



# STEPHENS NON-DEAL ROADSHOW PREP PACKET

**LKQ Corp. (LKQ) – Mid-Atlantic**

May 27, 2020

# LKQ Corp. (LKQ) – Mid-Atlantic Virtual Non-Deal Roadshow

## Questions/Topics of Discussion

### Revenue Growth

- As the European macro continues to face challenges, the market today is different than when you laid out your plan last September – how pleased are you with execution thus far in the geography, and where are some areas you could have executed better?
- How are you thinking about the competitive landscape in Europe? Weakness in smaller players has been mentioned, are these acquisition opportunities or just market share that you will gain if they close?
- COVID-19 has driven a higher near-term total loss rate, as Copart spoke to last week, as more vehicles are deemed total loss, how are you navigating that headwind in North America?
- While Specialty remains the most cyclical piece of the business, consumers seem to be trending towards DIY and project spending during the work from home period – are you seeing that in your business as well?
  - And similarly, we have heard anecdotes that RV sales have been very strong, would that benefit you in real time or more on a delay for the aftermarket?
- As we think about potential near-term auction disruptions, how can you manage the supply chain through this to enable strong fill-rates while managing margins?
- Statefarm's utilization of alternative parts has been a piece of the bull thesis in your North American business, have you seen any new or recent developments?

### Margin Opportunity

- In relation to the restructuring plan, as you trim additional costs, how much opportunity do you see to retain some of the expense reductions?
- On the European margin expansion plan, with the challenged macro, can you break out how much of this is revenue dependent versus strictly cost reduction?
- North America margin trajectory has improved with the margin initiatives, can you speak to the sustainability of this?

### Capital Deployment/Other

- How are you looking to balance capital allocation in the new COVID-19 environment? Can you weight opportunistic M&A, share repurchases and pay down of existing debt?
- Recent quarters showed excellent progress on vendor financing initiatives to improve FCF. How does the opportunity for further cash flow improvement look?
- How has the management transition to Arnd Franz in Europe gone? What processes or practices has he changed or improved?

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## **Stephens LKQ & Industry Reports:**

[LKQ Reports 1Q20; Execution Driving Margin Expansion; COVID-19 Slows NT Trends](#)  
[Reefer Madness? State-Level Data Suggests Legalization Drives More Accidents](#)

## **Stephens LKQ Model:**

[Click Here To View The Model](#)

## **Companies Mentioned:**

Copart, Inc. (CPRT - \$86.25)

Stephens Inc. working model and published research report attached.  
For current disclosures on this company, please access the attached research report.

## OTHER DISCLOSURES

Note: The purpose of this document is to suggest questions investors might like to ask company management and to help investors develop their own questions. This document is not intended to express any opinion or investment recommendation.

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