

Genuine Parts Company Reports Sales And Earnings For The Third Quarter Ended September 30, 2015

- Company Reports Sales of \$3.9 Billion and Earnings Per Share of \$1.24 -

ATLANTA, Oct. 19, 2015 /[PRNewswire](#)/ -- Genuine Parts Company (NYSE: GPC) announced today sales and earnings for the third quarter and nine months ended September 30, 2015.

Sales for the third quarter ended September 30, 2015 decreased 2% to \$3.92 billion compared to sales of \$3.99 billion for the same period in 2014. Net income for the third quarter was \$188.0 million compared to \$190.5 million recorded for the same period in the previous year. Earnings per share on a diluted basis were \$1.24, equal to the earnings per share for the third quarter last year. Currency negatively impacted revenue growth by approximately 4% and earnings per share by \$0.05 in the third quarter.

The Company's 2% third quarter sales decline included underlying sales growth of 1% and a 1% contribution from acquisitions, offset by a currency headwind of approximately 4%. Sales for the Automotive Group were down 2% reflecting core automotive growth of 4% offset by a 6% impact of currency. Sales at Motion Industries, our Industrial Group, were down by approximately 4%, which basically represents the underlying decrease for this business, as a 1% contribution from acquisitions was offset by an equal currency headwind. Sales at EIS, our Electrical/Electronic Group, increased by 2% and included approximately 5% growth from acquisitions, offset by a 1.5% decrease in core sales and a 1.5% negative impact of copper pricing. Sales for S. P. Richards, our Office Products Group, were up 3%, which essentially reflects the underlying growth for this business in the quarter.

Tom Gallagher, Chairman and Chief Executive Officer, commented, "The strength in our underlying Automotive distribution business, as well as positive sales growth in the Office and Electrical distribution businesses, was offset by significant foreign currency headwinds and ongoing challenging global economic conditions, particularly in our Industrial distribution business. These factors pressured our overall sales and earnings growth as we moved through the third quarter, although our focus on streamlining operations and controlling expenses drove positive margin expansion."

Sales for the nine months ended September 30, 2015 were \$11.60 billion, up 1% compared to 2014. Net income for the nine months was \$544.4 million, basically unchanged from 2014, and earnings per share on a diluted basis were \$3.56, up 1% compared to \$3.53 in 2014. Currency negatively impacted revenue growth by approximately 3% and earnings per share by \$0.11 for the nine months.

Mr. Gallagher added, "We enter the fourth quarter facing market conditions that have softened, most prominently in our Industrial and Electrical businesses. Based on these uncertain conditions, which are likely to persist through the balance of the year, we expect sales and earnings to be further challenged as we work our way through the final quarter of 2015."

Mr. Gallagher concluded, "We have initiatives in place in each of our businesses which are designed to stimulate sales and earnings growth in the coming quarters. While these initiatives will take time to fully materialize in our quarterly results, our teams are committed to generating growth both organically and through selective accretive acquisitions that should enhance the long-term growth profile of our four businesses in the coming years. Our strong cash flow generation, driven by significant working capital improvement and our strong balance sheet provide us with the ability to support these initiatives. Additionally, we expect to continue to maximize shareholder value with our dividend and ongoing share repurchase program."

Conference Call

Genuine Parts Company will hold a conference call today at 11:00 a.m. Eastern time 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 844-857-1770, conference ID 46339913. A replay will also be available on the Company's website or at 855-859-2056, conference ID 46339913, two hours after the completion of the call until 12:00 a.m. Eastern time on November 3, 2015.

Forward Looking Statements

Some statements in this report, 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 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, slowing demand for the Company's products, changes in general economic conditions, including, unemployment, inflation or deflation, high energy costs, uncertain credit markets and other macro-economic conditions, the ability to maintain favorable vendor arrangements and relationships, disruptions in our vendors' operations, competitive product, service and pricing pressures, the Company's ability to successfully implement its business initiatives in each of its four business segments, the Company's ability to successfully integrate its acquired businesses, the uncertainties and costs of litigation, as well as other risks and uncertainties discussed in the Company's Annual Report on Form 10-K for 2014 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 and Australasia. The Company also distributes industrial replacement parts in the U.S., Canada and Mexico through its Motion Industries subsidiary. S. P. Richards Company, the Office Products Group, distributes business products in the U.S. and Canada. The Electrical/Electronic Group, EIS, Inc., distributes electrical and electronic components throughout the U.S., Canada and Mexico.

GENUINE PARTS COMPANY and SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

| | Three Months Ended Sept. 30, | | Nine Months Ended Sept. 30, | |
|--|---------------------------------------|-------------------|-----------------------------|-------------------|
| | <u>2015</u> | <u>2014</u> | <u>2015</u> | <u>2014</u> |
| | (Unaudited) | | | |
| | (in thousands, except per share data) | | | |
| Net sales | \$3,921,802 | \$3,985,909 | \$11,598,254 | \$11,519,193 |
| Cost of goods sold | <u>2,752,577</u> | <u>2,802,487</u> | <u>8,137,880</u> | <u>8,071,973</u> |
| Gross profit | 1,169,225 | 1,183,422 | 3,460,374 | 3,447,220 |
| Operating expenses: | | | | |
| Selling, administrative & other expenses | 834,372 | 850,156 | 2,492,537 | 2,486,162 |
| Depreciation and amortization | <u>34,278</u> | <u>34,983</u> | <u>105,764</u> | <u>108,623</u> |
| | 868,650 | 885,139 | 2,598,301 | 2,594,785 |
| Income before income taxes | 300,575 | 298,283 | 862,073 | 852,435 |
| Income taxes | <u>112,559</u> | <u>107,767</u> | <u>317,674</u> | <u>306,708</u> |
| Net income | <u>\$ 188,016</u> | <u>\$ 190,516</u> | <u>\$ 544,399</u> | <u>\$ 545,727</u> |
| Basic net income per common share | \$1.24 | \$1.25 | \$3.58 | \$3.56 |

| | | | | |
|--|----------------|----------------|----------------|----------------|
| Diluted net income per common share | \$1.24 | \$1.24 | \$3.56 | \$3.53 |
| Weighted average common shares outstanding | 151,354 | 153,018 | 152,043 | 153,401 |
| Dilutive effect of stock options and non-vested restricted stock awards | <u>789</u> | <u>1,080</u> | <u>847</u> | <u>1,062</u> |
| Weighted average common shares outstanding - assuming dilution | <u>152,143</u> | <u>154,098</u> | <u>152,890</u> | <u>154,463</u> |

GENUINE PARTS COMPANY and SUBSIDIARIES

SEGMENT INFORMATION AND FINANCIAL HIGHLIGHTS

| | Three Months Ended Sept. 30, | | Nine Months Ended Sept. 30, | |
|---------------------------------|------------------------------|--------------------|-----------------------------|---------------------|
| | <u>2015</u> | <u>2014</u> | <u>2015</u> | <u>2014</u> |
| | (Unaudited) | | | |
| | (in thousands) | | | |
| Net sales: | | | | |
| Automotive | \$2,064,099 | \$2,099,518 | \$ 6,065,733 | \$ 6,108,429 |
| Industrial | 1,170,252 | 1,220,539 | 3,540,106 | 3,573,048 |
| Office Products | 510,825 | 496,572 | 1,478,878 | 1,333,455 |
| Electrical/Electronic Materials | 196,837 | 193,321 | 573,584 | 561,686 |
| Other (1) | <u>(20,211)</u> | <u>(24,041)</u> | <u>(60,047)</u> | <u>(57,425)</u> |
| Total net sales | <u>\$3,921,802</u> | <u>\$3,985,909</u> | <u>\$11,598,254</u> | <u>\$11,519,193</u> |
| Operating profit: | | | | |
| Automotive | \$ 201,986 | \$ 193,258 | \$ 560,070 | \$ 550,051 |
| Industrial | 90,081 | 95,262 | 266,726 | 273,740 |
| Office Products | 36,406 | 33,318 | 107,431 | 98,447 |
| Electrical/Electronic Materials | <u>19,988</u> | <u>17,766</u> | <u>54,019</u> | <u>49,758</u> |
| Total operating profit | 348,461 | 339,604 | 988,246 | 971,996 |
| Interest expense, net | (5,055) | (6,283) | (16,056) | (18,713) |
| Intangible amortization | (8,545) | (8,947) | (25,945) | (26,321) |
| Other, net | <u>(34,286)</u> | <u>(26,091)</u> | <u>(84,172)</u> | <u>(74,527)</u> |
| Income before income taxes | <u>\$ 300,575</u> | <u>\$ 298,283</u> | <u>\$ 862,073</u> | <u>\$ 852,435</u> |
| Capital expenditures | <u>\$ 24,531</u> | <u>\$ 33,862</u> | <u>\$ 61,994</u> | <u>\$ 73,785</u> |

| | | | | |
|-------------------------------|------------------|------------------|-------------------|-------------------|
| Depreciation and amortization | <u>\$ 34,278</u> | <u>\$ 34,983</u> | <u>\$ 105,764</u> | <u>\$ 108,623</u> |
|-------------------------------|------------------|------------------|-------------------|-------------------|

(1) Represents the net effect of discounts, incentives and freight billed reported as a component of net sales.

GENUINE PARTS COMPANY and SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

| | Sept. 30, <u>2015</u> | Sept. 30, <u>2014</u> |
|---|--------------------------|--------------------------|
| | (Unaudited) | |
| | (in thousands) | |
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 199,294 | \$ 135,537 |
| Trade accounts receivable, net | 1,963,158 | 1,976,056 |
| Merchandise inventories, net | 2,967,724 | 3,014,102 |
| Prepaid expenses and other current assets | <u>493,306</u> | <u>459,682</u> |
| TOTAL CURRENT ASSETS | 5,623,482 | 5,585,377 |
| Goodwill and other intangible assets, less accumulated amortization | 1,328,431 | 1,444,356 |
| Deferred tax assets | 136,618 | 90,539 |
| Other assets | 486,136 | 558,932 |
| Net property, plant and equipment | <u>628,461</u> | <u>662,253</u> |
| TOTAL ASSETS | <u>\$8,203,128</u> | <u>\$8,341,457</u> |
| LIABILITIES AND EQUITY | | |
| CURRENT LIABILITIES | | |
| Trade accounts payable | \$2,851,022 | \$2,549,193 |
| Current portion of debt | 125,000 | 335,394 |
| Income taxes payable | 6,643 | 24,481 |
| Dividends payable | 92,905 | 87,906 |
| Other current liabilities | <u>688,498</u> | <u>638,808</u> |
| TOTAL CURRENT LIABILITIES | 3,764,068 | 3,635,782 |
| Long-term debt | 500,000 | 500,000 |

| | | |
|---|--------------------|--------------------|
| Pension and other post-retirement benefit liabilities | 248,709 | 135,407 |
| Deferred tax liabilities | 62,419 | 79,690 |
| Other long-term liabilities | 456,908 | 482,430 |
| Common stock | 150,763 | 152,857 |
| Retained earnings | 3,922,609 | 3,791,172 |
| Accumulated other comprehensive loss | <u>(914,586)</u> | <u>(446,854)</u> |
| TOTAL PARENT EQUITY | 3,158,786 | 3,497,175 |
| Noncontrolling interests in subsidiaries | <u>12,238</u> | <u>10,973</u> |
| TOTAL EQUITY | <u>3,171,024</u> | <u>3,508,148</u> |
| TOTAL LIABILITIES AND EQUITY | <u>\$8,203,128</u> | <u>\$8,341,457</u> |
| | | |

GENUINE PARTS COMPANY and SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS


| | Nine Months Ended Sept. 30, | |
|---|--------------------------------|------------------|
| | <u>2015</u> | <u>2014</u> |
| | (Unaudited) | |
| | (in thousands) | |
| OPERATING ACTIVITIES: | | |
| Net income | \$544,399 | \$545,727 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 105,764 | 108,623 |
| Share-based compensation | 13,582 | 12,641 |
| Excess tax benefits from share-based compensation | (5,381) | (7,269) |
| Changes in operating assets and liabilities | <u>237,623</u> | <u>(70,399)</u> |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 895,987 | 589,323 |
| INVESTING ACTIVITIES: | | |
| Purchases of property, plant and equipment | (61,994) | (73,785) |
| Acquisitions and other investing activities | <u>(115,414)</u> | <u>(275,295)</u> |

| | | |
|--|-------------|-------------|
| NET CASH USED IN INVESTING ACTIVITIES | (177,408) | (349,080) |
| FINANCING ACTIVITIES: | | |
| Proceeds from debt | 2,537,224 | 2,032,550 |
| Payments on debt | (2,680,191) | (1,974,581) |
| Share-based awards exercised, net of taxes paid | (6,030) | (8,266) |
| Excess tax benefits from share-based compensation | 5,381 | 7,269 |
| Dividends paid | (275,379) | (259,365) |
| Purchase of stock | (225,175) | (95,546) |
| NET CASH USED IN FINANCING ACTIVITIES | (644,170) | (297,939) |
| EFFECT OF EXCHANGE RATE CHANGES ON CASH | (12,845) | (3,660) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 61,564 | (61,356) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | 137,730 | 196,893 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | \$199,294 | \$135,537 |
| | | |

Logo - <http://photos.prnewswire.com/prnh/20081002/CLTH108LOGO>

SOURCE Genuine Parts Company

For further information: Carol B. Yancey, Executive Vice President and CFO - (770) 612-2044, Sidney G. Jones, Vice President - Investor Relations - (770) 818-4628

Additional assets available online:  [Photos \(1\)](#)

<https://www.genpt.com/2015-10-19-Genuine-Parts-Company-Reports-Sales-And-Earnings-For-The-Third-Quarter-Ended-September-30-2015>