

Ticker:

LKQ

Company Snapshot



EAGLE FUND

LKQ CORP (NASDAQ GS: LKQ, Currency: USD) 49.53 / 1.08% / 0.53
 Bloomberg Rating: IG5 Sector: Consumer Discretionary Industry: Distributors Sub-Industry: Distributors FY End: December 2020 EPS Due: 7/30/2021

Description
 LKQ Corporation offers automotive products and services. The Company provides alternative collision replacement parts, recycled engines, and transmissions, as well as remanufactured engines. LKQ offers customers in North America, Central America, and Europe. LKQ offers replacement systems, components, and parts for the repair of automobiles and light, medium, and heavy-duty trucks.

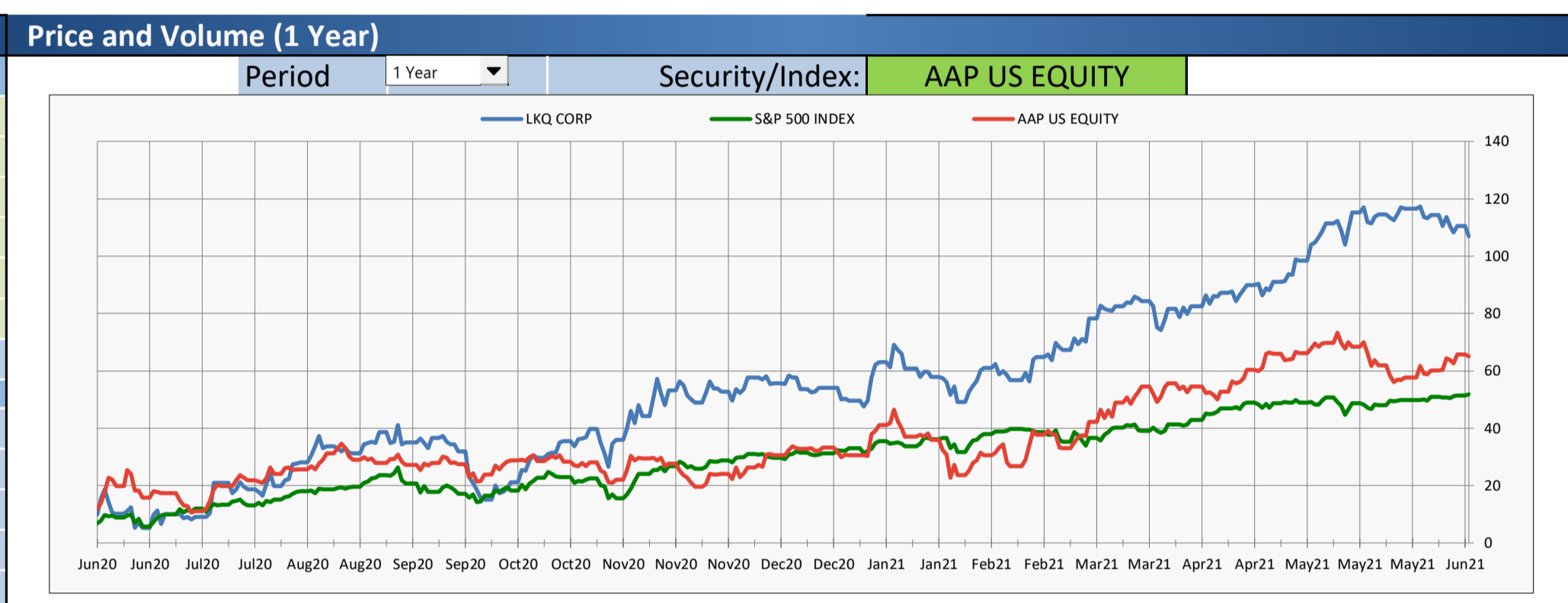
Business Segments (FY: Dec-20)	Revenue
Parts and Services	10,963.71
Other Products	665.12

Key Statistics	
52-Week Range	24 - 51.68
Avg Daily Vol (3 Mo)	1,781,511
Market Value	14,966.0
Current Enterprise Val	18,547.46
Shares Outstanding (B)	302.16 M
Dividend Yield	-
Float %	85.7%
Institutional %	108.7%
Analyst Coverage	12 Analysts
Target Price	55.00
LT Growth Rate	920.0%
Consensus Rating	4.33
Return on Equity	14.1%

Actual and Estimate Data			
	LTM	12/2021	12/2022
Revenue	11,798.68	12,459.42	12,899.17
% change y/y		7.1%	3.5%
EBITDA	1,414.89	1,604.82	1,704.18
% Margin		17.2%	6.2%
EPS	2.585439	3.149	3.336
% change y/y		23.5%	5.9%
EV/Sales	1.4x	1.4x	1.3x
EV/EBITDA	11.6x	10.7x	10.1x
P/Sales	1.3x	1.2x	1.2x
P/Earnings	19.2x	15.7x	14.8x
P/Book	2.6x	2.3x	2.2x

Relative Comps	Mkt Cap	PE (NTM)
LKQ Corp	14.97 B	15.8x
Advance Auto Parts Inc	13.05 B	18.5x
KAR Auction Services Inc	2.25 B	21.0x
IAA Inc	7.26 B	24.8x
Copart Inc	29.53 B	32.4x

Measure:	Sales/Revenue/Turnover			
	2019	2020	2021	2022
Q1 Mar	3100.30	3000.94	3170.79	3257.13
Q2 Jun	3248.17	2626.32	3076.09	3143.88
Q3 Sep	3147.77	3047.68	3169.36	3252.38
Q4 Dec	3009.86	2953.89	3040.73	3137.00
Year	12506.11	11628.83	12459.42	12899.17
Cal Yr	12506.11	11628.83	12459.42	12899.17
Revision	1 Week	4 Weeks	3 Months	6 Months
Qtr End 06/21	0.0%	0.0%	1.5%	2.1%
Qtr End 09/21	0.0%	0.0%	-0.3%	-0.3%
FY End 12/21	0.0%	0.0%	1.7%	1.9%
FY End 12/22	0.0%	0.0%	1.6%	0.8%



Prices/Volume	
YTD Change	40.55%
6 Month Change	82.10%
3 Month Change	34.4%
1 Year Change	43.2%
Daily Volume	1,086,290
Average Volume 30 Day	1,934,240
Average Volume 3 Month	1,781,511
Average Volume 6 Month	1,831,913
Dividend Yld	0.0%
52 Week Beta	

Measure:	Diluted EPS Bef XO Items			
	2019	2020	2021	2022
Q1 Mar	0.31	0.48	0.88	0.90
Q2 Jun	0.49	0.39	0.71	0.79
Q3 Sep	0.49	0.64	0.71	0.81
Q4 Dec	0.46	0.60	0.64	0.76
Year	1.75	2.10	2.91	3.15
Cal Yr	1.75	2.10	2.91	3.15
Revision	1 Week	4 Weeks	3 Months	6 Months
Qtr End 06/21	0.0%	0.0%	6.0%	-
Qtr End 09/21	0.0%	0.0%	0.0%	-
FY End 12/21	0.0%	0.0%	11.9%	-
FY End 12/22	0.0%	0.0%	6.6%	-

Performance	2012	2013	2014	2015	2016	2017	2018	2019	2020	5 Yr Avg
Price Change	40.3%	55.9%	-14.5%	5.4%	3.4%	32.7%	-41.7%	50.4%	-1.3%	8.7%
S&P 500 INDEX	-82.8%	17.8%	-2.5%	-6.6%	2.7%	-100.0%	-	-	-	-48.7%
Industry (INDU Index)	7.3%	26.5%	7.5%	-2.2%	13.4%	25.1%	-5.6%	22.3%	7.2%	12.5%
Div Yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Financials	12/12 Y	12/13 Y	12/14 Y	12/15 Y	12/16 Y	12/17 Y	12/18 Y	12/19 Y	12/20 Y	5 Yr CAGR
Sales	4,122.9	5,062.5	6,740.1	7,192.6	8,584.0	9,736.9	11,876.7	12,506.1	11,628.8	10.1%
EBITDA	508.1	616.6	775.3	832.8	969.5	1,075.2	1,176.3	1,211.0	1,592.5	13.8%
EBIT	438.0	530.2	649.9	704.6	763.4	845.0	882.2	896.6	985.6	6.9%
Net Income	261.2	311.6	381.5	423.2	464.0	533.7	480.1	541.3	638.4	8.6%
EPS (Diluted)	0.87	1.02	1.25	1.38	1.50	1.72	1.52	1.74	2.09	8.7%
Dividends per Share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-
Shares for Fully Diluted EP	300.7	304.1	306.0	307.5	309.8	310.6	315.8	311.0	305.0	-0.2%
Book Value per Share	6.60	7.81	8.97	10.19	11.20	13.58	15.02	15.66	18.63	12.8%
Cash & Near Cash	59.8	150.5	114.6	87.4	227.4	279.8	331.8	523.0	312.2	29.0%
Total Assets	3,723.5	4,518.8	5,475.7	5,647.8	8,303.2	9,366.9	11,393.4	12,780.0	12,360.5	17.0%
Working Cap	896.4	1,121.9	1,491.2	1,588.7	2,356.8	2,499.4	2,830.6	2,509.3	2,045.5	5.2%
LT Debt	1,046.8	1,264.2	1,784.2	1,528.7	3,275.7	3,277.6	4,188.7	4,853.0	4,010.6	21.3%
Cash Flow-Oper Activities	206.2	428.1	388.7	544.3	635.0	518.9	710.7	1,064.0	1,443.9	21.5%
Capital Expenditures	88.3	90.2	141.0	170.5	207.1	179.1	222.4	265.7	172.7	0.3%
Free Cash Flow	117.9	337.9	247.8	373.8	427.9	339.8	488.4	798.3	1,271.2	27.7%
Ratios	12/12 Y	12/13 Y	12/14 Y	12/15 Y	12/16 Y	12/17 Y	12/18 Y	12/19 Y	12/20 Y	5 Yr Avg
Gross Margin	41.8%	41.0%	39.3%	39.4%	39.0%	39.0%	38.5%	38.8%	39.5%	39.0%
EBITDA Margin	12.3%	12.2%	11.5%	11.6%	11.3%	11.0%	9.9%	9.7%	13.7%	11.1%
EBIT Margin	10.6%	10.5%	9.6%	9.8%	8.9%	8.7%	7.4%	7.2%	8.5%	8.1%
Profit Margin	6.3%	6.2%	5.7%	5.9%	5.4%	5.5%	4.0%	4.3%	5.5%	4.9%
Return on Assets	7.5	7.6	7.6	7.6	6.7	6.0	4.6	4.5	5.1	5.4
Return on Com Eqty	14.5	14.4	15.0	14.5	14.2	14.0	10.7	11.1	12.0	12.4
Asset Turnover	1.2	1.2	1.3	1.3	1.2	1.1	1.1	1.0	0.9	1.1
Assets/Equity	1.9	1.9	2.0	1.8	2.4	2.2	2.4	2.5	2.2	2.3
Net Inc per 1000 Employee	12.9	11.0	12.9	13.6	10.9	12.4	9.4	10.6	14.5	11.6
Days Sales Out (DSO)	26.3	27.8	28.7	30.2	30.9	35.4	33.5	33.3	34.7	33.6
Acc Pay Turn Days (DPO)	30.7	32.8	30.8	33.2	34.2	40.7	40.7	45.3	51.4	42.5
Current Ratio	2.8	2.7	3.0	3.1	2.9	2.9	2.7	2.2	2.0	2.5
Quick Ratio	0.8	0.9	1.0	0.9	0.9	1.0	0.9	0.8	0.7	0.8
Total Debts/Total Capital	36.3	35.7	40.4	33.7	49.3	44.7	47.1	51.6	43.0	47.1
Total Debt/Total Equity	56.9	55.5	67.9	50.9	97.1	80.9	89.1	106.5	75.3	89.8

Growth Rate (CAGR) Summary				
	1Yr	3Yr	5Yr	10Yr
Sales	-7.0%	6.1%	10.1%	16.8%
EBIT	9.9%	5.3%	6.9%	12.7%
EBITDA	31.5%	14.0%	13.8%	16.7%
Net Income	18.0%	6.2%	8.6%	14.2%
EPS (Diluted)	20.1%	6.7%	8.7%	21.8%
Dividends				
BVPS	19.0%	11.1%	12.8%	14.4%
Free Cash Flow	62.1%	55.9%	27.7%	37.7%

Valuation Summary				
Latest FY	est FQ	5 Year Periodicity: Yearly		
	12/31/2020	High	Low	Avg
P/E (LTM)	15.2x	23.9x	12.6x	18.4x
P/E (NTM)	15.3x	19.2x	9.4x	14.3x
PEG (NTM)	1.7x	1.7x	0.6x	1.3x
P/Bk	1.9x	3.0x	1.6x	2.4x
P/CF	7.4x	24.2x	7.4x	13.0x
P/Sales	0.9x	1.3x	0.6x	1.0x
EV/EBITDA	9.2x	14.6x	9.2x	12.0x
EV/Sales	1.3x	1.6x	1.0x	1.3x
Div Yield	0.0%	0.0%	0.0%	0.0%

Recommendation:
 Due to its attractive valuation, improving fundamentals, and the increased likelihood of future positive earnings surprises and upward estimate revisions, we strongly recommend the purchase of LKQ Corp shares.

Earnings Drivers / Catalysts:
 LKQ fundamentals and stock price took an immediate hit as the emergence and spread of Covid led to global economic shutdowns in the spring of 2020. The company took immediate action, aggressively cutting costs at the onset of the pandemic, leading to immediate profit margin upside by mid year. Encouraging, the company believes much of the margin improvement is structural, sustainable, and permanent. As economies slowly re-opened, total vehicle miles driven (the most important fundamental driver for LKQ) began to rebound, leading to increased demand for automotive parts. We believe further sales acceleration is likely as the vaccine rollout progresses globally. Since 1/2 of LKQ sales are outside of the U.S. we would expect an elongated revenue improvement cycle, as global vaccine deployment and the ending of lockdowns has lagged internationally. We believe that a combination of rising sales, expanding operating margins, lower interest expense and shares outstanding, should power earnings per share growth of 25% plus in 2021.

Balance Sheet / Cash Flow:
 LKQ's balance sheet has improved recently, as Debt/Capital has fallen from 52% to 43% over the past year. Free Cash Flow (FCF) has significantly outstripped reported Net Income over the past couple of years, indicative of high-quality earnings. FCF has been buoyed by strong working capital management and lower capital spending. Recently the company has abandoned its aggressive acquisition strategy (lowering CAPEX) and begun prioritizing FCF redeployment towards the repayment of debt and, to a lesser extent, share repurchases.

Valuation:
 Trading at 15x earnings, LKQ is very attractively valued relative to the overall market (S&P 500 23x), its peers in the automotive parts industry (20x) and its own historical valuation range (10-30x P/E). In addition to a compelling P/E ratio, valuation is also attractive on several other metrics including EV/Ebitda, EV/Sales, and Free Cashflow yield. In our opinion, valuation multiples have room for considerable upside as fundamental trends continue to improve.

Risks:
 If the pandemic persists, entailing lockdowns and travel restrictions, LKQ may see a dip in demand and/or revenue due to decrease in miles driven. Any fluctuations in the prices of scrap metal, fuel, and other commodities could impact the profitability of the company. Margins also could be pressured due to an increase in competitive activity. Longer term, LKQ must successfully transition its business model toward supplying parts for electric vehicles and away from traditional internal combustion engines.