



# Genuine Parts 4Q20 Earnings Presentation

February 17, 2021

# Genuine Parts Company Snapshot (NYSE: GPC)

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

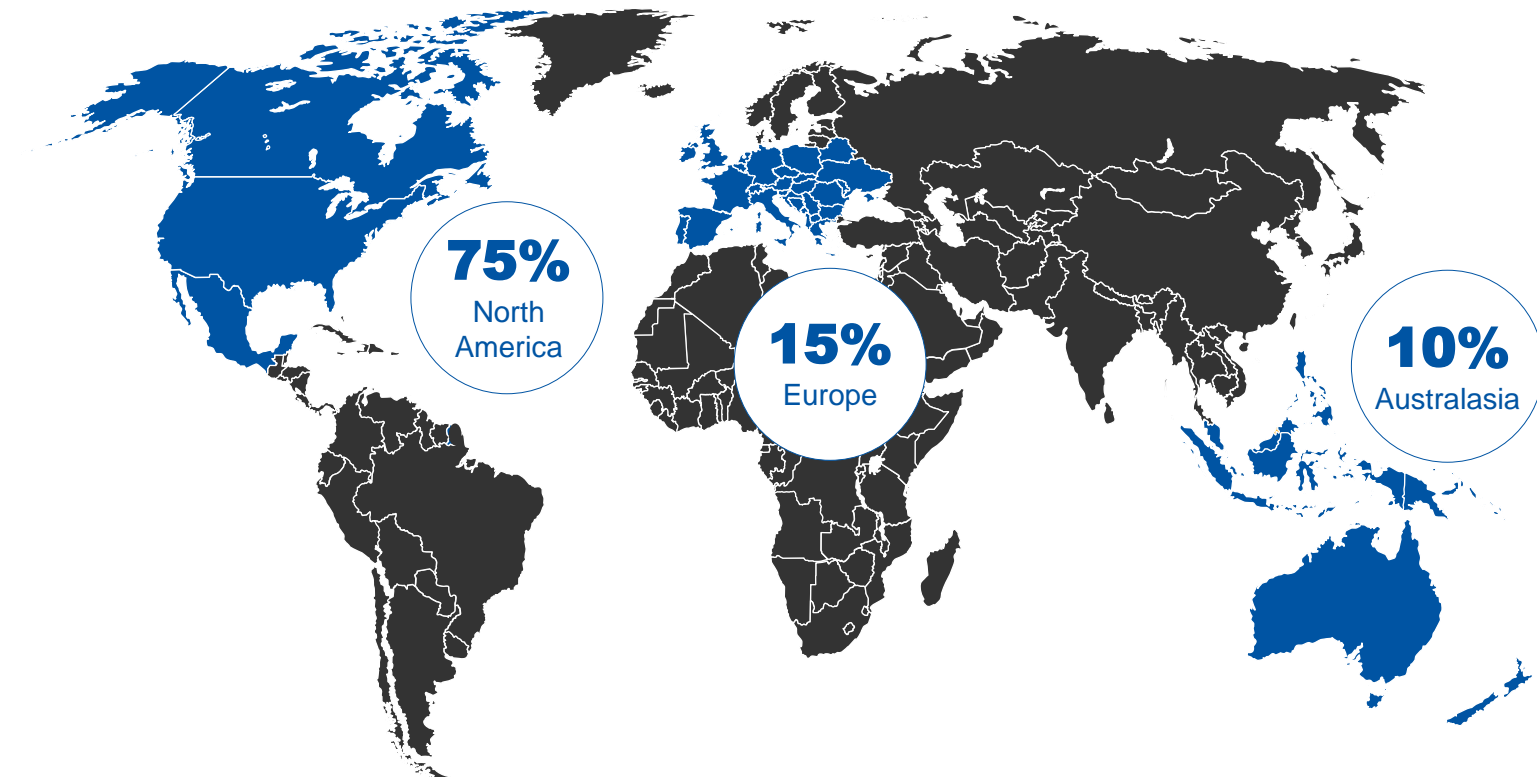
Founded	1928
Headquarters	Atlanta, GA
Countries Served	14
Locations	~10,400
<ul style="list-style-type: none"> <li>Warehouses</li> <li>Distribution Facilities</li> <li>Retail (Owned/Independent)</li> </ul>	840 181 9,400
Employees	~50,000
Market Capitalization	~\$14.5B

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

Revenue <sup>2</sup>	\$16.5B
<ul style="list-style-type: none"> <li>Automotive</li> <li>Industrial</li> </ul>	66% 34%
Segment Profit Margin <sup>2</sup>	8.2%
Free Cash Flow <sup>3</sup>	~\$1.9B
Dividend Yield <sup>4</sup>	3.1%

## GLOBAL FOOTPRINT

2020 Revenue by Region<sup>1,2</sup>



**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 constitute 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 and realize the expected benefits of those divestitures; the Company’s ability to successfully implement its business initiatives in its two business segments; changes in 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 and the unpredictability of the impact following such exit; changes in tax laws, regulations, treaties and policies, including the interpretation and enforcement of any of the foregoing; 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, and the 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.





# 4Q20 Highlights

**Paul Donahue**  
Chairman & CEO

# 4Q20 Key Messages

---

01

**Fourth quarter results reflect the benefit of our ongoing strategic actions**, despite the continued challenges of COVID-19

02

**Executed with agility and continued to adapt to dynamic conditions**, delivering customer value, operational efficiencies and strong financial results

03

**Grateful to our 50,000 associates** for their unwavering commitment to excellence while responding to unprecedented business and economic conditions

04

Continued focus on **ensuring a safe work environment** and **engaging with our teams at every level of the organization** to support our talented workforce and further strengthen our strong culture

05

**Will Stengel named the 8th President of GPC**, working with our business units on a variety of strategic initiatives and instrumental in helping us achieve significant cost savings in 2020

**Focus on Ongoing Strategic Actions and Adapting to Dynamic Conditions**

# 4Q20 Performance Highlights<sup>1</sup>

## Financial Update

- \$4.3B Total Sales, decreased 0.7%
  - ✓ Monthly daily sales<sup>3</sup> trends: +1% in October, -2% in November, -1% in December
  - ✓ Consumer activity pressured by surge in global COVID-19 cases
  - ✓ Sequential improvement in Industrial driven by gradual strengthening of economy
- Operating Margin Expansion of 110 bps including Gross Margin improvement and continued cost savings
- Adjusted Net Income of \$221M; \$1.52 Adjusted Diluted EPS, increased 20%<sup>2</sup>

## Balance Sheet and Cash Flow

- Strong Balance Sheet and Ample Liquidity
  - ✓ \$1.0 billion in cash; \$2.9 billion in liquidity
  - ✓ Improved key working capital accounts – A/R, Inventory and A/P
  - ✓ Improved debt position with favorable credit terms and lower debt levels
- Robust Cash from Operations of \$2.0 billion, increased 142%
  - ✓ Driven by working capital initiatives, including sale of accounts receivables

## Strong Year-end Performance and Robust Cash Flow Generation



# Automotive: Quarterly Highlights and Trends



## Automotive – Total sales up 1%

Comp sales<sup>1</sup> down 2% compared to a 2% increase in 3Q; Segment Profit margin +130 bps in 4Q / +40 bps in full year

MACRO	NORTH AMERICA	EUROPE	AUSTRALASIA
<ul style="list-style-type: none"> <li>Continued economic uncertainty associated with COVID-19 pandemic</li> <li>Mild weather in Oct/Nov – Colder weather patterns beginning in December</li> <li><b>Strong long-term industry fundamentals</b> <ul style="list-style-type: none"> <li>Growing and older car parc</li> <li>Expectation for improved miles driven trends over longer-term</li> </ul> </li> <li>Consumer/Retail spending also a meaningful aftermarket demand indicator</li> <li><b>Strong start to 2021 – Total Automotive Average Daily Sales +LDD in January</b> <ul style="list-style-type: none"> <li>✓ <b>+HSD Comp sales<sup>1</sup></b></li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>U.S. comp sales<sup>1</sup> down 6% compared to a 3% decrease in 3Q                             <ul style="list-style-type: none"> <li>Positive DIY sales / DIFM still pressured</li> <li>Continued strong on-line sales growth, 2X pre-COVID levels</li> </ul> </li> <li><b>Profit margin expansion +200 bps / +60 bps for full year</b></li> <li><b>U.S. Avg Daily Sales +LDD in January</b> <ul style="list-style-type: none"> <li>✓ <b>+HSD Comp sales<sup>1</sup></b></li> </ul> </li> <li>Canada comp sales<sup>1</sup> down 2% compared to a 0.5% increase in 3Q                             <ul style="list-style-type: none"> <li>Profit margin expansion +40 bps / +140 bps for full year</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Comp sales<sup>1</sup> flat compared to an 12% increase in 3Q                             <ul style="list-style-type: none"> <li>Sales environment was impacted with temporary restrictions and lockdowns across Europe due to COVID-19 surge</li> </ul> </li> <li><b>Profit margin expansion +100 bps / -90 bps for full year</b></li> <li>Strong recovery in 2H across operations                             <ul style="list-style-type: none"> <li>Led by outperformance in UK</li> </ul> </li> <li>Roll-out of <b>NAPA branded products</b> adding value for customers                             <ul style="list-style-type: none"> <li>15+ lines today, with additional lines available in 2021</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li><b>Comp sales<sup>1</sup> up 16% compared to a 15% increase in 3Q</b> <ul style="list-style-type: none"> <li>Robust DIY and DIFM sales growth</li> <li>Continued strength in on-line sales, 2-3X pre-COVID levels</li> <li>Expansion of <b>NAPA store strategy</b> across Asia Pac                                     <ul style="list-style-type: none"> <li>38 NAPA stores</li> </ul> </li> </ul> </li> <li>Profit margin expansion +10 bps / +130 bps for full year                             <ul style="list-style-type: none"> <li>Excellent full-year sales and operating results</li> </ul> </li> </ul>

## STRATEGIC INITIATIVES IN AUTOMOTIVE

- Sales team effectiveness – more sales reps focused on end-user customer
- Commercial sales programs and promotions – NAPA AutoCare
- Improving inventory availability – ensuring more parts for more cars
- Strengthening supply chain – supplier relationships / network optimization
- Omni-channel investments – B2B and B2C – new catalog and search capabilities
- Strategic pricing services and tools to maximize competitiveness
- Value-add services and roll-out of NAPA brand in Europe and Australasia
- Investments to expand our global store footprint across geographies

# Industrial: Quarterly Highlights and Trends



## Industrial – Total sales down 3%

Comp sales<sup>1</sup> down 4% compared to a 9% decrease in 3Q; Segment Profit margin +70 bps in 4Q / +40 bps in full year

### MACRO

- Continued economic uncertainty associated with COVID-19 pandemic
- Strong growth outlook for plant automation and robotics solutions**
- Following manufacturing PMI and industrial production as industrial demand indicators – both showing improving trends
- Continued improvement in Industrial sales trends thus far in 2021, +1% in January**
  - Comp sales<sup>1</sup> up slightly (see chart below)

### NORTH AMERICA

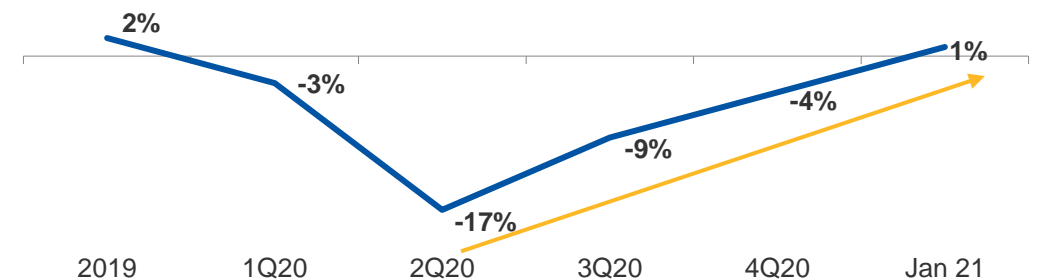
- Strengthening industrial economy driving improved sales trends**
- Profit margin expansion +70 bps / +40 bps for full year
- Continuing expansion of value-add businesses
- December exit rate much improved across products and industries served**
- Positive sales growth for majority of product categories
- Improved month-to-month sales trends among virtually all industries
- Customers beginning to release capital project orders

### AUSTRALASIA

- Mi Asia Pac operated well in 4Q, despite slight sales decrease
- Benefiting from resiliency of mining industry
- Profit margin expansion +100 bps / +40 bps for full year**
- Consistently strong operational performance in a challenging year**
- Steady recovery to sales levels before the pandemic

## STRATEGIC INITIATIVES IN INDUSTRIAL / IMPROVING COMP SALES<sup>1</sup> TRENDS

- Omni-channel buildout – accelerate e-commerce growth
- Expand industrial services and solutions capabilities
- M&A to further boost products/services offering
- Enhance pricing and product category management - w/ strategic intent
- Network optimization and automation for improved productivity





# Engrained ESG Best Practices Throughout Organization



Responsibility to **innovate and provide for** our **environment**, our **employees** and the **communities** in which we operate



**ESG practices**, such as human capital management and diversity and inclusion, discussed in 2020 Corporate Sustainability Report



**Adoption of Human Rights Policy**, communicating the Company's commitment to upholding human rights



GPC expects its **suppliers, partners** and **affiliates** to also **respect human rights**



**Company-wide commitment to sustainability** integral to corporate growth strategy



**Commitment to Sustainability and ESG Best Practices**



# Introduction and Focus Areas

**Will Stengel**  
President

# Strategic Areas of Focus

---



**Key value drivers** – profitable growth, operating leverage, cash conversion and disciplined capital allocation – with **the dividend** an important part of the GPC capital allocation strategy



**Leadership positions** in attractive, fragmented markets with scale and capabilities to win; **leading global brands** and **long-standing relationships** based on customer service and expertise



**Unique culture**, based on core values and purpose, serves as important common foundation



**Current Priorities** – Profitable organic growth, operating productivity, disciplined and strategic capital deployment and investments in talent to develop and build capabilities



**Advancing longer-term strategic roadmap** and excited for numerous opportunities with new technologies and emerging trends

**Align Resources with Priority Focus Areas to Execute Initiatives and Deliver Value as a Team**



# 4Q20 Financial Performance

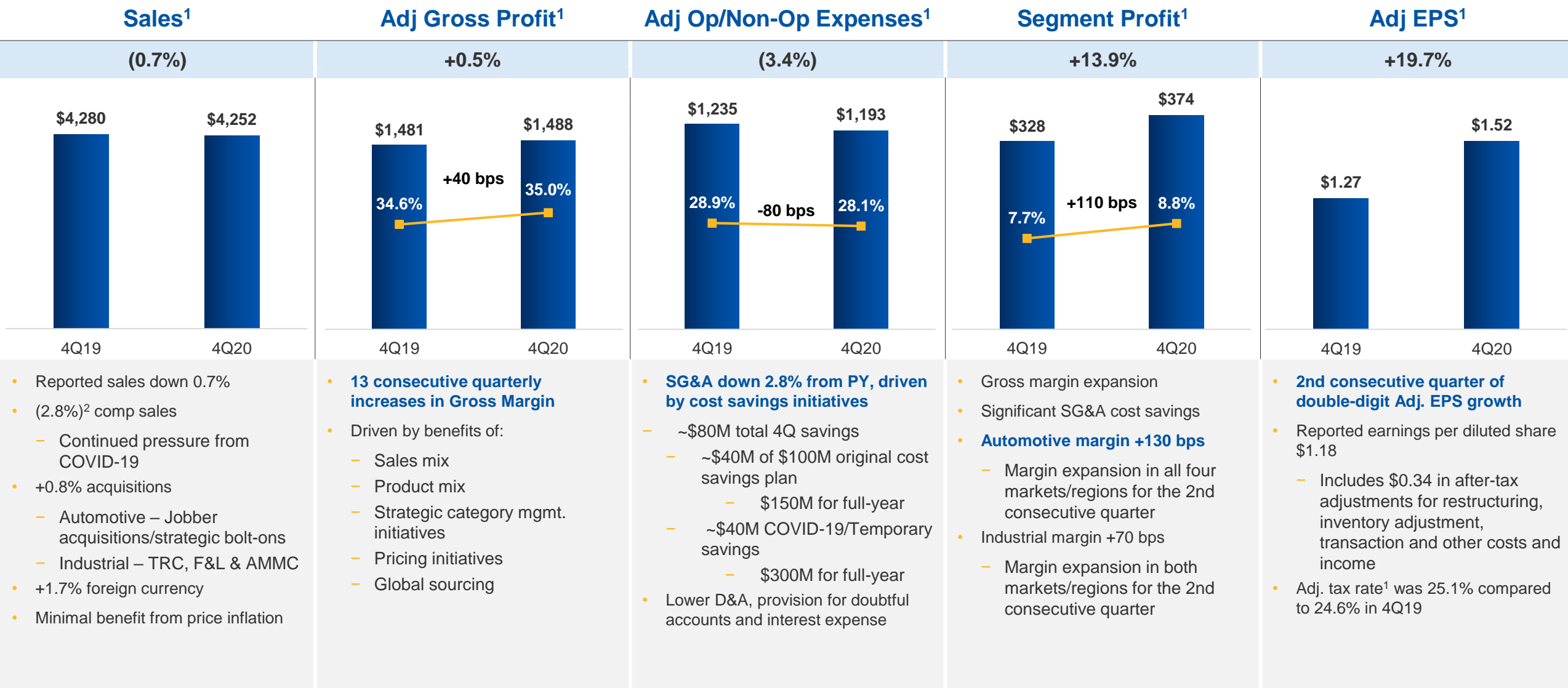
**Carol Yancey**

EVP and CFO



# 4Q20 Financial Results

(\$M, except per share data)



Note: All comparisons are YoY unless otherwise stated <sup>1</sup> Excludes discontinued operations. Adjusted Gross Profit, adjusted Operating / Non-Operating expenses, adjusted EPS and adjusted tax rate excludes restructuring, inventory adjustment and transaction and other certain costs. These amounts are non-GAAP measures (See Reconciliation of Non-GAAP Measures) <sup>2</sup> See Appendix C for definition

# 4Q20 Segment Performance

(\$M)

## Automotive

## Industrial

### Sales

+0.7%

### Segment Profit

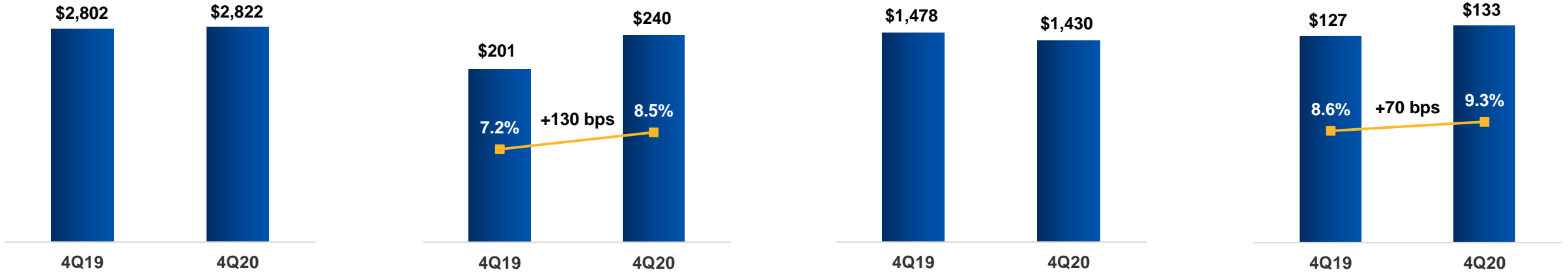
+19.4%

### Sales

(3.3%)

### Segment Profit

+5.1%



### Automotive Highlights

- Reported sales +0.7% compared to +6% in 3Q and (10%) in 2Q
- DIY segment continues to outperform DIFM through COVID-19
- Sales recovery slowed in 4Q for NA and Europe due to surge in COVID-19 cases
- Sales in Australasia remain strong, with mid-teens comparable sales growth**
- Improved profit margin in every market/region for the 2nd consecutive quarter**
- Positive foreign currency impact

### Industrial Highlights

- Reported sales (3.3%) compared to (9%)<sup>1</sup> in 3Q and (10%)<sup>1</sup> in 2Q
  - Strongest 4Q sales in December**
- Includes benefit of three strategic bolt-on acquisitions we closed in 3Q
  - Strengthens position in automation and hydraulics
- Improved profit margin in both markets/regions for the 2nd consecutive quarter**
- Mi Asia Pac – performing well with steady and consistent operating results



# Strong Balance Sheet and Robust Cash Generation

## BALANCE SHEET HIGHLIGHTS<sup>1</sup> (\$B)

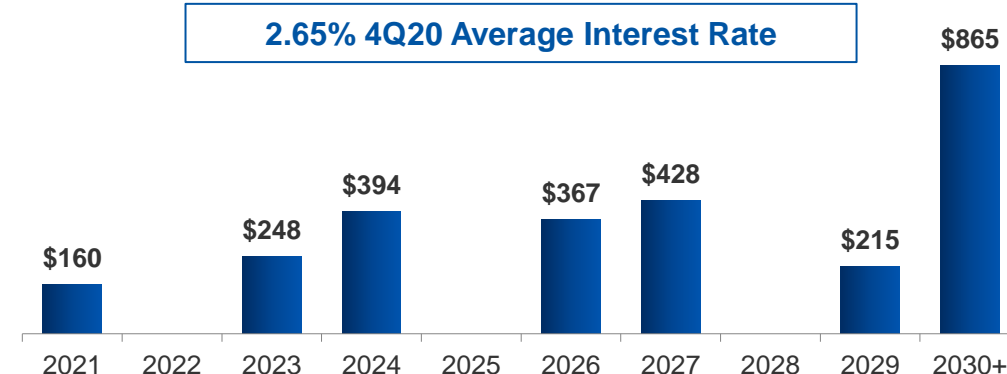
Cash / Cash Equivalents	\$1.0
Accounts Receivable	\$1.6
Inventory	\$3.5
<b>Total Assets</b>	<b>\$13.4</b>
Accounts Payable	\$4.1
Total Debt	\$2.7
<b>Total Liabilities</b>	<b>\$10.2</b>
Working Capital <sup>2</sup>	\$1.2

## LIQUIDITY PROFILE<sup>1</sup> (\$B)

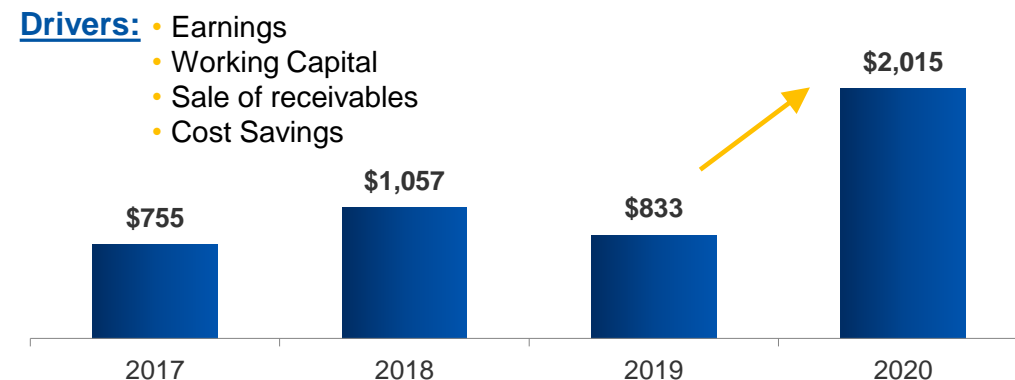
Total Credit Capacity <sup>3</sup>	\$4.6
Less Total Debt:	(\$2.7)
Unused Credit Capacity	\$1.9
Cash	\$1.0
<b>Total Available Liquidity</b>	<b>\$2.9</b>

**Total Debt to Adj EBITDA** **1.9x**

## DEBT MATURITY SCHEDULE<sup>1</sup> (\$M)



## CASH FLOW FROM OPERATIONS (\$M)



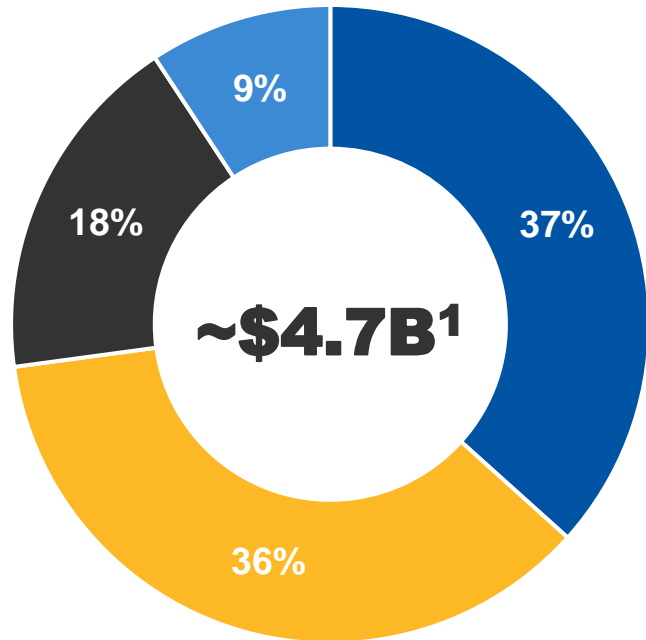
- **Continued strong cash flow** to support growth initiatives and effective allocation of capital
- **Reduced debt** by \$230M in 4Q and \$749M, or 22%, for full year
  - **Total debt to adjusted EBITDA improved to 1.9x from 2.2x** as of September 30, 2020
- **Improved liquidity** to \$2.9 billion from \$1.3 billion at December 31, 2019

## Ample Liquidity and Financial Strength to Support Growth Strategy

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

# Disciplined Capital Allocation

## 2017-2020 Capital Deployment



■ M&A ■ Dividend ■ Reinvestment ■ Share Repurchases

## Current Priorities

### Reinvestment

- Projecting 2021 CapEx of \$275-\$325M

### M&A

- Targeting strategic bolt-on acquisitions for 2021

### Share Repurchases

- Reinstating plan for opportunistic share repurchases

### Dividend

- Announced 2021 annual cash dividend of \$3.26 per share, up 3% from 2020
- 65<sup>th</sup> consecutive year of increased dividends paid to our shareholders

Resuming Normalized Levels of Capital Allocation in 2021



# 2021 Outlook

## Reinstating 2021 Guidance\*

Total Revenue	4% to 6%
Automotive	4% to 6%
Industrial	3% to 5%
Adj. EPS; % Increase	\$5.55 to \$5.75; +5% to +9%
Cash from Operations	\$1.0B to \$1.2B
Free Cash Flow <sup>1</sup>	\$700M to \$900M

## ASSUMPTIONS



- Corporate expenses of ~\$150 million
- Capex of \$275 to \$325 million
- Depreciation and amortization \$280 to \$290 million
- Interest expense of \$70 to \$72 million
- Tax rate of 24.5% to 25.5%

## Strong Outlook with Strategic Growth Plans

\*Our guidance considers several factors, including the continued uncertainty related to the COVID-19 pandemic and its potential impact on our results. We will update full-year guidance during 2021, as appropriate. <sup>1</sup>These amounts are non-GAAP measures (See Reconciliation of Non-GAAP Measures)

# Closing Remarks

*Focus on our strategic growth initiatives and cost actions*  
**We enter 2021 a stronger, more agile Company**



**Streamlined operations and more optimized portfolio** focused on global automotive and industrial businesses



Well-positioned to **capture profitable growth, generate strong cash flow and drive shareholder value**



**Solid start to 2021**, with strong Automotive sales growth, continued Industrial recovery and improvements in operations



Looking forward to a **global recovery from COVID-19** and a **strengthening economy**



Thank you to our **team members for their continued support, dedication and commitment** to serving our customers and being the best

**Well-Positioned to Drive Profitable Growth and Shareholder Value**



# Q&A



# Appendix



# 2020 Full Year Financial Results

# Appendix A

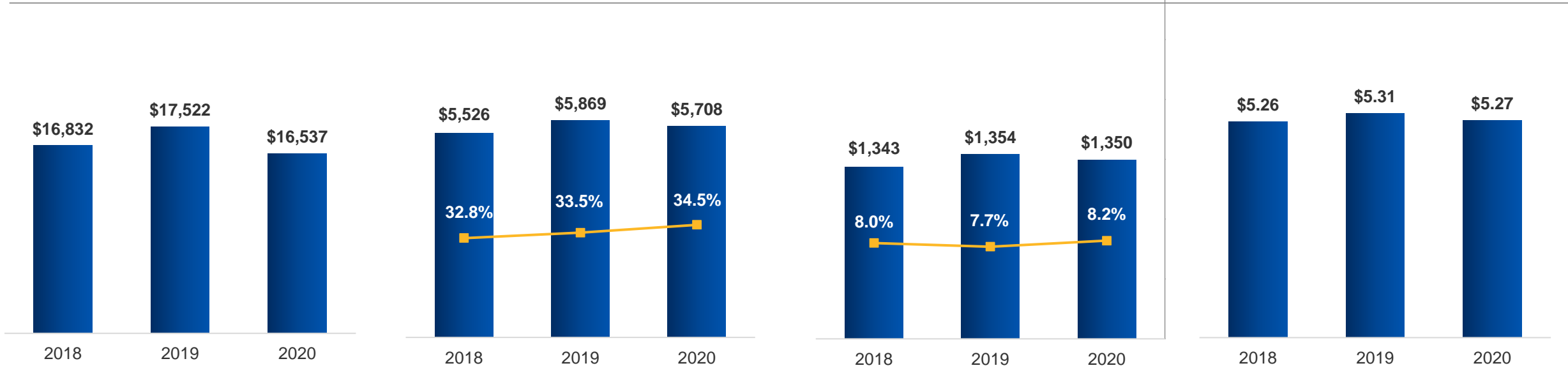
(\$M, except per share data)

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

### Adj Gross Profit<sup>1</sup>

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

### Adj EPS<sup>1</sup>



Delivered strong performance, executed with agility while...

...operating efficiently in an unprecedented economic environment...

... continued to create shareholder value...

...and realized robust operating cash flow

**Focused on Growth, Well Positioned for 2021 and Beyond**

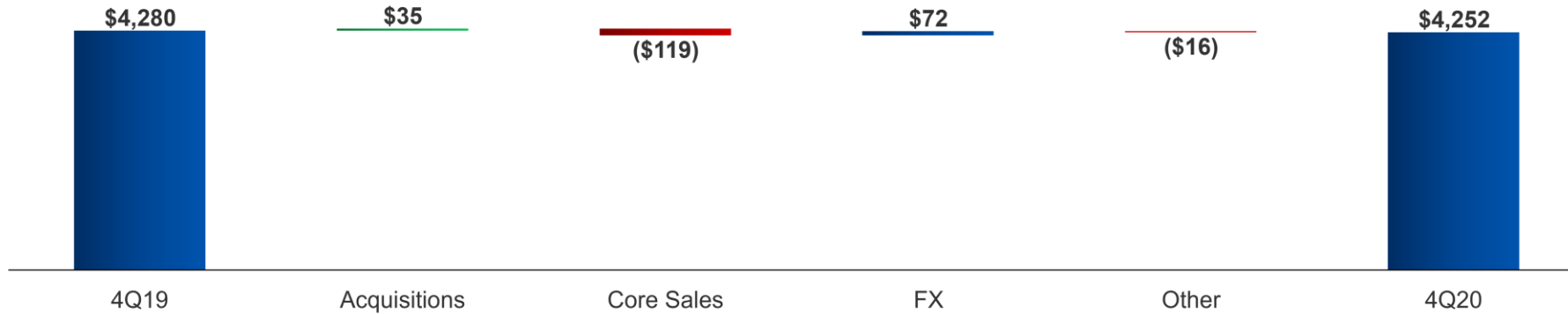


Note: All comparisons are YoY unless otherwise stated <sup>1</sup> Sales and Segment Profit exclude discontinued operations. Adjusted Gross Profit and adjusted EPS exclude restructuring, inventory adjustment and transaction and other certain costs. These amounts are non-GAAP measures (See Reconciliation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

# Consolidated Sales and EPS Bridge

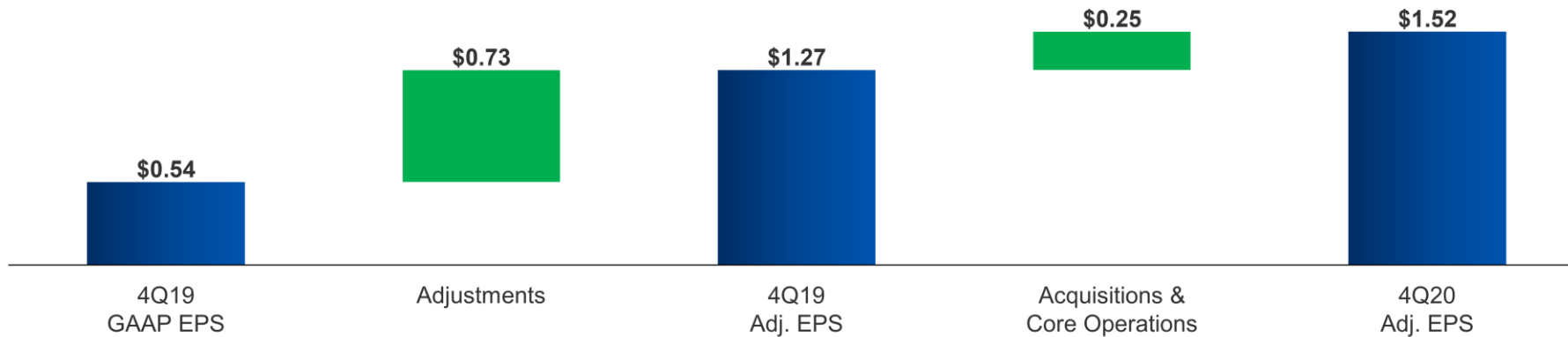
## Appendix B

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



Reported Sales	(0.7%)
Divested Operations	0.0%
Sales Excl. Divestitures <sup>1</sup>	(0.7%)

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



Adjusted Diluted EPS <sup>2</sup>	\$1.52
Adjustments	(\$0.34)
GAAP Diluted EPS	\$1.18



<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 metric 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 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

# Appendix D

(in thousands)	2020	2019	2018	2020				2019			
	YTD	YTD	YTD	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>Net sales:</b>											
Automotive	\$10,860,695	\$10,993,902	\$10,533,021	\$ 2,582,685	\$ 2,495,799	\$ 2,960,379	\$ 2,821,832	\$ 2,623,706	\$ 2,776,210	\$ 2,792,453	\$ 2,801,533
Industrial	5,676,738	6,528,332	6,298,584	1,509,841	1,327,428	1,409,707	1,429,762	1,635,423	1,681,721	1,732,831	1,478,357
<b>Total net sales</b>	<b>16,537,433</b>	<b>17,522,234</b>	<b>16,831,605</b>	<b>4,092,526</b>	<b>3,823,227</b>	<b>4,370,086</b>	<b>4,251,594</b>	<b>4,259,129</b>	<b>4,457,931</b>	<b>4,525,284</b>	<b>4,279,890</b>
<b>Segment profit:</b>											
Automotive	867,743	831,951	856,014	142,578	218,906	266,124	240,135	179,568	228,736	222,561	201,086
Industrial	481,854	521,830	487,360	113,933	108,928	125,620	133,373	121,028	136,334	137,525	126,943
<b>Total segment profit</b>	<b>1,349,597</b>	<b>1,353,781</b>	<b>1,343,374</b>	<b>256,511</b>	<b>327,834</b>	<b>391,744</b>	<b>373,508</b>	<b>300,596</b>	<b>365,070</b>	<b>360,086</b>	<b>328,029</b>
Interest expense, net	(91,048)	(91,405)	(93,281)	(19,868)	(24,876)	(25,221)	(21,083)	(23,017)	(22,586)	(24,880)	(20,922)
Intangible asset amortization	(94,962)	(92,206)	(83,489)	(22,740)	(23,256)	(24,223)	(24,743)	(21,271)	(22,604)	(24,910)	(23,421)
Corporate expense	(149,754)	(140,815)	(137,036)	(55,061)	(28,613)	(33,379)	(32,701)	(31,179)	(33,573)	(38,830)	(37,233)
Other unallocated costs	(634,465)	(170,072)	(34,930)	1,751	(555,525)	(11,256)	(69,435)	(33,114)	(4,108)	12,413	(145,263)
<b>Income (Loss) before income taxes from continuing operations</b>	<b>379,368</b>	<b>859,283</b>	<b>994,638</b>	<b>160,593</b>	<b>(304,436)</b>	<b>297,665</b>	<b>225,546</b>	<b>192,015</b>	<b>282,199</b>	<b>283,879</b>	<b>101,190</b>
Income taxes from continuing operations	(215,973)	(212,808)	(245,104)	(38,247)	(59,065)	(64,747)	(53,914)	(46,331)	(72,680)	(71,623)	(22,174)
<b>Net income from continuing operations</b>	<b>\$ 163,395</b>	<b>\$ 646,475</b>	<b>\$ 749,534</b>	<b>\$ 122,346</b>	<b>\$ (363,501)</b>	<b>\$ 232,918</b>	<b>\$ 171,632</b>	<b>\$ 145,684</b>	<b>\$ 209,519</b>	<b>\$ 212,256</b>	<b>\$ 79,016</b>

# Reconciliation of Non-GAAP Financial Measures

# Appendix E

## Adjusted Net Income from Continuing Operations

(in thousands)	2020	2019	2018	2020				2019			
	YTD	YTD	YTD	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
GAAP net income (loss) from continuing operations	\$ 163,395	\$ 646,475	\$ 749,534	\$ 122,346	\$ (363,501)	\$ 232,918	\$ 171,632	\$ 145,684	\$ 209,519	\$ 212,256	\$ 79,016
Adjustments:											
Goodwill impairment charge (1)	506,721	—	—	—	506,721	—	—	—	—	—	—
Restructuring costs (2)	50,019	142,780	—	2,982	25,059	10,968	11,010	—	—	—	142,780
Realized currency loss on divestitures (3)	11,356	34,701	—	—	11,356	—	—	27,037	—	7,664	—
Gain on insurance proceeds related to SPR Fire (4)	(13,448)	—	—	(12,282)	(1,166)	—	—	—	—	—	—
Gain in equity investment (5)	—	(38,663)	—	—	—	—	—	—	—	(38,663)	—
Inventory adjustment (6)	40,000	—	—	—	—	—	40,000	—	—	—	—
Transaction and other costs (7)	39,817	31,254	34,930	7,549	13,555	288	18,425	6,077	4,108	18,586	2,483
Total adjustments	634,465	170,072	34,930	(1,751)	555,525	11,256	69,435	33,114	4,108	(12,413)	145,263
Tax impact of adjustments	(32,822)	(39,704)	(10,170)	(3,810)	(1,500)	(7,423)	(20,089)	(6,909)	1,769	4,000	(38,564)
Adjusted net income from continuing operations	\$ 765,038	\$ 776,843	\$ 774,294	\$ 116,785	\$ 190,524	\$ 236,751	\$ 220,978	\$ 171,889	\$ 215,396	\$ 203,843	\$ 185,715

(in thousands, except per share and per share data)	2020	2019	2018	2020				2019			
	YTD	YTD	YTD	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Diluted net income (loss) from continuing operations per common share	\$ 1.13	\$ 4.42	\$ 5.09	\$ 0.84	\$ (2.52)	\$ 1.61	\$ 1.18	\$ 0.99	\$ 1.43	\$ 1.45	\$ 0.54
Adjustments:											
Goodwill impairment charge (1)	3.49	—	—	—	3.51	—	—	—	—	—	—
Restructuring costs (2)	0.34	0.98	—	0.02	0.17	0.07	0.08	—	—	—	0.98
Realized currency loss on divestitures (3)	0.08	0.24	—	—	0.08	—	—	0.18	—	0.05	—
Gain on insurance proceeds related to SPR Fire (4)	(0.09)	—	—	(0.08)	(0.01)	—	—	—	—	—	—
Gain in equity investment (5)	—	(0.26)	—	—	—	—	—	—	—	(0.26)	—
Inventory adjustment (6)	0.28	—	—	—	—	—	0.28	—	—	—	—
Transaction and other costs (7)	0.27	0.20	0.24	0.05	0.10	—	0.12	0.05	0.03	0.12	0.01
Total adjustments	4.37	1.16	0.24	(0.01)	3.85	0.07	0.48	0.23	0.03	(0.09)	0.99
Tax impact of adjustments	(0.23)	(0.27)	(0.07)	(0.03)	(0.01)	(0.05)	(0.14)	(0.05)	0.01	0.03	(0.26)
Adjusted net income from continuing operations	\$ 5.27	\$ 5.31	\$ 5.26	\$ 0.80	\$ 1.32	\$ 1.63	\$ 1.52	\$ 1.17	\$ 1.47	\$ 1.39	\$ 1.27
Weighted average common shares outstanding — assuming dilution	145,115	146,417	147,241	145,623	144,262	145,035	145,160	146,694	146,736	146,189	146,105



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

# Appendix E

## Adjusted EBIT and Adjusted EBITDA

(in thousands)	2020	2019	2018	2020				2019			
	YTD	YTD	YTD	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
GAAP net income (loss) from continuing operations	\$ 163,395	\$ 646,475	\$ 749,534	\$ 122,346	\$ (363,501)	\$ 232,918	\$ 171,632	\$ 145,684	\$ 209,519	\$ 212,256	\$ 79,016
interest expense, net	91,048	91,405	93,281	19,868	24,876	25,221	21,083	23,017	22,586	24,880	20,922
Income taxes from continuing operations	215,973	212,808	245,104	38,247	59,065	64,747	53,914	46,331	72,680	71,623	22,174
EBIT	470,416	950,688	1,087,919	180,461	(279,560)	322,886	246,629	215,032	304,785	308,759	122,112
Goodwill impairment charge (1)	506,721	—	—	—	506,721	—	—	—	—	—	—
Restructuring costs (2)	50,019	142,780	—	2,982	25,059	10,968	11,010	—	—	—	142,780
Realized currency loss on divestitures (3)	11,356	34,701	—	—	11,356	—	—	27,037	—	7,664	—
Gain on insurance proceeds related to SPR Fire (4)	(13,448)	—	—	(12,282)	(1,166)	—	—	—	—	—	—
Gain in equity investment (5)	—	(38,663)	—	—	—	—	—	—	—	(38,663)	—
Inventory adjustment (6)	40,000	—	—	—	—	—	40,000	—	—	—	—
Transaction and other costs (7)	39,817	31,254	34,930	7,549	13,555	288	18,425	6,077	4,108	18,586	2,483
Adjusted EBIT	<u>\$ 1,104,881</u>	<u>\$ 1,120,760</u>	<u>\$ 1,122,849</u>	<u>\$ 178,710</u>	<u>\$ 275,965</u>	<u>\$ 334,142</u>	<u>\$ 316,064</u>	<u>\$ 248,146</u>	<u>\$ 308,893</u>	<u>\$ 296,346</u>	<u>\$ 267,375</u>

(in thousands)	2020	2019	2018	2020				2019			
	YTD	YTD	YTD	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
GAAP net income (loss) from continuing operations	\$ 163,395	\$ 646,475	\$ 749,534	\$ 122,346	\$ (363,501)	\$ 232,918	\$ 171,632	\$ 145,684	\$ 209,519	\$ 212,256	\$ 79,016
Depreciation and amortization	272,842	257,263	227,584	67,254	66,733	69,097	69,758	58,617	62,684	65,667	70,295
interest expense, net	91,048	91,405	93,281	19,868	24,876	25,221	21,083	23,017	22,586	24,880	20,922
Income taxes from continuing operations	215,973	212,808	245,104	38,247	59,065	64,747	53,914	46,331	72,680	71,623	22,174
EBITDA	743,258	1,207,951	1,315,503	247,715	(212,827)	391,983	316,387	273,649	367,469	374,426	192,407
Goodwill impairment charge (1)	506,721	—	—	—	506,721	—	—	—	—	—	—
Restructuring costs (2)	50,019	142,780	—	2,982	25,059	10,968	11,010	—	—	—	142,780
Realized currency loss on divestitures (3)	11,356	34,701	—	—	11,356	—	—	27,037	—	7,664	—
Gain on insurance proceeds related to SPR Fire (4)	(13,448)	—	—	(12,282)	(1,166)	—	—	—	—	—	—
Gain in equity investment (5)	—	(38,663)	—	—	—	—	—	—	—	(38,663)	—
Inventory adjustment (6)	40,000	—	—	—	—	—	40,000	—	—	—	—
Transaction and other costs (7)	39,817	31,254	34,930	7,549	13,555	288	18,425	6,077	4,108	18,586	2,483
Adjusted EBITDA	<u>\$ 1,377,723</u>	<u>\$ 1,378,023</u>	<u>\$ 1,350,433</u>	<u>\$ 245,964</u>	<u>\$ 342,698</u>	<u>\$ 403,239</u>	<u>\$ 385,822</u>	<u>\$ 306,763</u>	<u>\$ 371,577</u>	<u>\$ 362,013</u>	<u>\$ 337,670</u>

- (1) **Goodwill Impairment Charge:** Adjustment reflects a second quarter goodwill impairment charge related to our European reporting unit.
- (2) **Restructuring Costs:** Adjustment reflects restructuring and special termination 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.
- (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 relates to the gain recognized upon remeasuring the Company's preexisting 35% equity investment to fair value upon acquiring the remaining equity of Motion Asia Pacific on July 1, 2019.
- (6) **Inventory Adjustment:** Adjustment reflects a \$40 million charge to cost of goods sold due to the correction of an immaterial error related to the accounting in prior years for consideration received from vendors.
- (7) **Transaction and Other Costs:** Adjustment includes a \$17 million loss on investment, \$10 million of incremental costs associated with COVID-19 and costs associated with certain 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. For the three and twelve months ended December 31, 2019, adjustment reflects transaction and other costs related to acquisitions and divestitures.

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

## Appendix E

### Sales and Segment Profit Excluding Divestitures (Twelve Months Ended December 31, 2020 and 2019)

(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	\$ 10,993,902	\$ 15,708	\$ 10,978,194	\$ 10,860,695	\$ (117,499)	(1.1)%
Industrial	\$ 6,528,332	\$ 586,465	\$ 5,941,867	\$ 5,676,738	\$ (265,129)	(4.5)%
<b>Total Net Sales</b>	<b>\$ 17,522,234</b>	<b>\$ 602,173</b>	<b>\$ 16,920,061</b>	<b>\$ 16,537,433</b>	<b>\$ (382,628)</b>	<b>(2.3)%</b>

(in thousands)	2019			2020		
	Segment Profit	Segment Profit of Businesses Divested in 2019 & 2020 (1)	Segment Profit Excluding Divestitures	Segment Profit	\$ Change	% Change
Automotive	\$ 831,951	\$ 106	\$ 831,845	\$ 867,743	\$ 35,898	4.3%
Industrial	\$ 521,830	\$ 41,283	\$ 480,547	\$ 481,854	\$ 1,307	0.3%
<b>Total Segment Profit</b>	<b>\$ 1,353,781</b>	<b>\$ 41,389</b>	<b>\$ 1,312,392</b>	<b>\$ 1,349,597</b>	<b>\$ 37,205</b>	<b>2.8%</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 (Cont.)

## Appendix E

### Sales and Segment Profit Excluding Divestitures (Three Months Ended September 30, 2020 and 2019)

(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>

(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 (Cont.)

## Appendix E

### Sales and Segment Profit Excluding Divestitures (Three Months Ended June 30, 2020 and 2019)

(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	2,776,210	—	2,776,210	2,495,799	(280)	(10.1)%
Industrial	1,681,721	202,987	1,478,734	1,327,428	(151)	(10.2)%
<b>Total Net Sales</b>	<b>4,457,931</b>	<b>202,987</b>	<b>4,254,944</b>	<b>3,823,227</b>	<b>(432)</b>	<b>(10.1)%</b>

(in thousands)	2019			2020		
	Segment Profit	Segment Profit of Businesses Divested in 2019 & 2020 (1)	Segment Profit Excluding Divestitures	Segment Profit	\$ Change	% Change
Automotive	228,736	—	228,736	218,906	(10)	(4.3)%
Industrial	136,334	15,544	120,790	108,928	(12)	(9.8)%
<b>Total Segment Profit</b>	<b>365,070</b>	<b>15,544</b>	<b>349,526</b>	<b>327,834</b>	<b>(22)</b>	<b>(6.2)%</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



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

## Appendix E

### Adjusted Gross Profit

(in thousands)	Three Months Ended December 31,		Twelve Months Ended December 31,		
	2020	2019	2020	2019	2018
GAAP Gross Profit	\$ 1,448,110	\$ 1,478,948	\$ 5,654,841	\$ 5,859,683	\$ 5,519,755
Adjustments:					
Cost of goods sold	40,000	2,127	53,495	9,608	5,779
Adjusted Gross Profit	\$ 1,488,110	\$ 1,481,075	\$ 5,708,336	\$ 5,869,291	\$ 5,525,534
GAAP Net Sales	\$ 4,251,594	\$ 4,279,890	\$ 16,537,433	\$ 17,522,234	\$ 16,831,605
Adjusted Gross Profit	\$ 1,488,110	\$ 1,481,075	\$ 5,708,336	\$ 5,869,291	\$ 5,525,534
Adjusted Gross Profit as a Percent of GAAP Net Sales	35.0%	34.6%	34.5%	33.5%	32.8%

### Adjusted Operating and Non-Operating Expenses

(in thousands)	Three Months Ended December 31,	
	2020	2019
GAAP Operating and Non-Operating Expenses	\$ 1,222,564	\$ 1,377,758
Adjustments:		
Selling, administrative and other expenses	1,881	665
Goodwill impairment charge	-	-
Restructuring costs	11,010	100,023
Non-operating (income): Special termination costs	-	42,757
Non-operating (income): Other	16,544	(309)
Less: Total Adjustments (2)	29,435	143,136
Adjusted Operating and Non-Operating Expenses	\$ 1,193,129	\$ 1,234,622
Adjusted Operating and Non-Operating Expenses as a Percent of GAAP Net Sales	28.1%	28.8%

(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

## Appendix E

### Adjusted Tax Rate

(in thousands)	Three Months Ended December 31,	
	2020	2019
GAAP Income before taxes	\$ 225,546	\$ 101,190
Total adjustments	69,435	145,263
Adjusted income before taxes	<u>\$ 294,981</u>	<u>\$ 246,453</u>
GAAP Income taxes	\$ 53,914	\$ 22,174
Tax impact of Adjustments	20,089	38,564
Adjusted income taxes	<u>\$ 74,003</u>	<u>\$ 60,738</u>
Adjusted tax rate	25.1%	24.6%

### Free Cash Flow

(in thousands)	Twelve Months Ended December 31,	
	2020	2019
Net cash provided by operating activities from continuing operations	\$ 2,014,522	\$ 832,519
Purchases of property, plant and equipment	(153,502)	(277,873)
Free Cash Flow	<u>\$ 1,861,020</u>	<u>\$ 554,646</u>

(in thousands)	Twelve Months Ended December 31, 2021	
	Low	High
Net cash provided by operating activities from continuing operations	\$ 1,000,000	\$ 1,200,000
Purchases of property, plant and equipment	(300,000)	(300,000)
Free Cash Flow	<u>\$ 700,000</u>	<u>\$ 900,000</u>