



# Genuine Parts 3Q20 Earnings Presentation

October 22, 2020

# Genuine Parts Company Snapshot (NYSE: GPC)

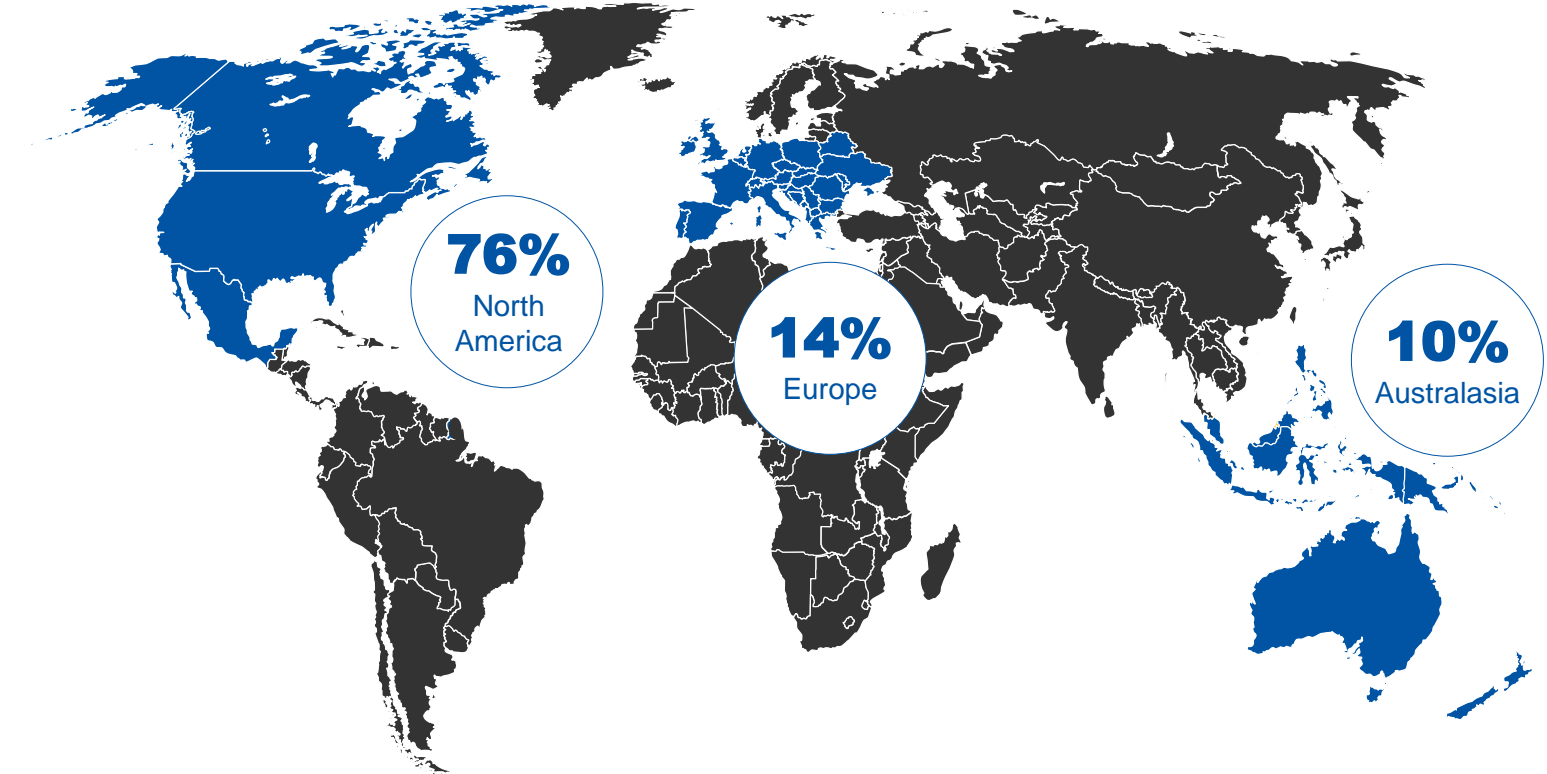
## KEY STATISTICS<sup>1</sup>

Founded	1928
Headquarters	Atlanta, GA
Countries Served	14
Locations	~10,400
<ul style="list-style-type: none"> <li>Warehouses</li> <li>Distribution Facilities</li> <li>Retail (Owned/Independent)</li> </ul>	735 169 9,500
Employees	~50,000
Market Capitalization	~\$13.7B

## TTM 2020 FINANCIAL HIGHLIGHTS<sup>1</sup>

Revenue <sup>2</sup>	\$16.6B
<ul style="list-style-type: none"> <li>Automotive</li> <li>Industrial</li> </ul>	65% 35%
Segment Profit Margin <sup>2</sup>	7.9%
Free Cash Flow <sup>3</sup>	~\$1.4B
Dividend Yield <sup>4</sup>	3.3%

## GLOBAL FOOTPRINT TTM 2020 Revenue by Region<sup>1,2</sup>



**Leading Global Distributor in Diversified End Markets**



<sup>1</sup> As of 9/30/20, <sup>2</sup> Continuing operations <sup>3</sup> Refer to Reconciliation of Non-GAAP measures <sup>4</sup> Calculated based on estimated annual dividend per share divided by share price as of 9/30/20

# 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,” “position,” “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, our strategies for growing our automotive and industrial businesses, 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 and actions to maximize cash flow 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; 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 its two 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; changes in national and international legislation or government regulations or policies, including changes to import tariffs, short term government subsidies, and the unpredictability of such changes and their impact to the Company and its suppliers and customers, 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; 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 from continuing operations, adjusted diluted earnings per share from continuing operations, adjusted tax rate, adjusted gross profit, adjusted operating and non-operating expenses, net sales excluding divestitures, segment profit excluding divestitures, segment profit margin 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.



# 3Q20 Highlights & COVID-19 Update

**Paul Donahue**

Chairman & CEO

# 3Q20 Key Messages and Priorities

01

Ensuring the **continued health and safety** of our employees, customers, suppliers and communities in which we operate

02

Execution of our strategic initiatives and cost actions to **deliver customer value, operational efficiencies and strong financial results**

03

Management of our working capital to drive strong free cash flow, **strengthen our financial position and enhance liquidity**

04

**Effective capital deployment**, including strategic reinvestments in the business, paying a consistent dividend to our shareholders and the repayment of debt






05

**Advanced our ESG initiatives** with the release of our 2020 Corporate Sustainability Report

Focus on Core Automotive and Industrial Segments

# Operating Through the Challenges of COVID-19

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-  **Executed with agility** aggressively managing our operations through COVID-19
-  **Committed to operational excellence** to fulfill critical customer needs
-  **Engaging** with our teams at every level
-  **Operating well** and prepared with **appropriate readiness plans** in the event of a “second wave”
-  **Thank you** to our 50,000+ team members across our global footprint!

**Working Together As One GPC Team**

# 3Q20 Highlights and Business Environment<sup>1</sup>

## Financial Update

- \$4.4B Total Sales, +0.8% Excluding Divestitures<sup>2</sup>
  - ✓ Monthly daily sales<sup>3</sup> trends: Flat in July and August, +1 in September
  - ✓ Recovery from 2Q in both automotive and industrial due to re-opening of economies
- Operating Margin Expansion of 100 bps including Gross Margin Improvement and Significant Cost Savings
- Adjusted Net Income of \$237M; \$1.63 Adjusted Diluted EPS, +17%<sup>2</sup>

## Balance Sheet and Cash Flow

- Strengthened Balance Sheet and Enhanced Liquidity
  - ✓ Improved working capital by 17%
  - ✓ Lowered debt position by 15% YOY; \$2.8B in liquidity
- Cash from Operations of \$1.4 billion, +111%
  - ✓ Driven by working capital initiatives, including sale of accounts receivables

Improving Momentum in Quarterly Sales Trends and Strong Operations



# 3Q20 Segment Highlights/ Macro Trends



**Automotive**  
Total sales up 6.0%



**Industrial**  
Total sales down 8.7%<sup>1</sup>

Comp Sales	<ul style="list-style-type: none"> <li>• Comp sales<sup>2</sup> up 2.2% compared to a 12.6% decrease in 2Q</li> </ul>	<ul style="list-style-type: none"> <li>• Comp sales<sup>2</sup> down 9.2% compared to a 16.7% decrease in 2Q</li> </ul>
<b>NORTH AMERICA</b>	<ul style="list-style-type: none"> <li>• U.S. comp sales<sup>2</sup> down 2.8% compared to a 14% decrease in 2Q                             <ul style="list-style-type: none"> <li>• Positive DIY sales / DIFM still pressured but recovering</li> <li>• Continued strong on-line sales growth, 2X pre-COVID levels</li> <li>• Segment profit margin expansion +60 bps</li> </ul> </li> <li>• Canada comp sales<sup>2</sup> up 0.5% compared to a 15% decrease in 2Q                             <ul style="list-style-type: none"> <li>• Segment profit margin expansion +200 bps</li> </ul> </li> <li>• Sales to independent store owners in U.S. and Canada in-line with company-owned stores</li> </ul>	<ul style="list-style-type: none"> <li>• Strengthening industrial economy driving improved sales trends</li> <li>• Segment profit margin expansion +80 bps<sup>1</sup></li> <li>• Safety products outperforming with low teens sales growth</li> <li>• Significant industry diversification</li> <li>• Most industry sectors are pressured                             <ul style="list-style-type: none"> <li>• Equipment &amp; Machinery, Iron &amp; Steel, Auto, Fabricated Metals, Oil &amp; Gas</li> </ul> </li> <li>• Stronger, more resilient sectors                             <ul style="list-style-type: none"> <li>• Food Products, Pulp &amp; Paper, Lumber &amp; Wood, Equipment Rental/ Leasing</li> </ul> </li> </ul>
<b>EUROPE</b>	<ul style="list-style-type: none"> <li>• Comp sales<sup>2</sup> up 11.6% compared to a 16% decrease in 2Q                             <ul style="list-style-type: none"> <li>• Sales environment strengthened significantly during the quarter</li> <li>• Segment profit margin expansion +140 bps</li> </ul> </li> </ul>	
<b>AUSTRALASIA</b>	<ul style="list-style-type: none"> <li>• Comp sales<sup>2</sup> up 14.8% compared to a 2% increase in 2Q                             <ul style="list-style-type: none"> <li>• Robust DIY/DIFM sales growth during the quarter                                     <ul style="list-style-type: none"> <li>• Continued restrictions/lockdowns in Melbourne and Victoria</li> </ul> </li> <li>• Continued strength in on-line sales, 2-3X pre-COVID levels</li> </ul> </li> <li>• Segment profit margin expansion +180 bps</li> </ul>	<ul style="list-style-type: none"> <li>• Mi Asia Pac performed well in 3Q / Positive YoY sales growth</li> <li>• Benefiting from resiliency of mining industry</li> <li>• Significant operating margin expansion</li> <li>• Steady operational performance since July 2019 acquisition</li> </ul>
<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, improving miles driven trends</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 plant automation and robotics solutions</li> <li>• Following manufacturing PMI and industrial production as industrial demand indicators</li> </ul>



# Engrained ESG Best Practices Throughout Organization



## Environmental

- Completed **hundreds of retail location and distribution center lighting retrofits offsetting 60M lbs of CO<sub>2</sub>** (2015-19)
- Our fleet management program **reduced fuel consumption by 15% saving 1.6 million gallons of gasoline** (2017-19), which **reduced carbon emissions by 19%**
- **Recycled 6,397 tons of material** in 2019 through comprehensive waste recycling program
- Vendors meet **strict supply chain sustainability standards**



## Social

- **Donated time, resources and \$5M+ in 2019 to:**
  - United Way
  - Intrepid Fallen Heroes
  - City of Hope
  - American Cancer Society
  - Starlight Children's Foundation
- **Provided health and wellness benefits to employees**, including biometric screenings, fitness challenges, eLearning modules and counseling/recovery assistance programs
- **Increased spend with diverse suppliers** by 8% in 2018 from 5,200 diversity supplier partners



## Governance

- **Diversity & Inclusion Committee** to advance initiatives supportive of an environment built on respect, dignity & fairness
- **Formalizing our sustainability governance**, including ongoing shareholder engagement and routine updates to the Board of Directors
- **Ambassadors** will serve on cross company corporate sustainability committee to drive positive change
- **Safety Council** serves as an internal advisory group approving policy, actions and communications

Published 2020 Sustainability Report Highlighting Significant Progress Made on Our ESG Journey

# Strategic Growth Framework

01

Capture more wallet share with existing customers / Acquire new customers

- Maximize the value of global branding opportunities



- Continued enhancement of omnichannel capabilities
- Retail store remodel and enhancements
- Leverage NAPA Rewards Program

02

Introduce new products and services

- Continued introduction of new omnichannel offerings
- Further development of commercial programs and technology solutions for customers
- Innovate ways to serve customers with digital tools

03

Strategic expansion into new geographies

- NAPA brand expansion into Europe and Australasia
- Strategic acquisitions to complement existing operations and expand footprint
- Introduction of Mi Asia Pacific



A Strategic Framework to Coordinate Growth Plans & Maximize Shareholder Value



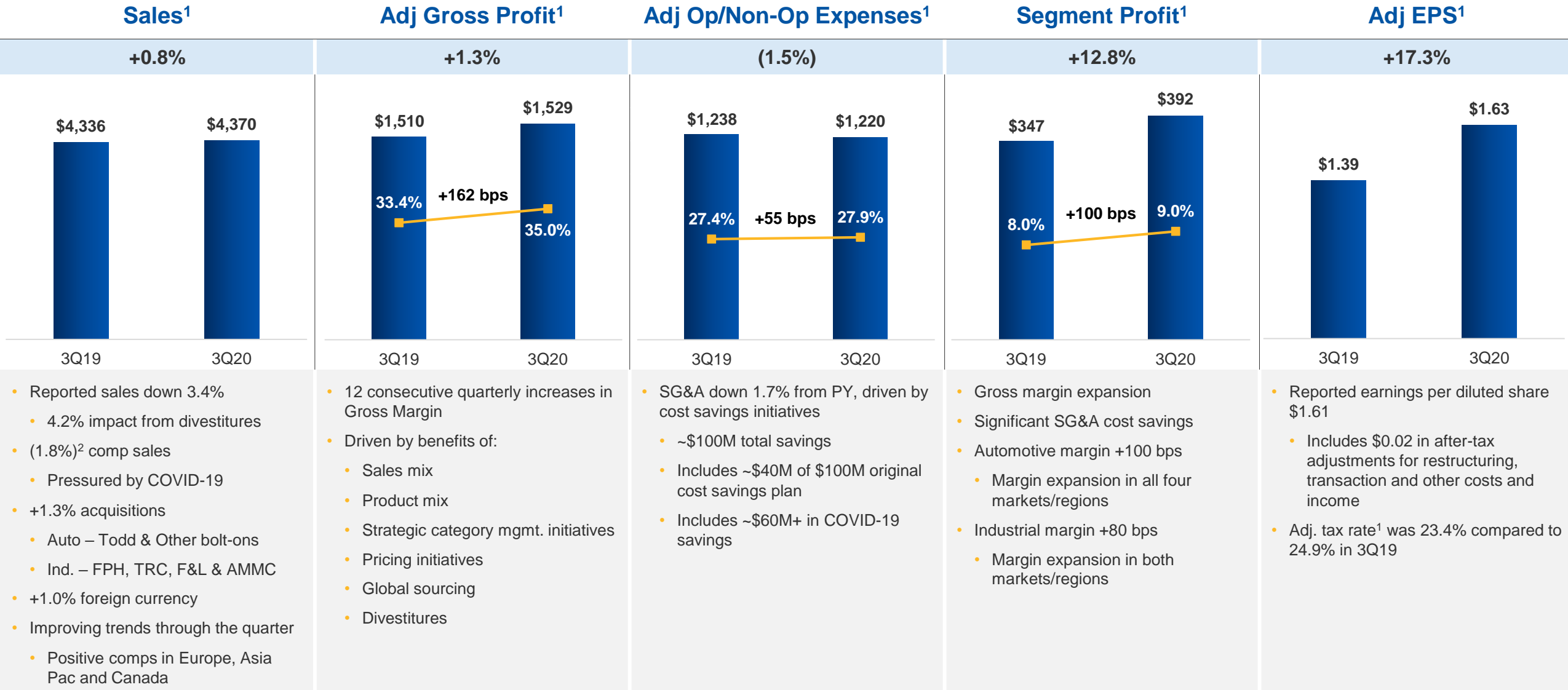
# 3Q20 Financial Performance

**Carol Yancey**

EVP and CFO

# 3Q20 Financial Results

(\$M, except per share data)



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

<sup>2</sup> See Appendix B for definition

# 3Q20 Segment Performance

(\$M)

## Automotive

## Industrial

### Sales

+6.0%

### Segment Profit

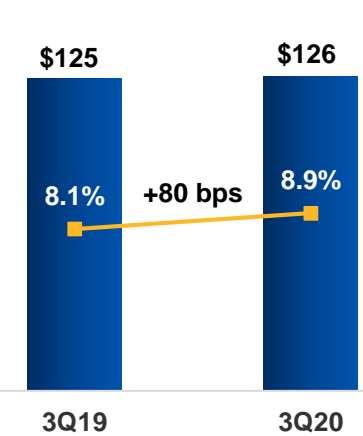
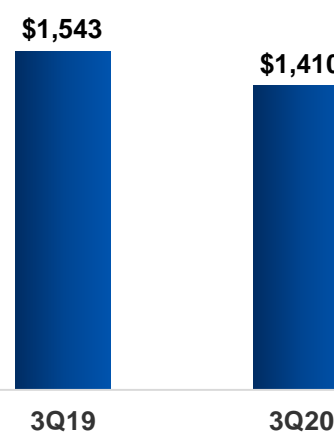
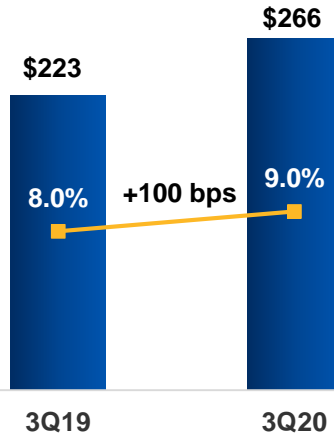
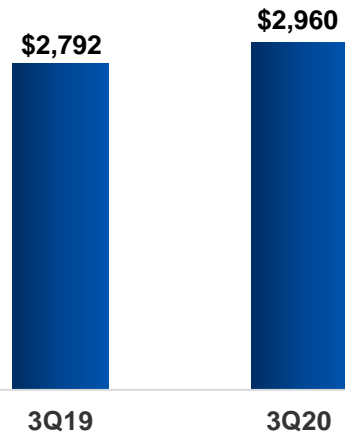
+19.6%

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

(8.7%)

### Segment Profit<sup>1</sup>

+0.7%



### Automotive Highlights

- Reported sales +6% compared to a 10% decrease in 2Q
- DIY segment outperforming DIFM through COVID-19
- Strengthening sales trends in every market and region through 3Q
- Sales in Europe and Australasia especially strong, with LDD comparable sales growth
- Improved profit margin in every market/region
- Positive foreign currency impact

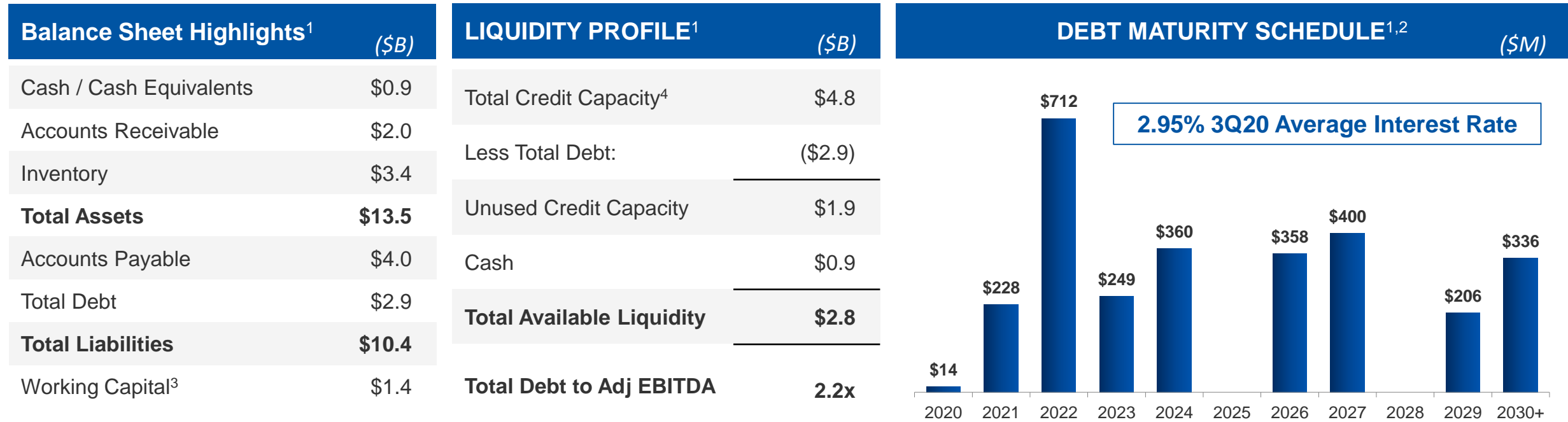
### Industrial Highlights

- Reported sales (18.6%) or (8.7%) excluding EIS divestiture
  - 9.9% impact from divestiture
- Gradually improving sales trends through 3Q
- Added three new strategic bolt-on acquisitions to strengthen automation and hydraulics
- Improved profit margin in both markets/regions
- Performing well at Mi Asia Pac, with slight sales increase



Note: 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 September 30, 2020; **negotiated more favorable covenants, effective May 1, 2020**
- Total debt to adjusted EBITDA improved from 2.5x at June 30, 2020
- Liquidity strengthened in Q3; **~\$2.8 billion available liquidity**

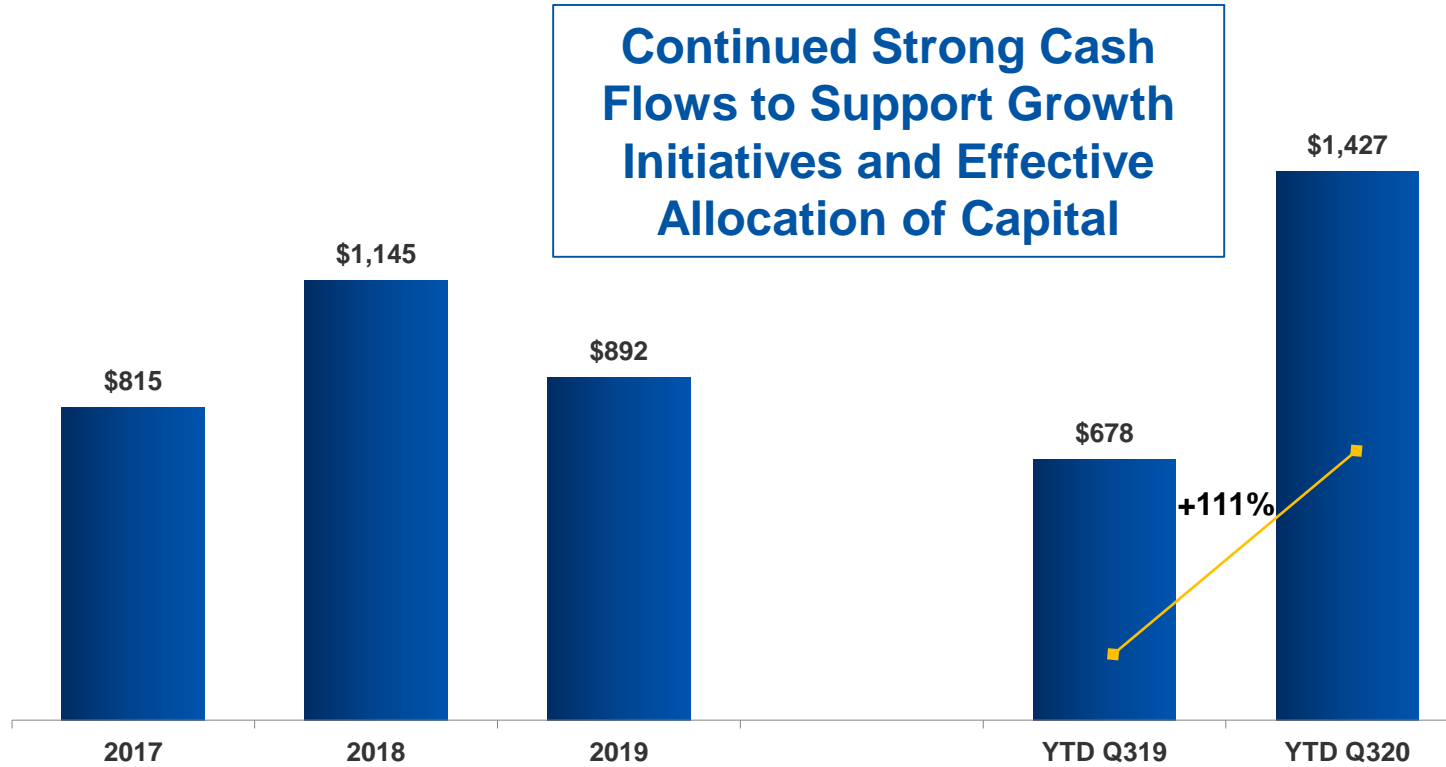
## Ample Liquidity to Withstand Challenging Economic Environment



<sup>1</sup> As of 9/30/2020 <sup>2</sup> Excludes revolver <sup>3</sup> Working capital is defined as current assets less current liabilities <sup>4</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)



## Drivers:

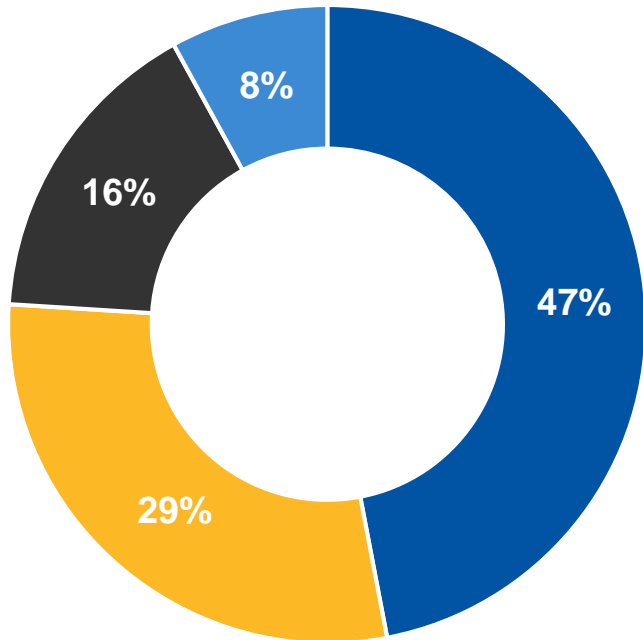
- Earnings
- Working Capital
- Sale of receivables
- Cost Savings

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

- 2020 CapEx of \$150M-\$200M (35-50% reduction from original expectation)

### M&A

- Targeting small, bolt-ons, for balance of 2020

### Share Repurchases

- Temporarily suspended share repurchases

### Dividend

- \$0.79 per share, representing a 4% increase from 2019
- Dividend yield of 3.3%<sup>2</sup>

**Taking Necessary Steps to Preserve Cash**



# Closing Comments

*The continued focus on our top priorities resulted in a strong financial performance for the quarter; 3Q results highlight our progress in several key areas*



Strengthening sales trends in Automotive and Industrial



Continued gross margin expansion



Transformative cost actions and significant cost savings



Operating margin expansion in each of our businesses



A stronger balance sheet, enhanced liquidity and substantial cash flows

**Focus on Top Priorities for Sustained Growth and Operational Excellence**



# Q&A

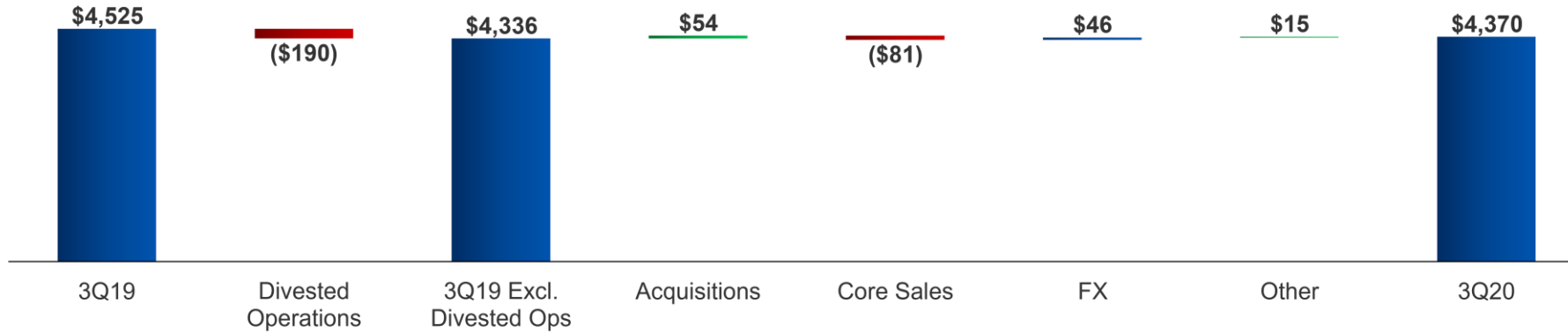


# Appendix

# Consolidated Sales and EPS Bridge

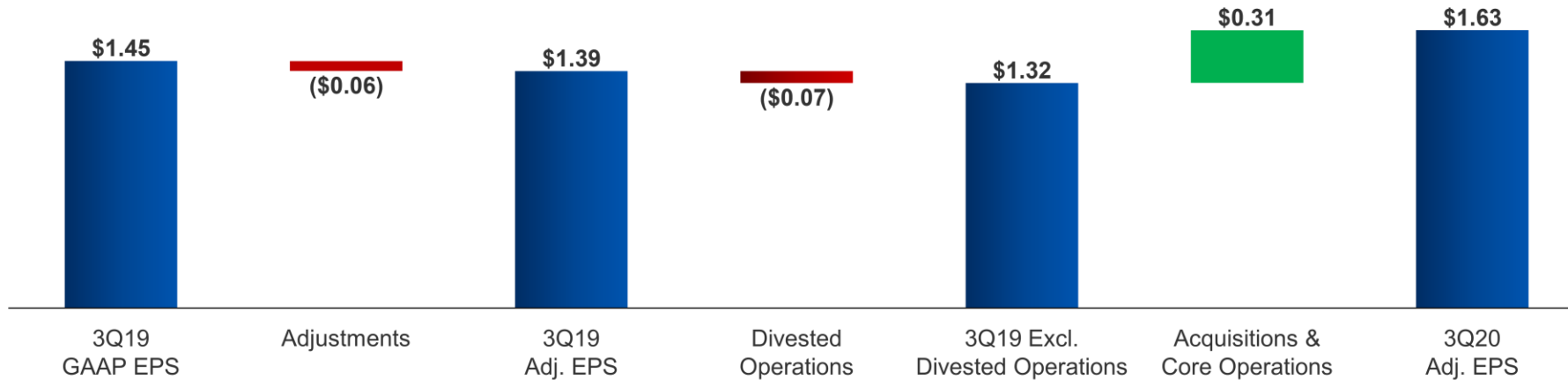
## Appendix A

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



Reported Sales	(3.4%)
Divested Operations	+4.2%
Sales Excl. Divestitures <sup>1</sup>	+0.8%

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



Adjusted Diluted EPS <sup>2</sup>	\$1.63
Adjustments	(\$0.02)
GAAP Diluted EPS	\$1.61



<sup>1</sup>Sales excluding divestitures and discontinued operations 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.

# Segment Data by Quarter

## Appendix C

(in thousands)	2019				2020		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Net sales:							
Automotive	\$ 2,623,706	\$ 2,776,210	\$ 2,792,453	\$ 2,801,533	\$ 2,582,685	\$ 2,495,799	\$ 2,960,379
Industrial	1,635,423	1,681,721	1,732,831	1,478,357	1,509,841	1,327,428	1,409,707
Total net sales	4,259,129	4,457,931	4,525,284	4,279,890	4,092,526	3,823,227	4,370,086
Segment profit:							
Automotive	179,568	228,736	222,561	201,086	142,578	218,906	266,124
Industrial	121,028	136,334	137,525	126,943	113,933	108,928	125,620
Total segment profit	300,596	365,070	360,086	328,029	256,511	327,834	391,744
Interest expense, net	(23,017)	(22,586)	(24,880)	(20,922)	(19,868)	(24,876)	(25,221)
Intangible asset amortization	(21,271)	(22,604)	(24,910)	(72,030)	(22,740)	(23,256)	(24,223)
Corporate expense	(31,179)	(33,573)	(38,830)	11,376	(55,061)	(28,613)	(33,379)
Other unallocated costs	(33,114)	(4,108)	12,413	(145,263)	1,751	(555,525)	(11,256)
Income (Loss) before income taxes from continuing operations	192,015	282,199	283,879	101,190	160,593	(304,436)	297,665
Income taxes from continuing operations	(46,331)	(72,680)	(71,623)	(22,174)	(38,247)	(59,065)	(64,747)
Net income from continuing operations	\$ 145,684	\$ 209,519	\$ 212,256	\$ 79,016	\$ 122,346	\$ (363,501)	\$ 232,918

# Reconciliation of Non-GAAP Financial Measures

## Appendix D

### Adjusted Net Income from Continuing Operations

(in thousands)	2019				2020		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
GAAP net income (loss) from continuing operations	\$ 145,684	\$ 209,519	\$ 212,256	\$ 79,016	\$ 122,346	\$ (363,501)	\$ 232,918
Adjustments:							
Goodwill impairment charge (1)	—	—	—	—	—	506,721	—
Restructuring costs (2)	—	—	—	142,780	2,982	25,059	10,968
Realized currency loss on divestitures (3)	27,037	—	7,664	—	—	11,356	—
Gain on insurance proceeds related to SPR Fire (4)	—	—	—	—	(12,282)	(1,166)	—
Gain in equity investment (5)	—	—	(38,663)	—	—	—	—
Transaction and other costs (6)	6,077	4,108	18,586	2,483	7,549	13,555	288
Total adjustments	33,114	4,108	(12,413)	145,263	(1,751)	555,525	11,256
Tax impact of adjustments	(6,909)	1,769	4,000	(38,564)	(3,810)	(1,500)	(7,423)
Adjusted net income from continuing operations	\$ 171,889	\$ 215,396	\$ 203,843	\$ 185,715	\$ 116,785	\$ 190,524	\$ 236,751

(in thousands, except per share and per share data)	2019				2020		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Diluted net income (loss) from continuing operations per common share	\$ 0.99	\$ 1.43	\$ 1.45	\$ 0.54	\$ 0.84	\$ (2.52)	\$ 1.61
Adjustments:							
Goodwill impairment charge (1)	—	—	—	—	—	3.51	—
Restructuring costs (2)	—	—	—	0.98	0.02	0.17	0.07
Realized currency loss on divestitures (3)	0.18	—	0.05	—	—	0.08	—
Gain on insurance proceeds related to SPR Fire (4)	—	—	—	—	(0.08)	(0.01)	—
Gain in equity investment (5)	—	—	(0.26)	—	—	—	—
Transaction and other costs (6)	0.05	0.03	0.12	0.01	0.05	0.10	—
Total adjustments	0.23	0.03	(0.09)	0.99	(0.01)	3.85	0.07
Tax impact of adjustments	(0.05)	0.01	0.03	(0.26)	(0.03)	(0.01)	(0.05)
Adjusted net income from continuing operations	\$ 1.17	\$ 1.47	\$ 1.39	\$ 1.27	\$ 0.80	\$ 1.32	\$ 1.63
Weighted average common shares outstanding — assuming dilution	146,694	146,736	146,189	146,105	145,623	144,262	145,035

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

## Adjusted EBIT and Adjusted EBITDA

(in thousands)	2019				2020		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
GAAP net income (loss) from continuing operations	\$ 145,684	\$ 209,519	\$ 212,256	\$ 79,016	\$ 122,346	\$ (363,501)	\$ 232,918
interest expense, net	23,017	22,586	24,880	20,922	19,868	24,876	25,221
Income taxes from continuing operations	46,331	72,680	71,623	22,174	38,247	59,065	64,747
EBIT	\$ 215,032	\$ 304,785	\$ 308,759	\$ 122,112	\$ 180,461	\$ (279,560)	\$ 322,886
Goodwill impairment charge (1)	—	—	—	—	—	506,721	—
Restructuring costs (2)	—	—	—	142,780	2,982	25,059	10,968
Realized currency loss on divestitures (3)	27,037	—	7,664	—	—	11,356	—
Gain on insurance proceeds related to SPR Fire (4)	—	—	—	—	(12,282)	(1,166)	—
Gain in equity investment (5)	—	—	(38,663)	—	—	—	—
Transaction and other costs (6)	6,077	4,108	18,586	2,483	7,549	13,555	288
Adjusted EBIT	\$ 248,146	\$ 308,893	\$ 296,346	\$ 267,375	\$ 178,710	\$ 275,965	\$ 334,142

(in thousands)	2019				2020		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
GAAP net income (loss) from continuing operations	\$ 145,684	\$ 209,519	\$ 212,256	\$ 79,016	\$ 122,346	\$ (363,501)	\$ 232,918
Depreciation and amortization	58,617	62,684	65,667	70,295	67,254	66,733	69,097
interest expense, net	23,017	22,586	24,880	20,922	19,868	24,876	25,221
Income taxes from continuing operations	46,331	72,680	71,623	22,174	38,247	59,065	64,747
EBITDA	\$ 273,649	\$ 367,469	\$ 374,426	\$ 192,407	\$ 247,715	\$ (212,827)	\$ 391,983
Goodwill impairment charge (1)	—	—	—	—	—	506,721	—
Restructuring costs (2)	—	—	—	142,780	2,982	25,059	10,968
Realized currency loss on divestitures (3)	27,037	—	7,664	—	—	11,356	—
Gain on insurance proceeds related to SPR Fire (4)	—	—	—	—	(12,282)	(1,166)	—
Gain in equity investment (5)	—	—	(38,663)	—	—	—	—
Transaction and other costs (6)	6,077	4,108	18,586	2,483	7,549	13,555	288
Adjusted EBITDA	\$ 306,763	\$ 371,577	\$ 362,013	\$ 337,670	\$ 245,964	\$ 342,698	\$ 403,239



- (1) Goodwill Impairment Charge:** Adjustment reflects the second quarter goodwill impairment charge related to the Company's European reporting unit.
- (2) Restructuring Costs:** Adjustment reflects restructuring costs related to the ongoing execution of 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.
- (3) Realized Currency Loss:** Adjustment reflects realized currency losses related to divestitures.
- (4) Gain on Insurance Proceeds Related to SPR Fire:** 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.
- (5) Gain on Equity Investment:** Adjustment reflects the gain from remeasuring the Company's preexisting 35% equity investment to fair value upon acquiring the remaining equity of Inenco on July 1, 2019.
- (6) Transaction and Other Costs:** Adjustment includes transaction and other costs related to acquisitions and divestitures. For the nine months ended September 30, 2020, adjustment includes \$8,490 of incremental costs associated with COVID-19. COVID-19 related costs include incremental costs incurred relating to fees to cancel marketing events and increased cleaning and sanitization materials, among other things.

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

## Adjusted Gross Profit

(in thousands)	Three Months Ended September 30,		QTD Change	
	2020	2019	\$ Change	% Change
GAAP Gross Profit	\$ 1,528,066	\$ 1,505,233	\$ 22,833	1.5%
Adjustments:				
Cost of goods sold	604	4,521	(3,917)	(86.6)%
Total Adjustments (2)	604	4,521	(3,917)	(86.6)%
Adjusted Gross Profit	\$ 1,528,670	\$ 1,509,754	\$ 18,916	1.3%
Adjusted Gross Profit as a Percent of GAAP Net Sales	35.0%	33.4%		160 bps

## Adjusted Operating and Non-Operating Expenses

(in thousands)	Three Months Ended September 30,		QTD Change	
	2020	2019	\$ Change	% Change
GAAP Operating and Non-Operating Expenses	\$ 1,230,401	\$ 1,221,354	\$ 9,047	0.7%
Adjustments:				
Selling, administrative and other expenses	—	15,879	(15,879)	(100.0)%
Restructuring costs	10,968	—	10,968	100.0%
Non-operating (income): Other	(316)	(32,813)	32,497	(99.0)%
Less: Total Adjustments (2)	10,652	(16,934)	27,586	(162.9)%
Adjusted Operating and Non-Operating Expenses	\$ 1,219,749	\$ 1,238,288	\$ (18,539)	(1.5)%
Adjusted Operating and Non-Operating Expenses as a Percent of GAAP Net Sales	27.9%	27.4%		50 bps

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

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

## Change in Net Sales Excluding Divestitures

For the three months ended September 30, 2019 and September 30, 2020

(in thousands)	2019			2020		
	GAAP Total Net Sales	Net Sales of Businesses Divested in 2019 & 2020 (1)	Net Sales Excluding Divestitures	GAAP Total Net Sales	\$ Change	% Change
Automotive	\$ 2,792,453	\$ -	\$ 2,792,453	\$ 2,960,379	167,926	6.0%
Industrial	1,732,831	189,626	1,543,205	1,409,707	(133,498)	(8.7)%
<b>Total Net Sales</b>	<b>\$ 4,525,284</b>	<b>\$ 189,626</b>	<b>\$ 4,335,658</b>	<b>\$ 4,370,086</b>	<b>34,428</b>	<b>0.8%</b>

## Change in Segment Profit Excluding Divestitures

For the three months ended September 30, 2019 and September 30, 2020

(in thousands)	2019			2020		
	Segment Profit	Segment Profit of Businesses Divested in 2019 & 2020 (1)	Segment Profit Excluding Divestitures	Segment Profit	\$ Change	% Change
Automotive	\$ 222,561	\$ -	\$ 222,561	\$ 266,124	43,563	19.6%
Industrial	137,525	12,788	124,737	125,620	883	0.7%
<b>Total Segment Profit</b>	<b>\$ 360,086</b>	<b>\$ 12,788</b>	<b>\$ 347,298</b>	<b>\$ 391,744</b>	<b>44,446</b>	<b>12.8%</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

# Reconciliation of Non-GAAP Financial Measures

## Appendix D

### Adjusted Tax Rate

(in thousands)	Three Months Ended September 30,	
	2020	2019
(Loss) income before income taxes	\$ 297,665	\$ 283,879
Total adjustments	11,256	(12,413)
Adjusted Income before income taxes	<u>\$ 308,921</u>	<u>\$ 271,466</u>
Income taxes	\$ 64,747	\$ 71,623
Tax impact of adjustments	7,423	(4,000)
Adjusted income taxes	<u>\$ 72,170</u>	<u>\$ 67,623</u>
<i>Adjusted Tax Rate</i>	<i>23.4%</i>	<i>24.9%</i>

### Free Cash Flow

(in thousands)	Trailing Twelve Months September 30, 2020
Net cash provided by operating activities	\$ 1,560,184
Less: Purchases of property, plant and equipment	(206,980)
Free Cash Flow	<u>\$ 1,353,204</u>