



LKQ Corporation

Symbol: LKQ

CFRA REITERATES BUY OPINION ON SHARES OF LKQ CORPORATION

Recent Price : **\$31.48**

Recommendation:



We increase our 12-month target price by \$2 to \$36, representing 13.8x our '20 EPS estimate and a late-cycle discount to the stock's 10-year average forward P/E of 19.0x. We maintain our adjusted EPS estimates of \$2.35 for '19 and \$2.60 for '20. LKQ posts Q3 adjusted EPS of \$0.61 vs. \$0.56 (+8.9%), ahead of the \$0.58 consensus. Revenue rose 0.8% to \$3.15B, but gross margin contracted 20 bps to 38.1%, helping alleviate concerns regarding scrap spread deterioration and exchange rate moves. In Q3, LKQ also repurchased 3.9M shares of stock for \$101M, paid down \$109M of debt and announced a \$500M increase in its share repurchase authorization. LKQ narrowed prior 2019 adjusted EPS guidance to \$2.31-\$2.37 from \$2.30-\$2.38. We continue to consider LKQ one of the industry's most attractively-valued names, and buybacks/debt paydown should help support EPS growth despite top-line and margin-related headwinds, noting that LKQ's average Q3 share count was 3.6% lower than the year-ago quarter.

Garrett Nelson

10/31/2019 09:14:24

The STARS ranking for this company was changed or reiterated by our analyst on the date and time noted above. The accompanying Stock Report will be updated shortly to reflect our current opinion on this company.

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