax benefits. We cut our forecast for organic revenues in `17 to rise to between 4.0%-4.5% (from up to 5.0%). Adjusted Q3 EPS of $0.45 vs. $0.41 is in line with our forecast, but above the $0.42 consensus, on better-than-expected revenues. EBITDA margins were up 0.40%. /Efraim Levy, CFA

July 27, 2017
10:32 am ET... CFRA REITERATES BUY OPINION ON SHARES OF LKQ CORP. (LKQ 33.07***): We raise our 12-month target by $4 to $39, as we shift our focus to `18. We increase our `18 EPS estimate by $0.02 to $2.12 and `17’s by $0.01 to $1.89 (excluding the impact of new accounting for excess tax benefits). We apply an 18X multiple our `18 EPS, between its three-year average and five-year forward P/E ratios and within its peer range. We see organic revenues in `17 rising 4%-5%, partly offset by unfavorable FX rates (mostly European currencies). LKQ posts adjusted Q2 EPS of $0.53 vs. $0.52, between our $0.54 estimate and the $0.52 consensus. EBITDA margins were up 0.80%. / E. Levy-CFA

April 27, 2017
12:28 pm ET... CFRA MAINTAINS BUY OPINION ON SHARES OF LKQ CORP. (LKQ 31.53***): Our 12-month target of $35 is 18X our `17 EPS of $1.87 [raised by $0.02, excluding the impact of new accounting for excess tax benefits], between its three-year average and five-five forward P/E ratios and within its peer range. We set our `18 EPS forecast to $2.10. We see organic revenues in `17 rising 4%-5%, partly offset by unfavorable FX rates (mostly European currencies). LKQ posts adjusted Q1 EPS of $0.49 vs. $0.42, in line with our estimate, and $0.03 above the consensus. Parts and services grew 24.5% [on a constant currency basis], including 1.8% organically in the U.S. / E. Levy-CFA

February 23, 2017
01:34 pm ET... S&P CAPITAL IQ REITERATES BUY OPINION ON SHARES OF LKQ CORP. (LKQ 31.69***): We lower our 12-month target by $4 to $35, or 19X our `17 EPS of $1.85 (down $0.20, largely reflecting discontinued operations), at a discount to its three-year average forward P/E and within its peer range. Adjusted `16 EPS from continuing operations was $1.69. We see organic revenues in `17 rising 4%-6%, partly offset by unfavorable FX rates (mostly European currencies). LKQ posts adjusted Q4 EPS of $0.39 (including $0.04 from discontinued operations) vs. $0.34, $0.01 below our estimate [including discontinued ops.]. Parts and services grew 23.5%, including 3.8% organically. /E. Levy-CFA

Note: Research notes reflect CFRA’s published opinions and analysis on the stock at the time the note was published. The note reflects the views of the equity analyst as of the date and time indicated in the note, and may not reflect CFRA’s current view on the company.
Forecasts are not reliable indicator of future performance. Note: A company's earnings outlook plays a major part in any investment decision. S&P Global Market Intelligence organizes the earnings estimates of over 2,300 Wall Street analysts, and provides their consensus of earnings over the next two years, as well as how those earnings estimates have changed over time. Note that the information provided in relation to consensus estimates is not intended to predict actual results and should not be taken as a reliable indicator of future performance.

Note: For all tables, graphs and charts in this report that do not cite any reference or source, the source is S&P Global Market Intelligence.
Glossary

STARS
Since January 1, 1987, CFRA Equity and Fund Research Services, and its predecessor S&P Capital IQ Equity Research has ranked a universe of U.S. common stocks, ADRs [American Depositary Receipts], and ADSs [American Depositary Shares] based on a given equity’s potential for future performance. Similarly, we have ranked Asian and European equities since June 30, 2002. Under proprietary STARS [Stock Appreciation Ranking System], equity analysts rank equities according to their individual forecast of an equity’s future total return potential versus the expected total return of a relevant benchmark [e.g. a regional index (S&P Asia 50 Index, S&P Europe 350® Index or S&P 500® Index)], based on a 12-month time horizon. STARS was designed to meet the needs of investors looking to put their investment decisions in perspective. Data used to assist in determining the STARS ranking may be the result of the analyst’s own models as well as internal proprietary models resulting from dynamic data inputs.

S&P Global Market Intelligence’s Quality Ranking
[also known as S&P Capital IQ Earnings & Dividend Rankings] - Growth and stability of earnings and dividends are deemed key elements in establishing S&P Global Market Intelligence’s earnings and dividend rankings for common stocks, which are designed to capsulize the nature of this record in a single symbol. It should be noted, however, that the process also takes into consideration certain adjustments and modifications deemed desirable in establishing such rankings. The final score for each stock is measured against a scoring matrix determined by analysis of the scores of a large and representative sample of stocks. The range of scores in the array of this sample has been aligned with the following ladder of rankings:

- A+: Highest
- A: High
- B+: Above Average
- B (also known as B-): Lower
- C: Lowest
- D: In Reorganization
- NR: Not Ranked

EPS Estimates
CFRA’s earnings per share (EPS) estimates reflect analyst projections of future EPS from continuing operations, and generally exclude various items that are viewed as special, non-recurring, or extraordinary. Also, EPS estimates reflect either forecasts of equity analysts; or, the consensus [average] EPS estimate, which are independently compiled by S&P Global Market Intelligence, a data provider to CFRA. Among the items typically excluded from EPS estimates are asset sale gains; impairment, restructuring or merger-related charges; legal and insurance settlements; in process research and development expenses; gains or losses on the extinguishment of debt; the cumulative effect of accounting changes; and earnings related to operations that have been classified by the company as discontinued. The inclusion of some items, such as stock option expense and recurring types of other charges, may vary, and depend on such factors as industry practice, analyst judgment, and the extent to which some types of data is disclosed by companies.

12-Month Target Price
The equity analyst’s projection of the market price a given security will command within 12 months hence, based on a combination of intrinsic, relative, and private market valuation metrics, including Fair Value.

CFRA Equity Research
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Abbreviations Used in Equity Research Reports
CAGR - Compound Annual Growth Rate
CAPEX - Capital Expenditures
CY - Calendar Year
DCF - Discounted Cash Flow
DDM - Dividend Discount Model
EBIT - Earnings Before Interest and Taxes
EBITDA - Earnings Before Interest, Taxes, Depreciation & Amortization
EPS - Earnings Per Share
EV - Enterprise Value
FCF - Free Cash Flow
FFO - Funds From Operations
FY - Fiscal Year
P/E - Price/Earnings
P/NAV - Price to Net Asset Value
PEG - Growth to Price-Growth Ratio
PV - Present Value
ROA - Return on Assets
ROE - Return on Equity
ROI - Return on Investment
ROIC - Return on Invested Capital
SOTP - Sum-of-The-Parts
WACC - Weighted Average Cost of Capital

Dividends on American Depository Receipts [ADRs] and American Depositary Shares [ADSs] are net of taxes [paid in the country of origin].

Qualitative Risk Assessment
Reflects an equity analyst’s view of a given company’s operational risk, or the risk of a firm’s ability to continue as an ongoing concern. The Qualitative Risk Assessment is a relative ranking to the U.S. STARS universe, and should be reflective of risk factors related to a company’s operations, as opposed to risk and volatility measures associated with share prices. For an ETF this reflects on a capitalization-weighted basis, the average qualitative risk assessment assigned to holdings of the fund.

STARS Ranking system and definition:

★★★★★ 5-STARS [Strong Buy]:
Total return is expected to outperform the total return of a relevant benchmark, by a notable margin over the coming 12 months, with shares rising in price on an absolute basis.

★★★★ 4-STARS [Buy]:
Total return is expected to outperform the total return of a relevant benchmark over the coming 12 months, with shares rising in price on an absolute basis.

★★★ 3-STARS [Hold]:
Total return is expected to closely approximate the total return of a relevant benchmark over the coming 12 months, with shares generally rising in price on an absolute basis.

★★★ 2-STARS [Sell]:
Total return is expected to underperform the total return of a relevant benchmark over the coming 12 months, and the share price is not anticipated to show a gain.

★★★ 1-STAR [Strong Sell]:
Total return is expected to underperform the total return of a relevant benchmark by a notable margin over the coming 12 months, with shares falling in price on an absolute basis.

Relevant benchmarks:
In North America, the relevant benchmark is the S&P 500 Index, in Europe and in Asia, the relevant benchmarks are the S&P Europe 350 Index and the S&P Asia 50 Index, respectively.

CFRA Equity Research
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Stock Report | June 09, 2018 | NasdaqGS Symbol: LKQ | LKQ is in the S&P 500

LKQ Corporation

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Quantitative recommendations are determined by ranking a universe of common stocks based on 5 measures or model categories: Valuation, Quality, Growth, Street Sentiment, and Price Momentum. In the U.S., a sixth sub-category for Financial Health will also be displayed. Percentile scores are used to compare each company to all other companies in the same universe for each model category. The five [six] model category scores are then weighted and rolled up into a single percentile ranking for that company. For reports containing qualitative recommendations refer to the Glossary section of the report for detailed methodology and the definition of Quantitative rankings.

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STARS Stock Reports:

Global STARS Distribution as of March 31, 2018

<table>
<thead>
<tr>
<th>Ranking</th>
<th>North America</th>
<th>Europe</th>
<th>Asia</th>
<th>Global</th>
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<tbody>
<tr>
<td>Buy</td>
<td>38.2%</td>
<td>31.0%</td>
<td>36.8%</td>
<td>36.9%</td>
</tr>
<tr>
<td>Hold</td>
<td>56.4%</td>
<td>55.2%</td>
<td>43.7%</td>
<td>54.8%</td>
</tr>
<tr>
<td>Sell</td>
<td>5.3%</td>
<td>13.7%</td>
<td>19.5%</td>
<td>8.4%</td>
</tr>
<tr>
<td>Total</td>
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<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

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