



# Genuine Parts 1Q20 Earnings Presentation

May 6, 2020

# Genuine Parts Company Snapshot (NYSE: GPC)

## KEY STATISTICS<sup>1</sup>

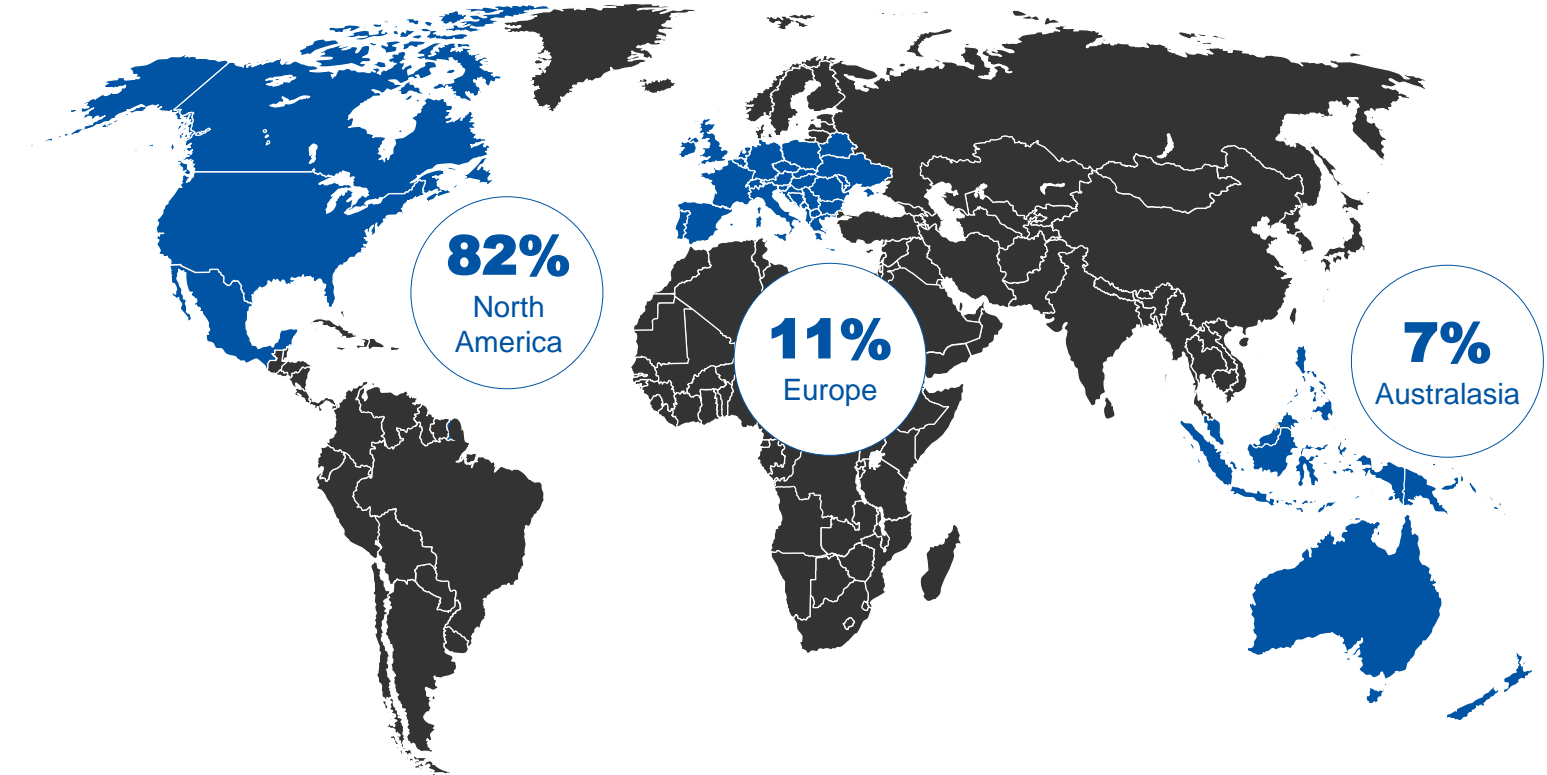
Founded	1928
Headquarters	Atlanta, GA
Countries Served	14
Locations	10,622
<ul style="list-style-type: none"> <li>Warehouses</li> <li>Distribution Facilities</li> <li>Retail (Owned/Independent)</li> </ul>	900 222 9,500
Employees	~55,000
Market Capitalization <sup>2</sup>	~\$11.4B

## 2019 FINANCIAL HIGHLIGHTS

Revenue	\$19.4B
<ul style="list-style-type: none"> <li>Automotive</li> <li>Industrial</li> <li>Business Products</li> </ul>	57% 34% 9%
Segment Operating Margin	7.4%
Free Cash Flow <sup>3</sup>	\$594M
Dividend Yield <sup>4</sup>	4.0%

## GLOBAL FOOTPRINT

2019 Revenue by Region and Locations



**Leading Global Distributor in Diversified End Markets**



# Safe Harbor Statement

**FORWARD-LOOKING STATEMENTS:** Some of the comments made during this conference call and information contained in our presentation constitutes forward-looking statements that are subject to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. All statements in the future tense and all statements accompanied by words such as “expect,” “likely,” “outlook,” “forecast,” “preliminary,” “would,” “could,” “should,” “will,” “project,” “intend,” “plan,” “on track,” “anticipate,” “to come,” “may,” “possible,” “assume,” and variations of such words and similar expressions are intended to identify such forward-looking statements. These forward-looking statements include, without limitation, our expected ability to operate and protect our workforce during the COVID-19 pandemic, the execution and effect of our cost savings initiatives, our efforts and initiatives to help us emerge from the pandemic well-positioned, our ongoing efforts to maintain compliance and flexibility under our debt covenants, our liquidity position to continue to operate during these highly uncertain times and plans for future cost savings. The Company cautions that its forward-looking statements involve risks and uncertainties, and while we believe that our expectations for the future are reasonable in view of currently available information, you are cautioned not to place undue reliance on our forward-looking statements. Actual results or events may differ materially from those indicated as a result of various important factors. Such factors may include, among other things, the extent and duration of the disruption to our business operations caused by the global health crisis associated with the COVID-19 outbreak, including the effects on the financial health of our business partners and customers, on supply chains and our suppliers, on vehicle miles driven as well as other metrics that affect our business, and on access to capital and liquidity provided by the financial and capital markets; the Company’s ability to maintain compliance with its debt covenants and amend such credit facilities as necessary; the Company’s ability to successfully integrate acquired businesses into the Company and to realize the anticipated synergies and benefits; the Company’s ability to successfully divest businesses; the Company’s ability to successfully implement its business initiatives in each of its three business segments; slowing demand for the Company’s products; the ability to maintain favorable supplier arrangements and relationships; disruptions in our suppliers’ operations, including the impact of COVID-19 on our suppliers as well as our supply chain, including potential problems with inventory availability and the potential result of higher cost of product and international freight due to the high demand of products and low supply for an unpredictable period of time; changes in national and international legislation or government regulations or policies, including changes to import tariffs and the unpredictability of such changes, data security policies and requirements as well as privacy legislation; changes in general economic conditions, including unemployment, inflation (including the impact of tariffs) or deflation and the United Kingdom’s exit from the European Union, commonly known as Brexit, and the unpredictability of the impact following such exit from the European Union; changes in tax policies; volatile exchange rates; volatility in oil prices; significant cost increases, such as rising fuel and freight expenses; labor shortages and the Company’s ability to successfully attract and retain employees in the current labor market; uncertain credit markets and other macroeconomic conditions; competitive product, service and pricing pressures; failure or weakness in our disclosure controls and procedures and internal controls over financial reporting; including as a result of the work from home environment; the uncertainties and costs of litigation; disruptions caused by a failure or breach of the Company’s information systems, as well as other risks and uncertainties discussed in the Company’s latest SEC filings. The statements are only as of the date they are made, and the Company undertakes no duty to update its forward-looking statements made during this presentation or in these materials except as required by law. Actual results may vary materially and, as such, you are cautioned not to place undue reliance on these forward-looking statements.

**NON-GAAP MEASURES:** This presentation contains adjusted net income, adjusted diluted earnings per share, adjusted tax rate, adjusted operating and non-operating expenses, net sales excluding divestitures, segment profit excluding divestitures and free cash flow, which are financial measures that are not derived in accordance with United States generally accepted accounting principles (“GAAP”). The Company considers these non-GAAP measures useful to investors because they provide greater transparency into management’s view and assessment of the Company’s core operating performance. These measures are widely used by analysts, investors and competitors in our industry, although our calculation of the measure may not be comparable to similar measures disclosed by other companies, because not all companies and analysts calculate these measures in the same manner. The Company does not, nor does it suggest investors should, consider non-GAAP financial measures superior to, in isolation from, or as a substitute for, GAAP financial information. The Company has included reconciliations of this additional information to the most comparable GAAP measure in the appendix of this presentation.





# 1Q20 Highlights & COVID-19 Update

**Paul Donahue**  
Chairman & CEO

# Thanking and Supporting Our People and Communities

Giving back to communities we serve, especially healthcare providers & first responders on the frontlines



Donations of personal protective equipment to hospitals & healthcare centers



Food donations to local food banks, hospitals & retirement homes

Volunteering time

Employee care packages



35,000 free oil changes for healthcare providers and first responders at NAPA AutoCare Centers



Partnerships with professional services firms to educate small businesses on available financial assistance programs



Partnerships with grocery stores & pharmacies in support of food & medical relief efforts



Donations of cleaning, sanitary & safety supplies

Financial support for designated charitable organizations

Our hearts go out for the millions of people affected by COVID-19

Thank you to the healthcare providers and first responders for protecting our citizens and communities during these unprecedented times

Thank you to our GPC associates - Your Commitment to GPC is powerful!

**Our top priority is the health and safety of our employees, customers and communities**

# 1Q20 Highlights and Business Environment

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- \$4.6B Total Sales, +1% Sales Growth Excluding Impact of Divestitures
  - +2% YTD February
  - +4% 1H'March, (16%) 2H'March
- \$137M Net Income, \$0.94 Reported EPS; \$0.92 Adjusted EPS
- Improved Working Capital, (8%) from December 31, 2019
- Cash from Operations +20%
- COVID-19 Impact in 1Q20
  - Impact of (300 bps) to Sales and (\$0.21) to EPS
  - National Lockdowns in France, New Zealand; Broad Global Shelter-in-Place Mandates
  - Disclosed Business Update and Withdrew Guidance on April 6, 2020

**Softer Sales Environment in Second Half of March**



# GPC Operating Cadence and Cost Action Response

## Operating Cadence

- ✓ Intense Teamwork Across Global Operations
- ✓ Cross-Functional COVID-19 Response Team
- ✓ Daily and Weekly Global Interactions
- ✓ Urgent, Action-Biased Approach for Our People and Commercial Operations
- ✓ Supply Chain Operating Near Pre-Crisis Levels

## Select Cost Actions Taken

- ✓ Delayed Merit Increases
- ✓ Headcount Reductions
- ✓ Voluntary and Involuntary Leave of Absences
- ✓ Hiring Freeze
- ✓ Decreased Executive Leadership Compensation
- ✓ Reduced Bonuses and Commissions
- ✓ Pursued Government Subsidies
- ✓ Limited Hours of Operations
- ✓ Rent Relief
- ✓ Cut Professional Fees
- ✓ Eliminated Travel, Entertainment and In-Person Training
- ✓ Closed Various Branches

**Disciplined Response to Unprecedented Market Challenges**

# Segment Highlights/ Macro Trends



**Automotive**  
Total sales down 1.0%<sup>1</sup>



**Industrial**  
Total sales up 4.7%<sup>1</sup>



**Business Products**  
Total sales up 1.5%<sup>1</sup>

Comp Sales	Automotive	Industrial	Business Products
<b>NORTH AMERICA</b>	<ul style="list-style-type: none"> <li>• Comp sales down 5.0%<sup>2</sup></li> <li>• U.S. comp sales down MSD<sup>2</sup> <ul style="list-style-type: none"> <li>• Both DIFM and DIY pressured</li> <li>• Strong on-line sales growth</li> </ul> </li> <li>• Canada comp sales down MSD<sup>2</sup></li> <li>• Working with independent owners &amp; customers                             <ul style="list-style-type: none"> <li>• Financial education</li> <li>• PPP assistance, SBA loans, loan deferrals</li> </ul> </li> <li>• No independent store owners in U.S. or Canada have closed due to COVID-19 slowdown</li> </ul>	<ul style="list-style-type: none"> <li>• Comp sales down 3.1%<sup>2</sup></li> <li>• Continued segment profit margin expansion</li> <li>• Stabilizing industrial economy in Jan/Feb which weakened in March due to COVID-19</li> <li>• 2 of 14 product categories showing growth</li> <li>• Significant industry diversification</li> <li>• Industry sectors are pressured                             <ul style="list-style-type: none"> <li>• Food processing, aggregate &amp; cement stronger</li> </ul> </li> <li>• Delivered 8<sup>th</sup> consecutive quarter of margin expansion</li> </ul>	<ul style="list-style-type: none"> <li>• Comp sales up 1.5%<sup>2</sup></li> <li>• Sold SPR Canada January 1, 2020</li> <li>• Current operations concentrated in U.S.</li> <li>• Strong sales for JanSan &amp; safety supplies</li> <li>• Continued softening demand for traditional office supplies categories</li> <li>• Sales channels mixed, with e-tailers outperforming</li> <li>• Continue to evaluate longer-term plans for this business</li> </ul>
<b>EUROPE</b>	<ul style="list-style-type: none"> <li>• Comp sales down HSD<sup>2</sup> <ul style="list-style-type: none"> <li>• France lockdown significantly impacted results in the back half of March</li> </ul> </li> </ul>	NA	NA
<b>AUSTRALASIA</b>	<ul style="list-style-type: none"> <li>• LSD comp growth<sup>2</sup> <ul style="list-style-type: none"> <li>• Demand pressured by NZ lockdown</li> </ul> </li> <li>• Segment profit margin expansion</li> <li>• Strong online sales growth</li> </ul>	<ul style="list-style-type: none"> <li>• Inenco performed well in Q1                             <ul style="list-style-type: none"> <li>• Demand pressured by NZ/SE Asia lockdown</li> </ul> </li> <li>• Steady operational performance since July 2019 acquisition</li> </ul>	NA
<b>MACRO</b>	<ul style="list-style-type: none"> <li>• Strong long-term industry fundamentals                             <ul style="list-style-type: none"> <li>• Growing and older car parc, low gas prices</li> </ul> </li> <li>• Following miles driven &amp; consumer spending as aftermarket demand indicators</li> </ul>	<ul style="list-style-type: none"> <li>• Strong growth outlook for Robotics and Automation</li> <li>• Following manufacturing PMI and industrial production as industrial demand indicators</li> </ul>	<ul style="list-style-type: none"> <li>• Strong long-term fundamentals and growth outlook for PPE &amp; JanSan</li> <li>• Following unemployment trends as a business products demand indicator</li> </ul>





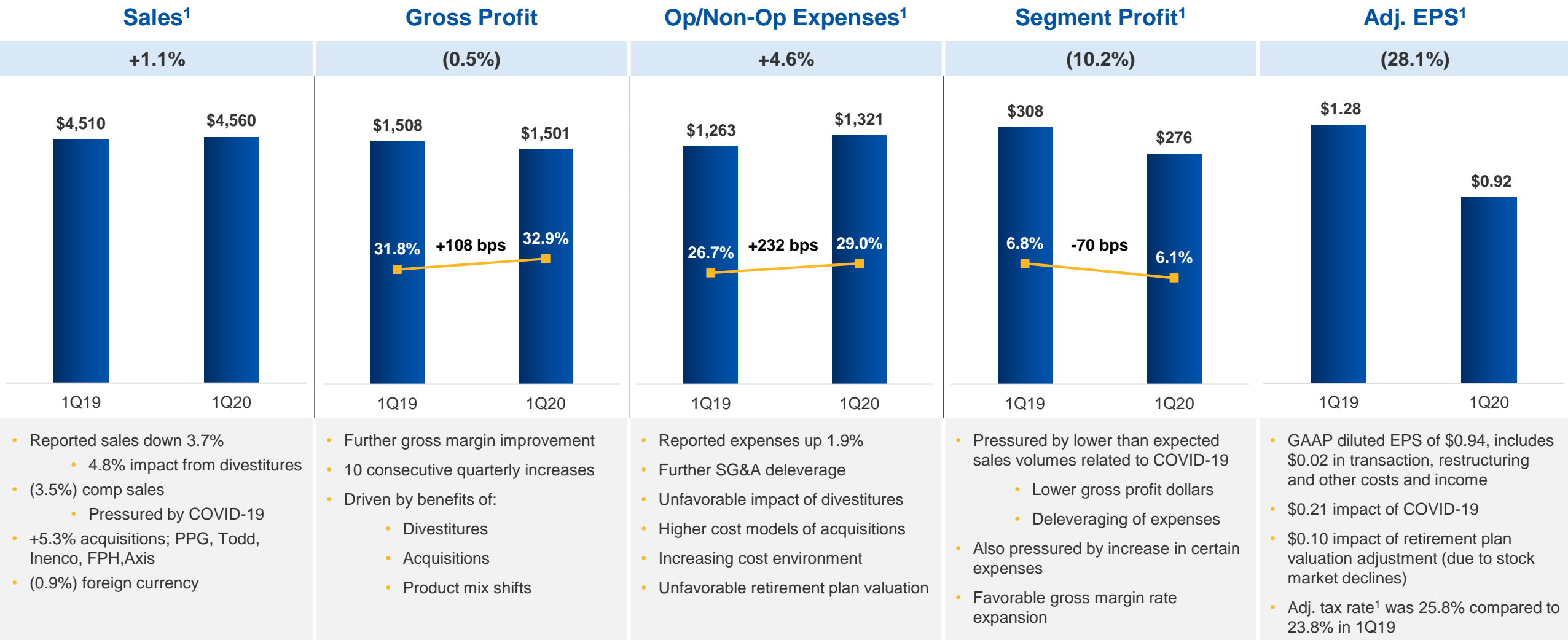
# 1Q20 Financial Performance

**Carol Yancey**

EVP and CFO

# 1Q20 Financial Results

(\$M, except per share data)



Note: All comparisons are YoY unless otherwise stated <sup>1</sup> Sales and Segment Profit exclude divestitures. Operating / Non-Operating expenses, adjusted EPS and adjusted tax rate excludes certain transaction and other costs. These amounts are non-GAAP measures (See Reconciliation of Non-GAAP Measures)

# 1Q20 Segment Performance

(\$M)

## Automotive

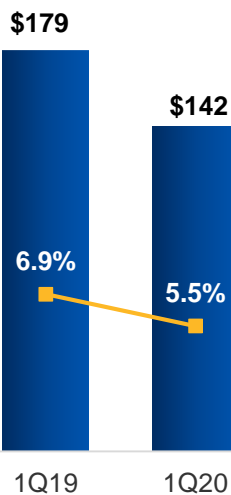
### Sales<sup>1</sup>

(1.0%)



### Profit & Margin<sup>1</sup>

(20.5%)



### Automotive Highlights

- Reported sales (1.6%)
  - 0.6% impact from divestiture
- Sales and margin significantly impacted by COVID-19
- Improved operating margin in Australasia
- Foreign currency a continued headwind
  - April sales (30%)

## Industrial

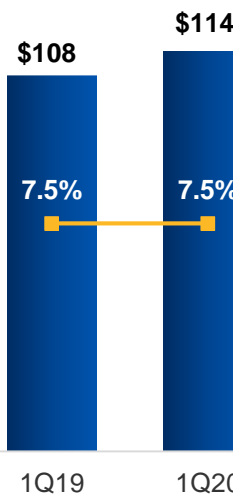
### Sales<sup>1</sup>

+4.7%



### Profit & Margin<sup>1</sup>

+5.4%



### Industrial Highlights

- Reported sales (7.7%)
  - 12.4% impact from divestiture
- Sales and margin slightly impacted by COVID-19
- Motion operating margin improved
- Inenco business performed well
  - April sales (10%)

## Business Products

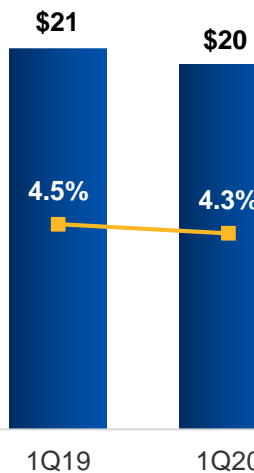
### Sales<sup>1</sup>

+1.5%



### Profit & Margin<sup>1</sup>

(2.5%)

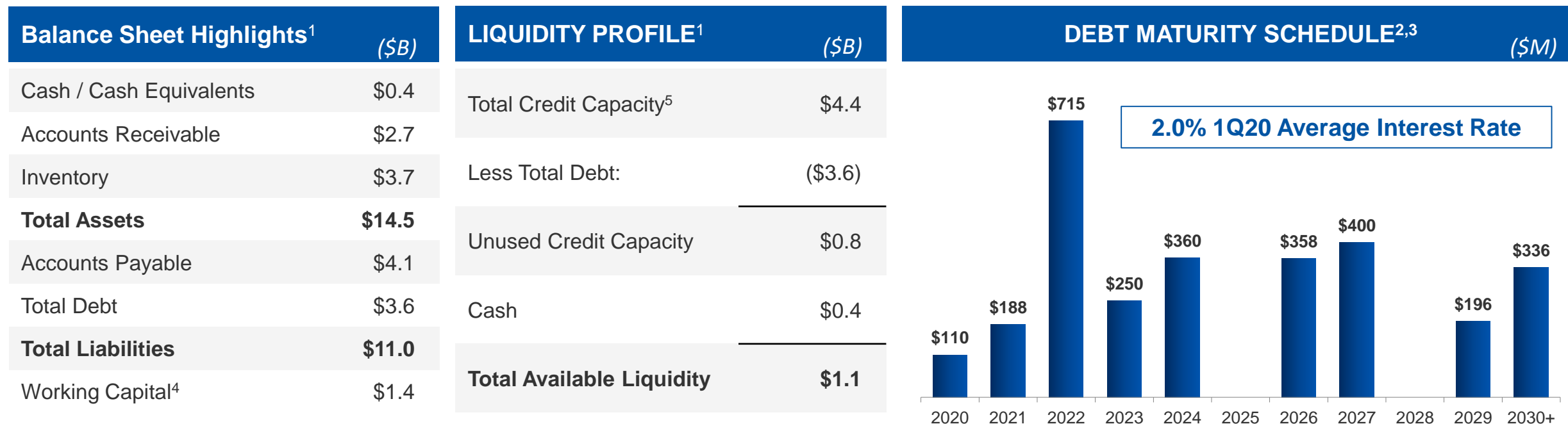


### BPG Highlights

- Reported sales (2.3%)
  - 3.8% impact from divestitures
- Slight sales and margin benefit from COVID-19
  - Strong JanSan and safety sales
- Core business products categories pressured by office closures
  - April sales (20%)

Note: Figures are in \$M. All comparisons are YoY unless otherwise stated. <sup>1</sup>Sales and Segment Profit and Margin exclude divestitures. These amounts are non-GAAP measures (See Reconciliation of Non-GAAP Measures)

# Durable Balance Sheet and Ample Liquidity



- Fixed and variable-rate debt maturing 2021-2034
- In compliance with debt covenants as of March 31, 2020; **negotiated more favorable covenants, effective May 1, 2020**
- Liquidity held steady through April - **~\$1.1 billion available liquidity at April 30, 2020**
- Evaluating alternative forms of liquidity to enhance credit capacity – including utilization of asset-based lending

## Ample Liquidity to Withstand Challenging Economic Environment

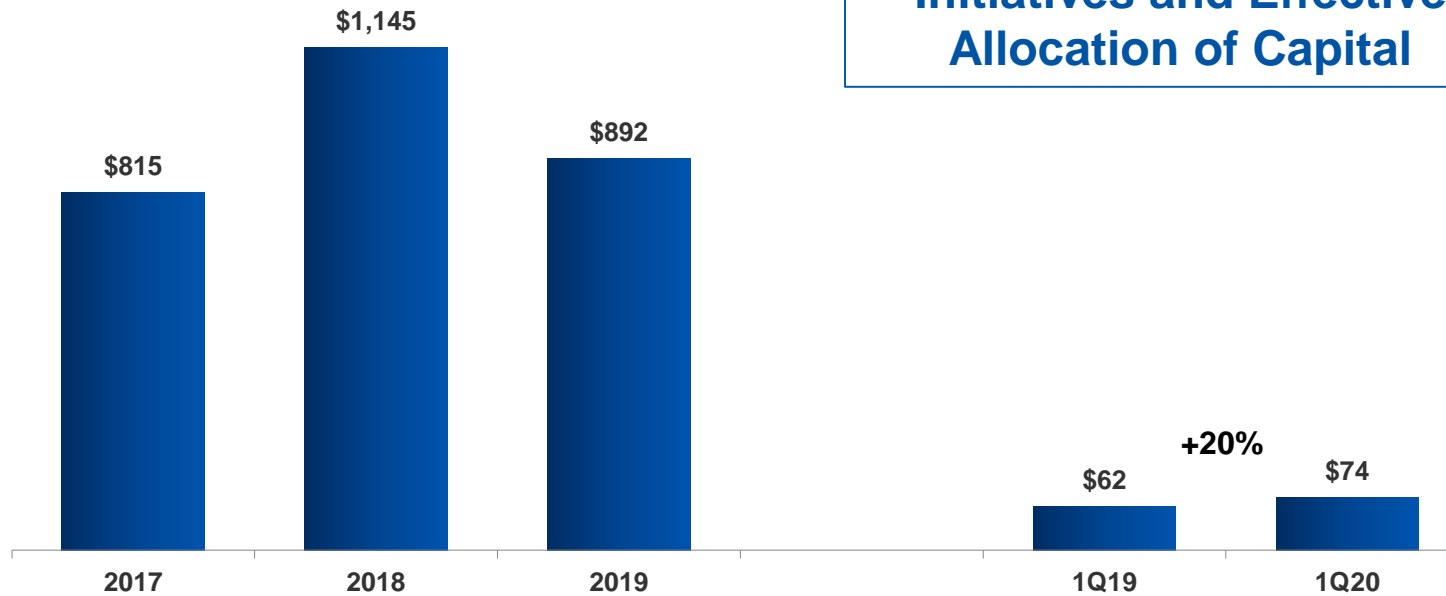
<sup>1</sup> As of 3/31/2020. <sup>2</sup> Excludes revolver. <sup>3</sup> As of 12/31/2019. <sup>4</sup> Working capital is defined as current assets less current liabilities. <sup>5</sup> Total credit capacity represents total committed capacity under the revolving credit facility plus the amount of all other debt outstanding



# Operating Cash Flows

(\$M)

Strong Cash Flows  
in 2009 Financial  
Recession



History of Strong Cash  
Flows to Support Growth  
Initiatives and Effective  
Allocation of Capital

## Drivers:

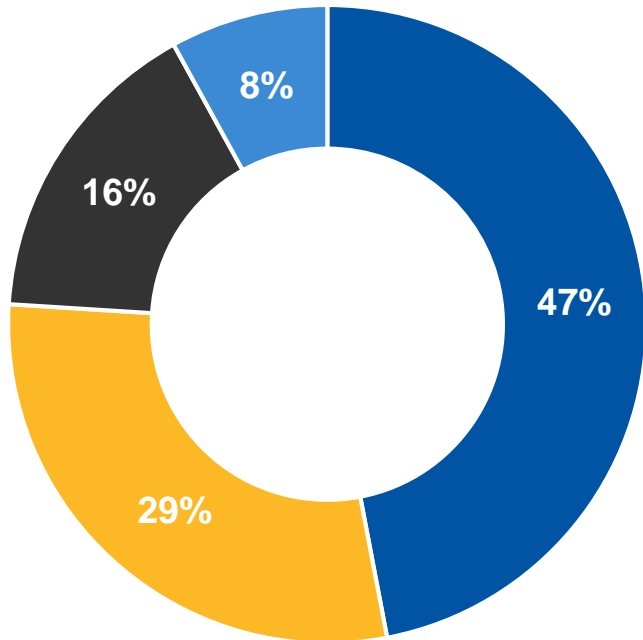
- Earnings
- Working Capital
- Cost Savings

Driving Continued Strong Cash Flows

# Disciplined Capital Allocation

2017-2019 Capital Deployment

**~\$4.3B<sup>1</sup>**



■ M&A ■ Dividend ■ Reinvestment ■ Share Repurchases

## Current Priorities

### Reinvestment

- CapEx reduced to \$150M - \$200M for 2020 (35-50% reduction)

### M&A

- Limited to small, bolt-ons, for balance of 2020

### Share Repurchases

- Temporarily suspended share repurchases

### Dividend

- Board has approved quarterly dividend due July 1, 2020
- \$0.79 per share, representing a 4% increase from 2019
- Dividend yield<sup>2</sup> of 4.0%

**Taking Necessary Steps to Preserve Cash**

# COVID-19 Preparedness Takeaways

To date, we have been fortunate to have very few known COVID-19 cases among our 55,000 employees, a testament to the **enhanced safety protocols** we have implemented in our distribution centers, branches, stores and offices

**Our operations** are essential to our customers and remain substantially open across business segments and geographies

Our teams have been diligent and more frequent in their **communications with employees** and our supplier and customer partners

Our teams have been innovative in **implementing new services** that have proven valuable in driving sales

We have effectively realigned our **capital allocation** priorities by reducing our capital expenditures and suspending share repurchases and M&A – while remaining **committed to the dividend**

We have worked with our banks and other financial partners for additional forms of financing and amended debt covenants to provide **ample liquidity through the crisis**

# Closing Comments

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- ✓ Optimistic for the Future
- ✓ Developed Strategic Recovery Plans
- ✓ Accelerated Transformation Initiatives
- ✓ New and Better Ways to Serve Customers
- ✓ Strong Industry Fundamentals
- ✓ Commitment to Dividend Track Record

**Working Together – One GPC Team**





# Q&A

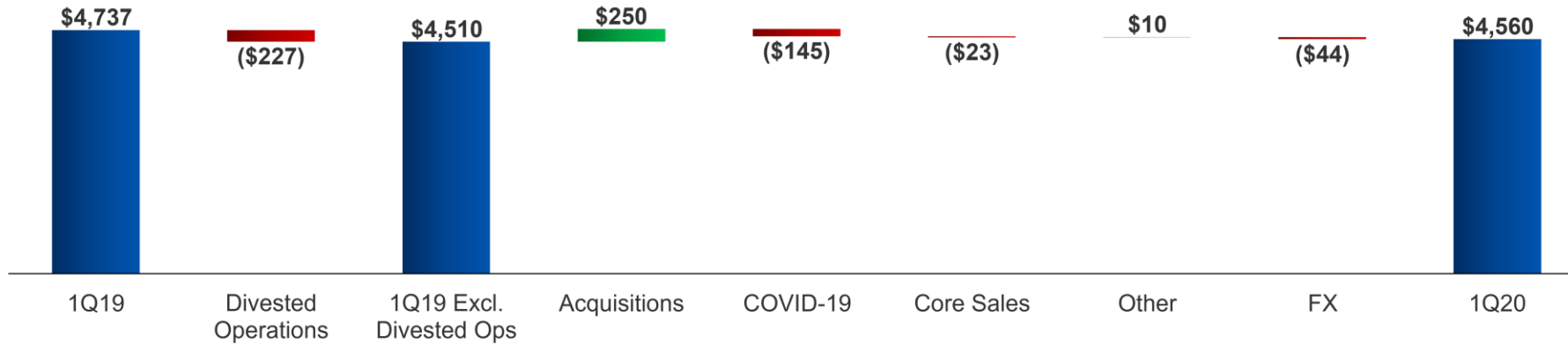


# Appendix

# Consolidated Sales and EPS Bridge

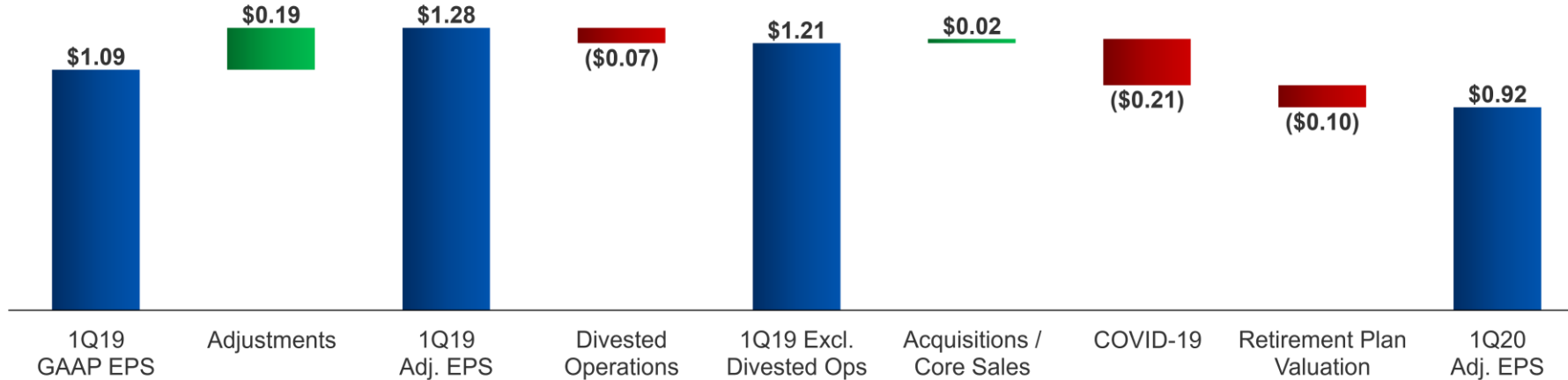
## Appendix A

### SALES<sup>1</sup> (\$M)



Reported Sales	(3.7%)
Divested Operations	+4.8%
Sales Excl. Divestitures <sup>2</sup>	+1.1%

### EPS<sup>1,2</sup>



Adjusted Diluted EPS <sup>2</sup>	\$0.92
Adjustments	+\$0.02
GAAP Diluted EPS	\$0.94



<sup>1</sup>Sales excluding divestitures and adjusted earnings per share are non-GAAP measures (See Reconciliation of Non-GAAP Financial Measures). <sup>2</sup> All earnings per share amounts assume dilution.

**Comparable Sales:** Comparable sales refer to period-over-period comparisons of our sales excluding the impact of acquisitions, divestitures and foreign currency. The Company considers this metric useful to investors because it provides greater transparency into management's view and assessment of the Company's core ongoing operations. This is a metric that is widely used by analysts, investors and competitors in our industry, although our calculation of the metric may not be comparable to similar measures disclosed by other companies, because not all companies and analysts calculate this metric in the same manner.

**Daily Sales:** Daily sales is a key metric that represents the amounts invoiced to the Company's customers each day. Daily sales do not represent GAAP-based sales because, among other things, invoices are not always generated at the same time goods and services are delivered to customers and the amounts do not include adjustments for estimates of returns, rebates or other forms of variable consideration. Management uses this metric to monitor demand trends at each of its subsidiaries throughout each month for the purposes of monitoring performance against forecasts and to make operational decisions. The Company considers this metric useful to investors because it provides greater transparency into management's view and assessment of the Company's core ongoing operations. The calculation of this metric may not be comparable to similar measures disclosed by other companies, because not all companies and analysts calculate this metric in the same manner.



# Reconciliation of Non-GAAP Financial Measures

## Appendix C

### Free Cash Flow

(in millions)	Year Ended December 31, 2019	
Net cash provided by operating activities	\$	892
Less: Purchases of property, plant and equipment		(298)
Free Cash Flow	\$	594

### Adjusted Net Income and Adjusted Diluted Earnings Per Share

(in thousands)	Three Months Ended March 31,		Amounts Per Share Assuming Dilution Three Months Ended March 31,	
	2020	2019	2020	2019
GAAP net income	\$ 136,535	\$ 160,250	\$ 0.94	\$ 1.09
Adjustments:				
Gain on insurance proceeds related to SPR Fire (1)	\$ (12,283)	\$ -	\$ (0.08)	\$ -
Transaction and other costs (2)	11,760	7,077	0.08	0.05
Restructuring costs (3)	1,439	-	0.01	-
Realized currency loss (4)	-	27,037	-	0.18
Total adjustments	916	34,114	0.01	0.23
Tax impact of adjustments	(4,048)	(7,150)	(0.03)	(0.04)
Adjusted net income	\$ 133,403	\$ 187,214	\$ 0.92	\$ 1.28
Weighted average common shares outstanding – assuming dilution			145,623	146,694

(1) Adjustment reflects insurance recoveries in excess of losses incurred on inventory, property, plant and equipment and other fire-related costs related to the S.P. Richards Headquarters and Distribution Center.

(2) Adjustment reflects (i) \$6.0 million of incremental costs associated with COVID-19 and (ii) costs associated with divestitures. COVID-19 related costs include incremental costs incurred relating to fees to cancel marketing events and increased cleaning and sanitization materials, among other things.

(3) Adjustment reflects restructuring costs related to the 2019 Cost Savings Plan announced in the fourth quarter of 2019. The costs are primarily associated with severance and other employee costs, including a voluntary retirement program, and facility and closure costs related to the consolidation of operations.

(4) Adjustment reflects realized currency loss related to the sale Grupo Auto Todo in March 2019.

# Reconciliation of Non-GAAP Financial Measures (Cont.) Appendix C

## Adjusted Tax Rate

(in thousands)	Three Months Ended March 31,	
	2020	2019
Income before income taxes	\$ 178,945	\$ 211,512
Total adjustments (1)	916	34,114
Adjusted Income before income taxes	<u>179,861</u>	<u>245,626</u>
Income taxes	\$ 42,410	\$ 51,262
Tax impact of adjustments (1)	4,048	7,150
Adjusted income taxes	<u>\$ 46,458</u>	<u>\$ 58,412</u>
<i>Adjusted Tax Rate</i>	<i>25.8%</i>	<i>23.8%</i>

(1) Refer to adjusted net income and adjusted diluted earnings per share reconciliation for explanation of adjustments

## Adjusted Operating and Non-Operating Expenses

(in thousands)	Three Months Ended March 31,		YTD Change	
	2020	2019	\$ Change	% Change
GAAP Operating and Non-Operating Expenses	\$ 1,321,846	\$ 1,296,656		
Less: Total Adjustments (2)	916	34,114		
Adjusted Operating and Non-Operating Expenses	<u>\$ 1,320,930</u>	<u>\$ 1,262,542</u>	\$ 58,388	4.6%
Adjusted Operating and Non-Operating Expenses as a Percent of GAAP Net Sales	29.0%	26.7%		232 bps

(2) Refer to adjusted net income and adjusted diluted earnings per share reconciliation for explanation of pre-tax adjustments

# Reconciliation of Non-GAAP Financial Measures (Cont.) Appendix C

## Change in Net Sales Excluding Divestitures

(in millions)	2019			2020		\$ Change	% Change
	GAAP Total Net Sales	Net Sales of Businesses Divested in 2019 & 2020 (1)	Net Sales Excluding Divestitures	GAAP Total Net Sales			
Automotive	\$ 2,622	\$ 16	\$ 2,607	\$ 2,582	(25)	(1.0)%	
Industrial	1,635	194	1,442	1,510	68	4.7%	
Business Products	479	18	461	468	7	1.5%	
<b>Total Net Sales</b>	<b>\$ 4,737</b>	<b>\$ 227</b>	<b>\$ 4,510</b>	<b>\$ 4,560</b>	<b>50</b>	<b>1.1%</b>	

## Change in Segment Profit Excluding Divestitures

(in millions)	2019			2020		\$ Change	% Change
	Segment Profit	Segment Profit of Businesses Divested in 2019 & 2020 (1)	Segment Profit Excluding Divestitures	Segment Profit			
Automotive	\$ 179	\$ 0	\$ 179	\$ 142	(37)	(20.5)%	
Industrial	121	13	108	114	6	5.4%	
Business Products	21	1	21	20	(1)	(2.5)%	
<b>Total Segment Profit</b>	<b>\$ 321</b>	<b>\$ 14</b>	<b>\$ 308</b>	<b>\$ 276</b>	<b>(31)</b>	<b>(10.2)%</b>	

(1) Refer to the acquisitions and divestitures footnote in the Notes to the Consolidated Financial Statements on Form 10-K filed with the SEC on February 21, 2020 for additional information on divested businesses