

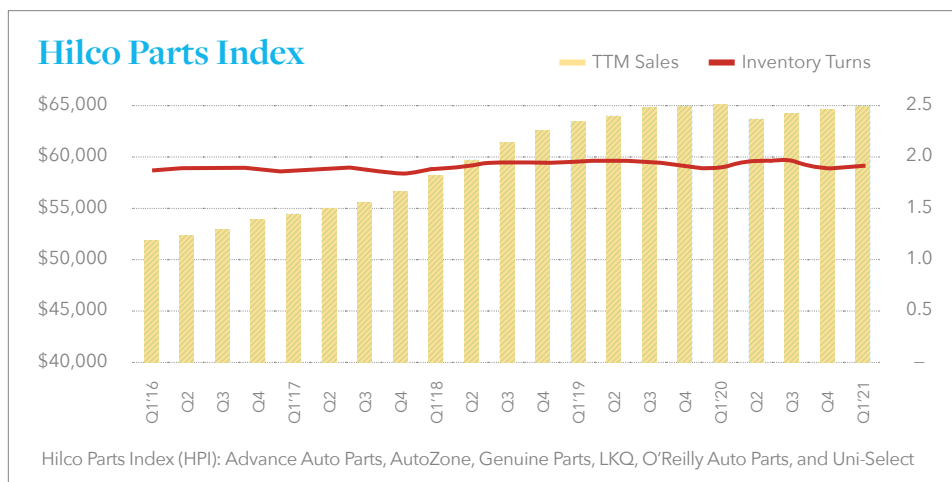
SMARTER PERSPECTIVE: AUTOMOTIVE Headline News for Automotive Aftermarket Overwhelmingly Positive

By Keith Spacapan

June 18, 2021 – For public companies reporting first quarter sales results, headline news for the Automotive Aftermarket has been overwhelmingly positive. For the six companies that comprise the Hilco Parts Index (the Index), net sales for the quarter were \$66.5 billion for the first quarter of 2021. Those results represent a sequential improvement of 2.6% from the fourth quarter of 2020 and a 2.1% improvement from the first quarter of 2020. The outliers are LKQ and Uni-Select, which have an outsized exposure to the collision-repair market.

With the plunge in vehicle miles traveled (VMT) during the pandemic, particularly during rush hour, there have been fewer occasions for collisions. At the low point in April 2020, VMT was down 55% from April 2019. VMT was still off 15% at the close of 2020 but continues to improve. In the first two weeks of April 2021, VMT was down only 5%. CCC Intelligent Solutions Inc. (CCC) reported repairable collision claim counts for 2020 were down 21.3% versus 2019 in direct response to VMT. However, with the improvement in VMT, coupled with bad winter weather, CCC reported year-over-year claim counts increased for the first time in March 2021. LKQ and Uni-Select are very happy with their April sales results and are optimistic the trend will continue for the remainder of the second quarter.

With only limited exposure to the collision repair market, same store sales for the other



four companies in the Index soared no less than 8% in comparison to the first quarter of 2020. For these companies, the quarter started strong with the help of government stimulus but faltered in February. March was clearly the strongest month of the quarter, having benefited from poor weather and a fresh round of government stimulus. The harsh winter weather this year and the associated wear and tear on vehicles is a positive development after the last two mild winters. It is particularly welcome shift for companies like Genuine Parts and Advance Auto Parts which have a strong focus on the professional installer market. Early in the pandemic, sales at these two companies lagged AutoZone and O'Reilly Auto Parts which have a stronger retail (do-it-yourself) focus. Sales for retail categories like anti-freeze, floor mats, wipers, and batteries did very well during the pandemic as do-it-yourself

customers had more available time and money to spend.

About the Index: The Hilco Parts Index is comprised of six publicly traded companies that distribute aftermarket parts, namely Advance Auto Parts (Advance), AutoZone, Genuine Parts (NAPA), LKQ, O'Reilly Auto Parts (O'Reilly), and Uni-Select. Advance, AutoZone, NAPA, and O'Reilly are the four traditional parts distributors in North America with strong commercial (do-it-for-me or DIFM) and retail (do-it-yourself or DIY) programs. Uni-Select is a much smaller distributor with a strong presence in Canada and LKQ is largely a distributor of recycled (used) parts, as opposed to new parts.

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Sales

\$66,491
+2.6% QOQ
+2.1% YOY

Gross Margin

44.0%
+35 bp QOQ
+ 143 bp YOY

Net Margin

7.9%
+72 bp QOQ
+92 bp YOY

Inventory

\$19,203
+0.5% QOQ
-1.8% YOY

Inventory Turns

1.9
No Change QOQ
No Change YOY