

Genuine Parts Company Reports 2018 Sales and Earnings for the Fourth Quarter and Full Year

- **Fourth Quarter Sales \$4.6 billion, Up 9%, and Record Full Year Sales \$18.7 billion, Up 15% -**
- **Fourth Quarter Diluted EPS \$1.27 and Record Full Year Diluted EPS \$5.50 -**
- **Adjusted Diluted EPS Excluding Net Transaction and Other Costs and Fees \$1.35, Up 13%, in the Fourth Quarter and \$5.68, Up 21%, for the Full Year -**
- **Improved Working Capital Position and 2018 Cash from Operations \$1.1 Billion, Up 41% -**
- **Returned \$508 Million to Shareholders via Cash Dividends and Share Repurchases in 2018 -**
- **Company Provides 2019 Outlook -**

ATLANTA, Feb. 19, 2019 [/PRNewswire/](#) -- Genuine Parts Company (NYSE: GPC) announced today sales and earnings for the fourth quarter and twelve months ended December 31, 2018.

Sales for the fourth quarter ended December 31, 2018 were \$4.6 billion, a 9.4% increase compared to \$4.2 billion for the same period in 2017. Net income for the fourth quarter was \$186.7 million and earnings per share on a diluted basis were \$1.27. Before the impact of certain transaction and other costs incurred primarily related to the Company's acquisition of Alliance Automotive Group ("AAG"), adjusted net income was \$198.4 million, or \$1.35 per diluted share. Total sales for the fourth quarter included 4.6% comparable growth, approximately 6% from acquisitions and an approximate 1.2% negative impact from foreign currency translation.

Fourth quarter sales for the Automotive Group were up 11.4%, including an approximate 4% comparable sales increase, an approximate 9% benefit from acquisitions and an unfavorable foreign currency translation of approximately 2%. Sales for the Industrial Group were up 8.7%, including an approximate 7% comparable sales increase and 2% from acquisitions. Sales for the Business Products Group were up 1.6% consisting primarily of comparable sales growth.

Paul Donahue, President and Chief Executive Officer, commented, "We are pleased to report another solid quarter of improved results at Genuine Parts Company. For the second consecutive quarter, each of our business segments grew their revenues with positive core sales comparisons and, combined with the added benefit of our accretive acquisitions which are performing well, we further improved our operating results and posted an overall increase in operating margin. We ended the fourth quarter with positive momentum and it is encouraging to see our teams execute on our plans and initiatives to drive continued sales and earnings growth."

Sales for the twelve months ended December 31, 2018 were \$18.7 billion, a 15% increase compared to \$16.3 billion for the same period in 2017. Net income for the twelve months was \$810.5 million and earnings per share on a diluted basis were \$5.50. Before the impact of the transaction and other costs primarily related to AAG (discussed above) and the attempted transaction to spin-off the Company's Business Products Group, S.P. Richards, net of the favorable impact of a \$12 million termination fee received, adjusted net income was \$836.1 million, or \$5.68 per diluted share, for the twelve months ended December 31, 2018.

Mr. Donahue concluded, "In 2018, we set new sales and earnings records, and our team did an excellent job of improving working capital and generating strong cash flows. We also completed our first full year of operations in Europe and successfully combined EIS into Motion Industries to form a larger and stronger industrial business. With these and other accomplishments, and our plans in place for the new year, we are well-positioned to further strengthen our global platform in 2019, driving long-term sustainable growth and significant value for our shareholders."

2019 Outlook

The Company is establishing its full year 2019 sales guidance at up 3% to 4%, or up an adjusted 4% to 5% before an expected headwind from currency translation of 1%. The Company's guidance for diluted earnings per share is \$5.75 to \$5.90, or an adjusted \$5.81 to \$5.96 before the impact of the 1% currency headwind. The Company currently expects a tax rate of approximately 25.0% in 2019.

Non-GAAP Information

This release contains certain financial information not derived in accordance with United States generally accepted accounting principles ("GAAP"). These items include adjusted net income and adjusted diluted earnings per share. The Company does not, nor does it suggest investors should, consider such non-GAAP financial measures in isolation from, or as a substitute for, GAAP financial information. The Company believes that the presentation of adjusted net income and adjusted diluted earnings per share provides meaningful supplemental information to both management and investors that is indicative of the Company's core operations. The Company has included a reconciliation of this additional information to the most comparable GAAP measure following the financial statements below.

Conference Call

Genuine Parts Company will hold a conference call today at 1:00 a.m. EST to discuss the results of the quarter and the future outlook. Interested parties may listen to the call on the Company's website, www.genpt.com, by clicking "Investors", or by dialing 877-407-0789, conference ID 13686721. A replay will also be available on the Company's website or at 844-512-2921, conference ID 13686721, two hours after the completion of the call until 12:00 a.m. EST on March 5, 2019.

Forward Looking Statements

Some statements in this press release, as well as in other materials we file with the Securities and Exchange Commission ("SEC") or otherwise release to the public and in materials that we make available on our website, constitute forward-looking statements that are subject to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Senior officers may also make verbal statements to analysts, investors, the media and others that are forward-looking. Forward-looking statements may relate, for example, to the anticipated strategic benefits, synergies and other attributes resulting from acquisitions, including Alliance Automotive Group, as well as future operations, prospects, strategies, financial condition, economic performance (including growth and earnings), industry conditions and demand for our products and services. 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 Company's ability to successfully integrate acquired companies into the Company and to realize the anticipated synergies and benefits; changes in the European aftermarket; the Company's ability to successfully implement its business initiatives in each of its three business segments; slowing demand for the Company's products; changes in national and international legislation or government regulations or policies, including new import tariffs and data security policies and requirements; changes in general economic conditions, including unemployment, inflation (including the impact of potential tariffs) or deflation and the United Kingdom's referendum to exit from the European Union, commonly known as Brexit; changes in tax policies; volatile exchange rates; volatility in oil prices; significant cost increases, such as rising fuel and freight expenses; labor shortages; uncertain credit markets and other macroeconomic conditions; competitive product, service and pricing pressures; the ability to maintain favorable vendor arrangements and relationships; disruptions in our vendors' operations, including the impact of tariffs and trade considerations on their operations and output, as required to meet product demand; failure or weakness in our disclosure controls and procedures and internal controls over financial reporting; 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 Annual Report on Form 10-K for 2017 and from time to time in the Company's subsequent filings with the SEC.

Forward-looking statements are only as of the date they are made, and the Company undertakes no duty to update its forward-looking statements except as required by law. You are advised, however, to review any further disclosures we make on related subjects in our subsequent Forms 10-K, 10-Q, 8-K and other reports to the SEC.

About Genuine Parts Company

Genuine Parts Company is a distributor of automotive replacement parts in the U.S., Canada, Mexico, Australasia, France, the U.K., Germany and Poland. The Company also distributes industrial replacement parts and electrical specialty materials in the U.S., Canada and Mexico through its Industrial Parts Group. S. P. Richards Company, the Business Products Group, distributes a variety of business products in the U.S. and in Canada. Further information is available at www.genpt.com.

GENUINE PARTS COMPANY AND SUBSIDIARIES CONDENSED CONSOLIDATED STATEMENTS OF INCOME

| (in thousands, except per share data) | Three Months Ended December 31, | | Twelve Months Ended December 31, | |
|---|------------------------------------|--------------|-------------------------------------|---------------|
| | 2018 | 2017 | 2018 | 2017 |
| Net sales | \$ 4,603,792 | \$ 4,207,076 | \$ 18,735,073 | \$ 16,308,801 |
| Cost of goods sold | 3,061,633 | 2,923,001 | 12,751,286 | 11,402,403 |
| Gross profit | 1,542,159 | 1,284,075 | 5,983,787 | 4,906,398 |
| Operating expenses: | | | | |
| Selling, administrative, and other expenses | 1,214,036 | 1,010,434 | 4,615,290 | 3,726,233 |
| Depreciation and amortization | 63,739 | 50,051 | 241,635 | 167,691 |
| Provision for doubtful accounts | 5,841 | 4,750 | 17,147 | 13,932 |
| Total operating expenses | 1,283,616 | 1,065,235 | 4,874,072 | 3,907,856 |

| | | | | |
|--|------------|------------|------------|------------|
| Non-operating expenses (income): | | | | |
| Interest expense | 26,256 | 18,223 | 101,925 | 41,486 |
| Other | (22,000) | (21,384) | (67,822) | (52,212) |
| Total non-operating expenses (income) | 4,256 | (3,161) | 34,103 | (10,726) |
| Income before income taxes | 254,287 | 222,001 | 1,075,612 | 1,009,268 |
| Income taxes | 67,588 | 113,818 | 265,138 | 392,511 |
| Net income | \$ 186,699 | \$ 108,183 | \$ 810,474 | \$ 616,757 |
| Basic net income per common share | \$ 1.28 | \$ 0.74 | \$ 5.53 | \$ 4.19 |
| Diluted net income per common share | \$ 1.27 | \$ 0.73 | \$ 5.50 | \$ 4.18 |
| Dividends declared per common share | \$.7200 | \$.6750 | \$ 2.880 | \$ 2.700 |
| Weighted average common shares outstanding | 146,392 | 146,629 | 146,657 | 147,140 |
| Dilutive effect of stock options and nonvested restricted stock awards | 707 | 582 | 584 | 561 |
| Weighted average common shares outstanding – assuming dilution | 147,099 | 147,211 | 147,241 | 147,701 |

GENUINE PARTS COMPANY AND SUBSIDIARIES
SEGMENT INFORMATION

| (in thousands) | Three Months Ended December 31, | | Twelve Months Ended December 31, | |
|----------------------------|------------------------------------|--------------|-------------------------------------|---------------|
| | 2018 | 2017 | 2018 | 2017 |
| Net sales: (1) | | | | |
| Automotive | \$ 2,576,344 | \$ 2,312,084 | \$ 10,526,520 | \$ 8,583,317 |
| Industrial (2) | 1,570,646 | 1,445,193 | 6,298,584 | 5,805,012 |
| Business products | 456,802 | 449,799 | 1,909,969 | 1,920,472 |
| Total net sales | \$ 4,603,792 | \$ 4,207,076 | \$ 18,735,073 | \$ 16,308,801 |
| Operating profit: | | | | |
| Automotive | \$ 199,330 | \$ 183,174 | \$ 854,389 | \$ 720,465 |
| Industrial (2) | 130,825 | 116,470 | 487,360 | 440,454 |
| Business products | 25,887 | 13,698 | 88,756 | 98,882 |
| Total operating profit | 356,042 | 313,342 | 1,430,505 | 1,259,801 |
| Interest expense, net | (21,380) | (17,423) | (92,093) | (38,677) |
| Intangible amortization | (22,170) | (17,909) | (88,972) | (51,993) |
| Other, net (3) | (58,205) | (56,009) | (173,828) | (159,863) |
| Income before income taxes | \$ 254,287 | \$ 222,001 | \$ 1,075,612 | \$ 1,009,268 |

(1) The net effect of discounts, incentives, and freight billed to customers has been allocated to their respective segments for the current and prior periods. Previously, the net effect of such items were captured and presented separately in a line item entitled "Other."

(2) Effective January 1, 2018, the electrical/electronic materials segment became a division of the industrial segment. These two reporting segments became a single reporting segment, the Industrial Parts Group. The change in segment reporting is presented retrospectively.

(3) The three and twelve months ended December 31, 2018 include \$17.1 million and \$36.1 million of expenses, respectively, from transaction and other costs incurred related to the AAG acquisition and the attempted S.P. Richards spin-off, net of a \$12 million termination fee received in the third quarter.

The three and twelve months ended December 31, 2017 include \$30.6 million and \$49.1 million of expenses, respectively, from transaction and other costs primarily related to the AAG acquisition.

GENUINE PARTS COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

| (in thousands) | December 31, 2018 | December 31, 2017 |
|--|----------------------|----------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 333,547 | \$ 314,899 |
| Trade accounts receivable, net | 2,493,636 | 2,421,563 |
| Merchandise inventories, net | 3,609,389 | 3,771,089 |
| Prepaid expenses and other current assets | 1,139,118 | 805,342 |
| Total current assets | 7,575,690 | 7,312,893 |
| Goodwill | 2,128,776 | 2,153,988 |
| Other intangible assets, less accumulated amortization | 1,411,642 | 1,400,392 |
| Deferred tax assets | 29,509 | 40,158 |
| Other assets | 510,192 | 568,248 |
| Property, plant, and equipment, net | 1,027,231 | 936,702 |
| Total assets | \$ 12,683,040 | \$ 12,412,381 |
| Liabilities and equity | | |
| Current liabilities: | | |
| Trade accounts payable | \$ 3,995,789 | \$ 3,634,859 |
| Current portion of debt | 711,147 | 694,989 |
| Other current liabilities | 1,088,428 | 1,045,177 |
| Dividends payable | 105,369 | 99,000 |
| Total current liabilities | 5,900,733 | 5,474,025 |
| Long-term debt | 2,432,133 | 2,550,020 |
| Pension and other post-retirement benefit liabilities | 235,228 | 229,868 |
| Deferred tax liabilities | 196,843 | 193,308 |
| Other long-term liabilities | 446,112 | 501,004 |
| Equity: | | |
| Common stock | 145,937 | 146,653 |
| Additional paid-in capital | 78,380 | 68,126 |
| Accumulated other comprehensive loss | (1,115,078) | (852,592) |
| Retained earnings | 4,341,212 | 4,049,965 |

| | | |
|--|---------------|---------------|
| Total parent equity | 3,450,451 | 3,412,152 |
| Noncontrolling interests in subsidiaries | 21,540 | 52,004 |
| Total equity | 3,471,991 | 3,464,156 |
| Total liabilities and equity | \$ 12,683,040 | \$ 12,412,381 |

GENUINE PARTS COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

| (in thousands) | Year Ended December 31 | | |
|---|------------------------|-------------|-------------|
| | 2018 | 2017 | 2016 |
| Operating activities | | | |
| Net income | \$ 810,474 | \$ 616,757 | \$ 687,240 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation and amortization | 241,635 | 167,691 | 147,487 |
| Excess tax benefits from share-based compensation | (4,232) | (3,134) | (12,021) |
| Loss (gain) on sale of property, plant, and equipment | 1,579 | (3,989) | (15,237) |
| Deferred income taxes | 3,891 | 65,990 | 33,226 |
| Share-based compensation | 20,716 | 16,892 | 19,719 |
| Foreign exchange gain | — | (14,051) | — |
| Changes in operating assets and liabilities: | | | |
| Trade accounts receivable, net | (72,041) | (19,273) | (53,544) |
| Merchandise inventories, net | (73,173) | (9,923) | (64,214) |
| Trade accounts payable | 364,639 | 61,474 | 240,717 |
| Other short-term assets and liabilities | (97,864) | (1,544) | 37,271 |
| Other long-term assets and liabilities | (50,460) | (61,847) | (74,566) |
| | 334,690 | 198,286 | 258,838 |
| Net cash provided by operating activities | 1,145,164 | 815,043 | 946,078 |
| Investing activities | | | |
| Purchases of property, plant and equipment | (232,422) | (156,760) | (160,643) |
| Proceeds from sale of property, plant, and equipment | 14,665 | 21,275 | 28,811 |
| Acquisition of businesses and other investing activities | (278,367) | (1,494,795) | (462,167) |
| Net cash used in investing activities | (496,124) | (1,630,280) | (593,999) |
| Financing activities | | | |
| Proceeds from debt | 5,064,291 | 6,630,294 | 4,350,000 |
| Payments on debt | (5,124,265) | (4,350,222) | (4,100,000) |
| Payments on acquired debt | — | (833,775) | — |
| Share-based awards exercised | (10,227) | (5,239) | (16,147) |
| Excess tax benefits from share-based compensation | — | — | 12,021 |
| Dividends paid | (415,983) | (395,475) | (386,863) |
| Purchase of stock | (91,983) | (173,524) | (181,417) |
| Other financing activities | (30,663) | — | — |

| | | | |
|---|------------|------------|------------|
| Net cash (used in) provided by financing activities | (608,830) | 872,059 | (322,406) |
| Effect of exchange rate changes on cash | (21,562) | 15,198 | 1,575 |
| Net increase in cash and cash equivalents | 18,648 | 72,020 | 31,248 |
| Cash and cash equivalents at beginning of year | 314,899 | 242,879 | 211,631 |
| Cash and cash equivalents at end of year | \$ 333,547 | \$ 314,899 | \$ 242,879 |

Supplemental disclosures of cash flow information

Cash paid during the year for:

| | | | |
|--------------|------------|------------|------------|
| Income taxes | \$ 236,536 | \$ 298,827 | \$ 374,865 |
| Interest | \$ 102,131 | \$ 38,401 | \$ 19,043 |

GENUINE PARTS COMPANY AND SUBSIDIARIES
RECONCILIATION OF GAAP NET INCOME TO ADJUSTED NET INCOME
(UNAUDITED)

| (in thousands, except per share data) | Three Months Ended December 31, | | Twelve Months Ended December 31, | |
|---|------------------------------------|------------|-------------------------------------|------------|
| | 2018 | 2017 | 2018 | 2017 |
| GAAP net income | \$ 186,699 | \$ 108,183 | \$ 810,474 | \$ 616,757 |
| Diluted net income per common share | \$ 1.27 | \$ 0.73 | \$ 5.50 | \$ 4.18 |
| Add after-tax adjustments: | | | | |
| Provisional transition tax and deferred tax revaluation | — | 50,986 | — | 50,986 |
| Transaction and other costs | 11,735 | 16,454 | 34,653 | 28,039 |
| Termination fee | — | — | (9,045) | — |
| Adjusted net income | \$ 198,434 | \$ 175,623 | \$ 0 | \$ 836,082 |
| Adjusted diluted net income per common share | \$ 1.35 | \$ 1.19 | \$ 5.68 | \$ 4.71 |

SOURCE Genuine Parts Company

For further information: Carol B. Yancey, Executive Vice President and CFO - (678) 934-5044; Sidney G. Jones, Senior Vice President - Investor Relations - (678) 934-5628

<https://www.genpt.com/2019-02-19-Genuine-Parts-Company-Reports-2018-Sales-and-Earnings-for-the-Fourth-Quarter-and-Full-Year>