

LKQ CORP
Form 10-Q
November 09, 2007

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the Quarterly Period Ended September 30, 2007
OR
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Transition Period from

To

Commission File Number 000-50404

LKQ CORPORATION

(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of
incorporation or organization)

120 NORTH LASALLE STREET, SUITE 3300, CHICAGO, IL
(Address of principal executive offices)

36-4215970
(I.R.S. Employer
Identification Number)

60602
(Zip Code)

Registrant's telephone number, including area code: **(312) 621-1950**

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Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

At November 6, 2007, the registrant had issued and outstanding an aggregate of 66,577,853 shares of Common Stock.

LKQ CORPORATION AND SUBSIDIARIES

Unaudited Consolidated Condensed Balance Sheets

(In thousands, except share and per share data)

	September 30, 2007	December 31, 2006
Assets		
Current Assets:		
Cash and equivalents	\$ 225,340	\$ 4,031
Receivables, net	60,920	49,254
Inventory	156,223	124,541
Deferred income taxes	2,341	2,619
Prepaid income taxes	6,030	
Prepaid expenses	4,568	3,369
Total Current Assets	455,422	183,814
Property and Equipment, net	151,224	127,084
Intangibles	282,153	246,300
Other Assets	17,214	7,157
Total Assets	\$ 906,013	\$ 564,355
Liabilities and Stockholders Equity		
Current Liabilities:		
Accounts payable	\$ 20,383	\$ 19,242
Accrued expenses	32,617	29,504
Income taxes payable		304
Deferred revenue	4,850	3,859
Current portion of long-term obligations	10,825	8,485
Total Current Liabilities	68,675	61,394
Long-Term Obligations, Excluding Current Portion	1,696	91,962
Deferred Income Tax Liability	7,275	1,848
Other Noncurrent Liabilities	9,576	7,332
Redeemable Common Stock, \$0.01 par value, 100,000 shares issued at December 31, 2006		617
Commitments and Contingencies		
Stockholders Equity:		
Common stock, \$0.01 par value, 500,000,000 shares authorized, 66,496,913 and 53,299,827 shares issued at September 30, 2007 and December 31, 2006, respectively.	665	533
Additional paid-in capital	694,955	323,189
Retained earnings	120,507	76,422
Accumulated other comprehensive income	2,664	1,058
Total Stockholders Equity	818,791	401,202
Total Liabilities and Stockholders Equity	\$ 906,013	\$ 564,355

See notes to unaudited consolidated condensed financial statements.

LKQ CORPORATION AND SUBSIDIARIES

Unaudited Consolidated Condensed Statements of Income

(In thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Revenue	\$ 243,495	\$ 197,659	\$ 712,091	\$ 584,835
Cost of goods sold	135,038	108,222	391,455	318,872
Gross margin	108,457	89,437	320,636	265,963
Facility and warehouse expenses	26,188	22,445	76,432	63,025
Distribution expenses	23,803	20,387	68,191	60,121
Selling, general and administrative expenses	29,107	25,604	85,969	75,245
Depreciation and amortization	3,768	3,136	10,549	8,764
Operating income	25,591	17,865	79,495	58,808
Other (income) expense:				
Interest expense, net	2,241	1,829	6,067	4,119
Other income, net	(468)	(238)	(1,143)	(1,172)
Total other expense	1,773	1,591	4,924	2,947
Income before provision for income taxes	23,818	16,274	74,571	55,861
Provision for income taxes	9,259	5,816	30,202	21,656
Net income	\$ 14,559	\$ 10,458	\$ 44,369	\$ 34,205
Net income per share:				
Basic				
As reported	\$ 0.27	\$ 0.20	\$ 0.82	\$ 0.65
Pro forma	\$ 0.13	\$ 0.10	\$ 0.41	\$ 0.32
Diluted				
As reported	\$ 0.25	\$ 0.19	\$ 0.78	\$ 0.61
Pro forma	\$ 0.13	\$ 0.09	\$ 0.39	\$ 0.31
Weighted average common shares outstanding:				
Basic				

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As reported	54,663	53,098	53,839	52,658
Pro forma	109,326	106,196	107,678	105,315
Diluted				
As reported	57,556	55,910	56,618	55,722
Pro forma	115,111	111,819	113,237	111,444

See notes to unaudited consolidated condensed financial statements.

LKQ CORPORATION AND SUBSIDIARIES

Unaudited Consolidated Condensed Statements of Cash Flows

(In thousands)

	Nine Months Ended September 30,	
	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 44,369	\$ 34,205
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	10,933	8,915
Share-based compensation expense	2,386	1,521
Deferred income taxes	4,576	3,184
Excess tax benefit from exercise of stock options	(12,150)	(5,696)
Gain on sale of investment securities		(719)
Other adjustments	(94)	13
Changes in operating assets and liabilities, net of effects from purchase transactions:		
Receivables	(8,464)	(887)
Inventory	(21,853)	(11,929)
Prepaid income taxes / income taxes payable	5,299	1,562
Other operating assets and liabilities	6,505	655
Net cash provided by operating activities	31,507	30,824
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment, net	(25,678)	(24,232)
Purchases of investment securities	(5,885)	
Proceeds from sale of investment securities		849
Repayment of escrow		(2,561)
Decrease in restricted cash in escrow		450
Cash used in acquisitions	(55,705)	(68,071)
Net cash used in investing activities	(87,268)	(93,565)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from the sale of common stock	349,529	
Proceeds from the exercise of stock options and warrants	8,341	5,474
Excess tax benefit from exercise of stock options	12,150	5,696
Repurchase and retirement of redeemable common stock	(1,125)	
Debt issuance costs	(206)	
Net borrowings (repayments) of long-term debt	(91,693)	54,754
Net cash provided by financing activities	276,996	65,924
Effect of exchange rate changes on cash and equivalents	74	
Net increase in cash and equivalents	221,309	3,183
Cash and equivalents, beginning of period	4,031	3,173
Cash and equivalents, end of period	\$ 225,340	\$ 6,356

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Supplemental disclosure of cash flow information:

Notes issued in connection with business acquisitions	\$	1,449	\$	7,000
Cash paid for income taxes, net of refunds		20,111		16,877
Cash paid for interest		7,148		2,617

See notes to unaudited consolidated condensed financial statements.

LKQ CORPORATION AND SUBSIDIARIES

Unaudited Consolidated Condensed Statements of Stockholders Equity and Other Comprehensive Income

(In thousands)

	Common Stock				Accumulated		Total
	Shares	Amount	Additional	Retained	Other		Stockholders
	Issued		Paid-In Capital	Earnings	Comprehensive		Equity
					Income		
BALANCE, December 31, 2006	53,300	\$ 533	\$ 323,189	\$ 76,422	\$ 1,058	\$	401,202
Net income				44,369			44,369
Unrealized gain on investment in equity securities, net of tax of \$1,212					2,117		2,117
Foreign currency translation					(511)		(511)
Total comprehensive income							45,975
Adjustment for adoption of FASB Interpretation No. (FIN) 48				(284)			(284)
Stock issued as director compensation	3		79				79
Stock-based compensation expense							