

LKQ CORP
Form 10-Q
April 29, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended March 31, 2011

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition Period from to

Commission File Number: 000-50404

LKQ CORPORATION

(Exact name of registrant as specified in its charter)

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DELAWARE (State or other jurisdiction of incorporation or organization)	36-4215970 (I.R.S. Employer Identification No.)
120 NORTH LASALLE STREET, SUITE 3300, CHICAGO, IL (Address of principal executive offices)	60602 (Zip Code)
Registrant's telephone number, including area code: (312) 621-1950	

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input type="checkbox"/>

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

At April 22, 2011, the registrant had issued and outstanding an aggregate of 145,886,934 shares of Common Stock.

PART I

FINANCIAL INFORMATION

Item 1. Financial Statements.

LKQ CORPORATION AND SUBSIDIARIES

Unaudited Consolidated Condensed Balance Sheets

(In thousands, except share and per share data)

	March 31, 2011	December 31, 2010
Assets		
Current Assets:		
Cash and equivalents	\$ 64,517	\$ 95,689
Receivables, net	222,581	191,085
Inventory	514,894	492,688
Deferred income taxes	34,135	32,506
Prepaid income taxes		10,923
Prepaid expenses	15,990	13,985
Total Current Assets	852,117	836,876
Property and Equipment, net	342,181	331,312
Intangible Assets:		
Goodwill	1,057,406	1,032,973
Other intangibles, net	67,872	69,302
Other Assets	35,803	29,046
Total Assets	\$ 2,355,379	\$ 2,299,509
Liabilities and Stockholders Equity		
Current Liabilities:		
Accounts payable	\$ 75,377	\$ 76,437
Accrued expenses:		
Accrued payroll-related liabilities	35,723	41,376
Self-insurance reserves	16,806	16,820
Other accrued expenses	32,989	25,832
Income taxes payable	20,754	
Deferred revenue	9,245	9,224
Current portion of long-term obligations	14,817	52,888
Liabilities of discontinued operations	2,561	2,744
Total Current Liabilities	208,272	225,321
Long-Term Obligations, Excluding Current Portion	544,451	548,066
Deferred Income Tax Liabilities	67,582	66,059
Other Noncurrent Liabilities	49,704	45,902
Commitments and Contingencies		
Stockholders Equity:		
Common stock, \$0.01 par value, 500,000,000 shares authorized, 145,879,504 and 145,466,575 shares issued and outstanding at March 31, 2011 and December 31, 2010, respectively	1,459	1,455
Additional paid-in capital	878,206	869,798

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Retained earnings	596,712	538,530
Accumulated other comprehensive income	8,993	4,378
Total Stockholders' Equity	1,485,370	1,414,161
Total Liabilities and Stockholders' Equity	\$ 2,355,379	\$ 2,299,509

See notes to unaudited consolidated condensed financial statements.

LKQ CORPORATION AND SUBSIDIARIES

Unaudited Consolidated Condensed Statements of Income

(In thousands, except per share data)

	Three Months Ended March 31,	
	2011	2010
Revenue	\$ 786,648	\$ 603,516
Cost of goods sold	443,002	320,226
Gross margin	343,646	283,290
Facility and warehouse expenses	69,818	57,776
Distribution expenses	65,811	51,189
Selling, general and administrative expenses	89,761	75,087
Restructuring expenses	46	80
Depreciation and amortization	10,839	9,229
Operating income	107,371	89,929
Other expense (income):		
Interest expense, net	6,409	7,276
Loss on debt extinguishment	5,345	
Other income, net	(106)	(161)
Total other expense, net	11,648	7,115
Income from continuing operations before provision for income taxes	95,723	82,814
Provision for income taxes	37,541	30,831
Income from continuing operations	58,182	51,983
Discontinued operations:		
Income from discontinued operations, net of taxes		224
Gain on sale of discontinued operations, net of taxes		1,729
Income from discontinued operations		1,953
Net income	\$ 58,182	\$ 53,936
Basic earnings per share ^(a)		
Income from continuing operations	\$ 0.40	\$ 0.37
Income from discontinued operations		0.01
Total	\$ 0.40	\$ 0.38
Diluted earnings per share ^(a)		
Income from continuing operations	\$ 0.39	\$ 0.36
Income from discontinued operations		0.01
Total	\$ 0.39	\$ 0.37
Weighted average common shares outstanding:		
Basic	145,611	142,194
Diluted	147,920	145,124

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- (a) The sum of the individual earnings per share amounts may not equal the total due to rounding.
See notes to unaudited consolidated condensed financial statements.

LKQ CORPORATION AND SUBSIDIARIES

Unaudited Consolidated Condensed Statements of Cash Flows

(In thousands)

	Three Months Ended March 31,	
	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 58,182	\$ 53,936
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	11,926	9,980
Stock-based compensation expense	3,342	2,524
Deferred income taxes	562	418
Excess tax benefit from share-based payments	(2,460)	(3,500)
Gain on sale of discontinued operations		(2,744)
Loss on debt extinguishment	5,345	
Other	642	785
Changes in operating assets and liabilities, net of effects from acquisitions and divestitures:		
Receivables	(19,039)	(3,306)
Inventory	2,678	(4,173)
Prepaid income taxes/income taxes payable	33,769	30,276
Accounts payable	(9,658)	5,663
Other operating assets and liabilities	(7,974)	(1,794)
Net cash provided by operating activities	77,315	88,065
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(18,093)	(10,902)
Proceeds from sales of property and equipment	91	92
Proceeds from sale of businesses, net of cash sold		11,992
Cash used in acquisitions, net of cash acquired	(43,517)	(3,746)
Net cash used in investing activities	(61,519)	(2,564)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from exercise of stock options	2,610	3,185
Excess tax benefit from share-based payments	2,460	3,500
Debt issuance costs	(7,741)	
Borrowings under line of credit	341,753	
Repayments under line of credit	(44,328)	
Borrowings under term loans	250,000	
Repayments under term loans	(591,089)	(7,476)
Repayments of other long-term debt	(652)	(351)
Net cash used in financing activities	(46,987)	(1,142)
Effect of exchange rate changes on cash and equivalents	19	271
Net (decrease) increase in cash and equivalents	(31,172)	84,630
Cash and equivalents, beginning of period	95,689	108,906
Cash and equivalents, end of period	\$ 64,517	\$ 193,536

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Supplemental disclosure of cash flow information:

Purchase price payable, including notes issued in connection with business acquisitions	\$ 5,329	\$ 2,150
Cash paid for income taxes, net of refunds	3,313	1,314
Cash paid for interest	6,944	7,142
Property and equipment purchases not yet paid	766	159

See notes to unaudited consolidated condensed financial statements.

LKQ CORPORATION AND SUBSIDIARIES

Unaudited Consolidated Condensed Statements of Stockholders' Equity and Other Comprehensive Income

(In thousands)

	Common Stock		Additional Paid- In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Stockholders' Equity
	Shares Issued	Amount				
BALANCE, December 31, 2010	145,467	\$ 1,455	\$			