

First Cut Stock Study Report

Company Name:	LKQ Corp.	Ticker:	LKQX
Date of Study:	4/13/2011	Price:	\$ 24.34
Your Name:	May 2011 Online Stock Study by Dan Rutter		
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City:	Seattle	State:	WA
Chapter Name (if applicable):	Puget Sound		

Discuss why you consider this to be a high quality, growth company that should be investigated further. Please include comments on historical sales and EPS growth, pre-tax profit margin, return on equity, and debt.

LKQ Corp has a history of rapid growth and has a differentiated business model others can't replicate easily. It is dominate in the automotive industry and it's growth will be driven by increased market share, increasing complexity of automobiles, acquisitions, geographic expansion (especially into Canada), and expansion into larger trucks. Ten years historic sales growth rate has been 32.6% (five year =36.7%). Then year historic EPS growth rate has been 34.8 % (five year 29.7%). Most recent quarter growth rate = 16%.

Pre-tax Profit on Sales has increased steadily for the past ten years--the most recent year it reach 11%. Percent Debt to Equity has decreased in recent years (having reached 88% in 2007) and is now under 40%. ROE is acceptable, although not outstanding, averaging 12.7% over the past five years.

Briefly describe how the company makes money:

LKQ Corp. is the largest nationwide provider of aftermarket, recycled and refurbished collision and mechanical replacement products for cars and trucks.

Projected growth rate for sales: 16%

Why did you select this rate? Discuss from where future growth will come.

Expect 10% to come from acquisitions and 6% through organic growth.

Projected growth rate for earnings per share: 17%

Why did you select this rate?

Expect profitability to continue to improve, so slightly better than the sales growth rate.

Projected High P/E: 25

This stock study reflects the judgment of the contributor(s) only and no investment recommendation is intended. Investors should always conduct their own analysis before making an investment decision.

Why did you select this value?

This is the five year average minus two outliers. The company deserves this high PE due to it's strong market position.

Projected Low P/E: 14.4

Why did you select this value?

This is the five year average after adjustment for outliers.

Projected Low Price: \$18.00

Why did you select this value?

This is the 4B(a) calculated low price based on low P/E of 14.4 times \$1.25 (The combined most recent two quarters plus the next two projected quarters.).

At the current price, the stock is a (check one):

Buy or Hold or Sell

At the current price, the upside-downside ratio is: 6 to 1

Projected compounded rate of return: 20.8%

Your final recommendation (check one):

Buy or Hold or Sell

Explain:

Projected Relative Value is 91.4%. Although there are risks to growth such as possible inability to fully integrate acquisitions, or possible legislation which will attempt to curtail replacement with alternative parts, there is a decreasing percentage of OEM usage for collision replacements, and increasingly LKQ appears to have preferred supplier status for many collision repair shops.

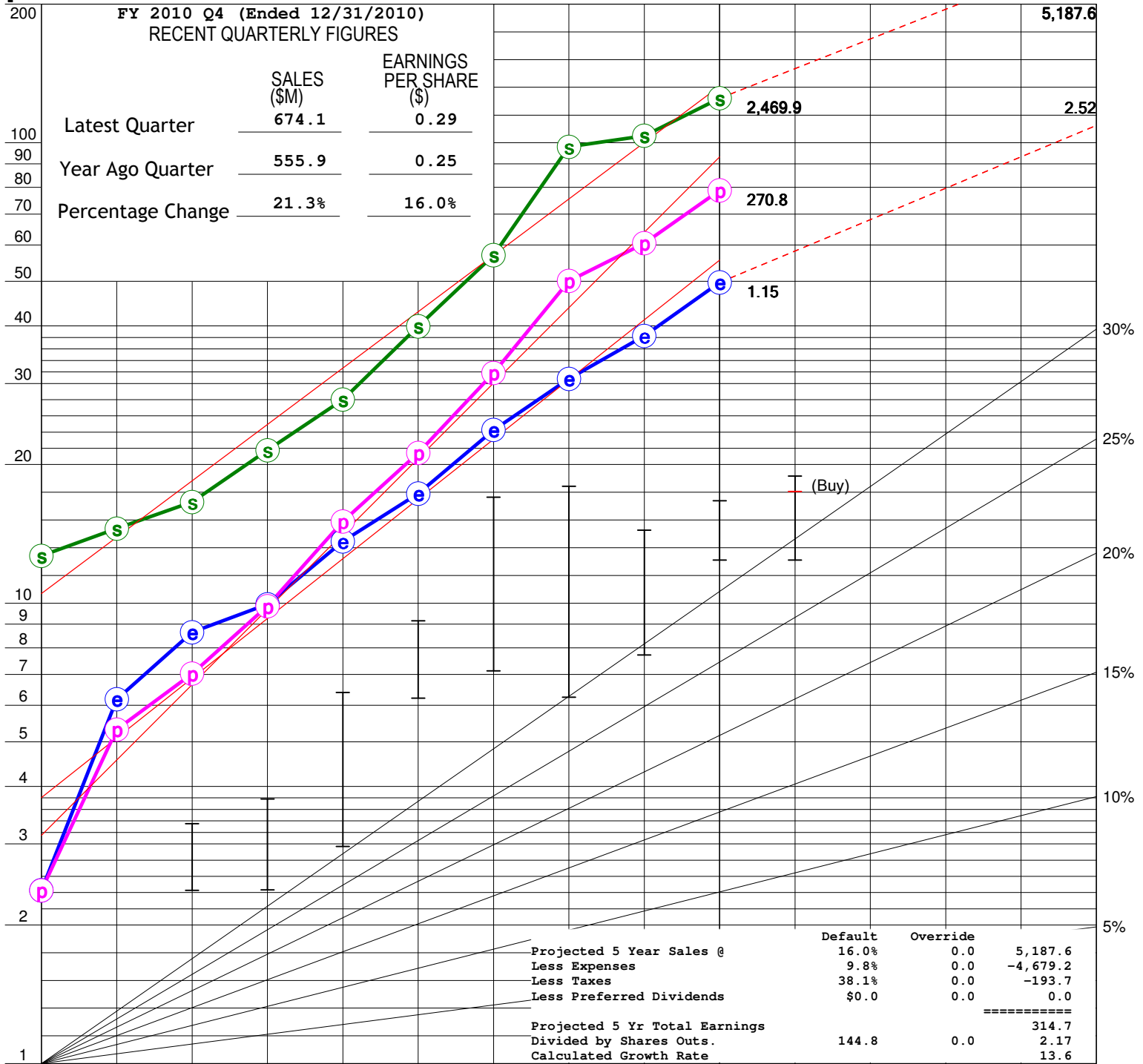


Stock Study

Company	LKQ	Price Date	04/13/11
Study by	LGLEIN	Data Date	04/21/11
Sector	Industrials	Data Source	BI
Industry	Industrial Distribution	Reference	Morningsta
Preferred(\$M)	0.0		
Common(M Shares)	144.8	% Insiders	1.9
Debt(\$M)	601.0	% Institutions	89.7
% Debt to Tot.Cap.	29.9	Quality	

1 Growth Analysis

NAS: LKQX



- | | | | | |
|-----------------------------------|--------|--|--------|--|
| (1) Historical Sales Growth | 32.6 % | (3) Historical Earnings Per Share Growth | 34.8 % | www.iclub.com |
| (2) Estimated Future Sales Growth | 16.0 % | (4) Estimated Future Earnings Per Share Growth | 17.0 % | |
| (5) Sales Growth R ² | 0.98 | (6) Earnings Per Share Growth R ² | 0.96 | |

2 QUALITY ANALYSIS

Company **LKQ** (**LKQX**)

04/13/11

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	5 YEAR AVG.	TREND UP / DOWN
A % Pre-tax Profit on Sales	3.3	6.4	7.4	8.0	9.4	9.2	9.6	8.9	10.2	11.0	9.8	UP
B % ROE (Beginning Yr)				10.3	12.5	11.8	14.6	11.1	12.1	13.8	12.7	UP
C % Debt to Equity	0.0	0.0	1.7	24.8	15.4	23.1	88.5	62.3	50.8	39.3	52.8	DOWN

3 PRICE, PRICE/EARNINGS RATIO and DIVIDEND ANALYSIS

CURRENT PRICE 24.340 52-WEEK HIGH 26.300 52-WEEK LOW 17.290

Fiscal Year	High Price	Low Price	EPS	High P/E	Low P/E	Dividend	% Payout	% High Yield
1 2006	12.7	8.7	0.40	31.7	21.7	0.000	0.0	0.0
2 2007	23.7	9.9	0.55	43.1	18.0	0.000	0.0	0.0
3 2008	25.0	8.7	0.71	35.2	12.3	0.000	0.0	0.0
4 2009	20.1	10.8	0.88	22.8	12.3	0.000	0.0	0.0
5 2010	23.3	17.3	1.15	20.3	15.0	0.000	0.0	0.0
6 AVERAGE		11.1		24.9	13.2		0.0	
AVERAGE P/E RATIO		23.3 19.0	PROJECTED P/E RATIO		17.9	TTM EPS		1.16
CURRENT P/E RATIO		21.0	PEG RATIO		1.1	FTM EPS		1.36
RELATIVE VALUE		90.1% 110.5%	PROJ. RELATIVE VALUE		77.0% 94.4%	AVG TTM + FTM EPS		1.26

4 EVALUATING REWARD and RISK over the next 5 years

A FUTURE HIGH PRICE ANALYSIS -- NEXT 5 YEARS

Selected High P/E 24.9 X Estimated High Earnings/Share 2.52 = Forecast High Price \$ 62.7

B FUTURE LOW PRICE ANALYSIS -- NEXT 5 YEARS

(a) Sel. Low P/E ~~13.2~~ 14.4 X Estimated Low Earnings/Share ~~1.15~~ 1.25 = \$ 18.0

(b) Average 5-Year Low Price = 11.1

(c) Recent Severe Low Price = 10.8

(d) Price Dividend Will Support = Present Divd. + High Yield = 0.000 + 0.000 = 0.0

Selected Estimated Low Price = \$ 18.0

C PRICE RANGES

Forecast High Price 62.7 - Estimated Low Price 18.0 = Range 44.7 25% of Range = 11.2

BUY (Lower 25% of Range) = 18.0 to 29.2

MAYBE (Middle 50% of Range) = 29.2 to 51.5

SELL (Upper 25% of Range) = 51.5 to 62.7

Current Price 24.340 is in the Buy Range

D REWARD/RISK ANALYSIS (Potential Gain vs. Risk of Loss)

(Forecast High Price 62.7 - Current Price 24.340) ÷ (Current Price 24.340 - Estimated Low Price 18.0) = 6.1 To 1

5 TOTAL RETURN ANALYSIS

A CURRENT YIELD

Present Full Year's Dividend \$ 0.000 ÷ Current Price of Stock \$ 24.340 = 0.0 % Present Yield or % Returned on Purchase Price

B AVERAGE YIELD - USING FORECAST HIGH P/E

Avg. % Payout 0.0 ÷ Forecast High P/E 24.9 = Avg. Yield 0.0

AVERAGE YIELD - USING FORECAST AVERAGE P/E

Avg. % Payout 0.0 ÷ Forecast Avg P/E 19.7 = Avg. Yield 0.0

C % COMPOUND ANNUAL TOTAL RETURN - USING FORECAST HIGH P/E

Average Yield 0.0 % + Annual Appreciation 20.8 % = Compound Annual Total Return 20.8 %

D % PROJECTED AVERAGE RETURN - USING FORECAST AVERAGE P/E

Average Yield 0.0 % + Annual Appreciation 15.3 % = Projected Average Total Return 15.3 %