PublicCompanyReport

GENUINE PARTS COMPANY

FYE December 31, 2024

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Analyst: **Michael Infranco,** 800-789-0123 Ext. 126

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Key Personnel

Paul D. Donahue	Chairman & CEO
William P Stengel	President
Bert Nappier	CFO & EVP
Napoleon B. Rutledge & Jr	Chief Accounting Officer & SVP

Business Description

Genuine Parts Company is a global distributor of automotive replacement parts. The Company also distributes industrial replacement parts in the U.S., Canada, Mexico, and Australasia through its Industrial Parts Group. S.P. Richards Company, the Business Products Group, distributes a variety of business products in the U.S.

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Analytical Overview

Analyst : Michael Infranco

In FY24, Genuine Parts Company's (GPC) consolidated sales were up 1.7%, reflecting the benefit of acquisitions (see below for additional information). Automotive sales increased 3.7% from FY23, driven by acquisitions, particularly in the Company's U.S. Automotive business. In FY24, GPC completed strategic acquisitions of more than 500 stores in the U.S., mostly from its independent owners, including the acquisition of its two largest, Motor Parts & Equipment Corp. and Walker Automotive Supply, Inc. Comparable sales in the Automotive segment were flat due to softer demand, as macro-economic headwinds such as high interest rates and persistent cost inflation continued to impact customer buying behavior. Revenues at the Industrial Parts Group were down 1.7%, reflecting softness in industrial production and an ongoing moderation in demand in many customer end markets. The Company continued to experience an adverse macroeconomic environment when compared to FY23, as interest rate headwinds and economic uncertainty led customers to delay discretionary capital expenditures. FY24 gross margin was up 40 bps, reflecting the benefit from acquired businesses. Meanwhile, SG&A margin was up 10 bps, mainly due to inflationary pressures. For the year, EBITDA was up 5% to $2.21 billion, and EBITDA margin improved 30 bps to 9.4%. Free cash flow was down about 26% YOY to $684 million in FY24. Debt was up 10%, but debt to EBITDA was flat at 1.9x on the improved profitability; interest coverage stood at nearly 23x. Liquidity, supported by revolver availability of $1.50 billion and $480 million in cash at year-end, was ample to fund working capital requirements.

Looking ahead, we expect FY25 revenue and earnings growth to be pressured by weak market conditions, particularly in 1H25. GPC will continue to focus on disciplined capital allocation, increasing its dividend, pursuing strategic bolt-on acquisitions and continuing to invest in technology and supply chain to enhance the customer experience and improve efficiencies in its business. The Company intends to reduce net outstanding debt, strengthening its balance sheet.

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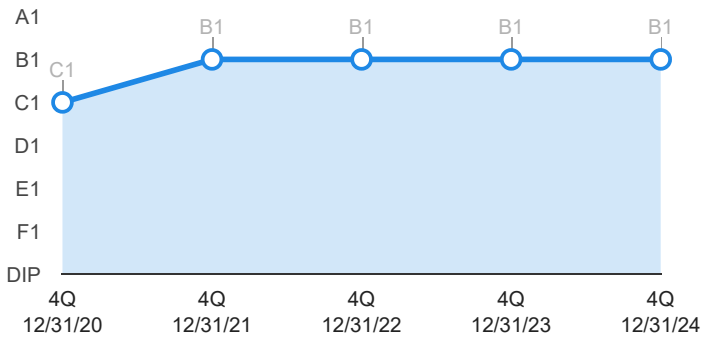
CreditRating: **B1**



Highlights

North American Automotive Parts Group

In North America, the Company's Automotive Parts Group sells parts primarily under the National Automotive Parts Association (NAPA) brand name through distribution centers and automotive parts stores. The Company's automotive network sells to customers in both commercial do-it-for-me (DIFM) and retail do-it-yourself (DIY) market segments and covers substantially all global motor vehicle models. DIFM customers include local, regional and national repair centers, auto dealers, service stations and both private and public sector accounts. DIY customers are primarily served over the counter at their global stores or digitally. DIFM and DIY customers account for approximately 80% and 20% of the Automotive Parts Group's total sales, respectively.

At December 31, 2024, the Company's North American network consisted of 75 distribution centers, 2,279 company-owned parts stores and 4,464 independently-owned parts stores. Independently-owned stores purchase inventory from Company-operated distribution centers. These independently owned stores are responsible for operating and managing their business, including operating costs and capital expenditures. The Company does not receive a royalty or franchise fee from independently owned stores.

In FY24, as part of its strategic financial objectives to grow revenue and improve operating margins, the Company pivoted its U.S. strategy to owning more stores in priority markets. The Company made significant progress on this initiative during FY24, including the acquisition of its two largest independently owned stores groups, Motor Parts & Equipment Corp. and Walker Automotive Supply, Inc., and completed strategic acquisitions of more than 500 NAPA stores from independent owners, as well as competitive stores, bringing company-owned store count to approximately 35% of the overall store mix.

Planned Pension Plan Termination

On April 29, 2024, the Company approved the termination of its frozen U.S. qualified defined benefit plan (pension plan), effective September 30, 2024. As part of the plan settlement process, pension plan participants not currently receiving payments will have the opportunity to select a single lump sum payment or an annuity from the insurance company that will pay and administer future benefit payments. The Company intends to settle the pension plan and transfer the management and delivery of continuing benefits associated with the pension plan to a third-party insurance company by the end of FY25 or early FY26, subject to government approvals.

As of December 31, 2024, the benefit obligation for the pension plan was determined based on the amount expected to be required to settle the obligations. Upon settlement, GPC expects to recognize a non-cash, pre-tax pension settlement charge in FY25 or early FY26 equal to the actuarial losses accumulated in accumulated other comprehensive income, which totaled approximately $735 million ($540 million, net of tax) as of December 31, 2024. Once settled, the Company will be fully relieved of all obligations under the pension plan. In addition, in connection with this anticipated transaction, GPC has adjusted its investment strategy for plan assets, which will significantly reduce pension income in FY25.

Restructuring Initiative

In February 2024, the Company announced a global restructuring designed to better align its assets and further improve the efficiency of the business. The efforts progressed as planned throughout FY24, delivering cost savings at the high end of the Company's expectations. During FY25, the Company will expand its restructuring efforts and take additional cost actions. It expects to incur additional costs of approximately $150 million to $180 million in FY25, which will continue to be reported as a non-recurring expense. Through these efforts, the Company expects to realize approximately $100 million to $125 million of additional savings in FY25. When fully annualized in FY26, the Company expects FY24 and FY25 restructuring efforts and cost actions to deliver approximately $200 million of cost savings.

FY25 Guidance

The Company provided guidance for FY25 as follows:

Total sales growth	2% to 4%
Automotive sales growth	2% to 4%
Industrial sales growth	2% to 4%
Diluted earnings per share[(1)]	$6.95 to $7.45
Adjusted diluted earnings per share	$7.75 to $8.25
Effective tax rate	Approx. 24%
Net cash provided by operating activities	$1.2 billion to $1.4 billion
Free cash flow	$800 million to $1.0 billion

Share Repurchase / Dividends

In FY24, the Company repurchased 1.1 million shares of its common stock for $150 million and paid $555 million in dividends. The Company had remaining authority to purchase 7.5 million shares of its common stock at December 31, 2024.

Acquisitions

During FY24, the Company acquired various businesses for approximately $1.20 billion. The businesses acquired included two of the largest independent owners of NAPA Auto Parts Stores in the U.S., including Motor Parts & Equipment Corp. in April 2024 and Walker Automotive Group in July 2024. GPC recognized approximately $500 million and $30 million of revenue for the year ended December 31, 2024, for its Automotive and Industrial acquisitions, respectively.

New Financing

On August 7, 2024, the Company issued $750 million of 4.95% senior unsecured notes due August 15, 2029.

Capital Expenditures

Capital expenditures totaled $567 million in FY24 compared with $512 million a year earlier. The Company did not provide information on its FY25 capex plans.

Liquidity

As of December 31, 2023, there were no outstanding borrowings, leaving full availability under the Company's $1.50 billion revolver that matures September 30, 2026. As of December 31, 2023, the Company was in compliance with its covenants.

On November 29, 2023, the Company established a commercial paper program that allows it to issue up to $1.50 billion in unsecured commercial paper notes. The maturities of the commercial paper notes vary but may not exceed 364 days from the date of issuance. As of December 31, 2024, there were no borrowings outstanding under the commercial paper program.

Financial Snapshot

(U.S. Dollar in Millions)

	12 Months Ended		
Operating Performance	12/31/24	12/31/23	% Change
Sales	$ 23,486.6	$ 23,090.6	1.7%
Store Count (1)	2,279	1,797	26.8%
Comp Store Sales (% Change) (2)	0.0%	2.1%	
Gross Margin	36.3%	35.9%	0.4%
SG&A Margin (3)	26.9%	26.8%	0.1%
EBITDA (3)	$ 2,207.1	$ 2,097.6	5.2%
EBITDA Margin	9.4%	9.1%	0.3%
Op. Income (Loss) (3)	$ 1,799.2	$ 1,747.1	3.0%
Int. Exp (Income)	$ 96.8	$ 64.5	50.2%
Net Income (Loss)	$ 904.1	$ 1,316.5	-31.3%
Interest Coverage	22.8	32.5	-30.0%
Capital Expenditures	$ 567.3	$ 512.7	10.7%
Capex Margin	2.4%	2.2%	0.2%
Working Capital & Liquidity Indicators			
Cash and Equivalents	$ 480.0	$ 1,102.0	-56.4%
Accounts Receivable	$ 2,182.9	$ 2,223.4	-1.8%
Inventory	$ 5,514.4	$ 4,676.7	17.9%
% Inventory financed by vendors	107.4%	117.6%	-10.2%
Inventory turnover (annualized)	2.9	3.2	-11.4%
Accounts Payable	$ 5,923.7	$ 5,499.5	7.7%
Days Payable Outstanding	142.5	133.8	6.5%
Working Capital	$ 1,327.2	$ 1,778.7	-25.4%
Current ratio	1.2	1.2	-5.7%
Debt & Leverage Ratios			
Total Debt	$ 4,284.3	$ 3,906.2	9.7%
Net Debt (Net Cash)	$ 3,804.4	$ 2,804.2	35.7%
Stockholder's equity	$ 4,337.4	$ 4,401.0	-1.4%
Tangible net worth	$ (358.9)	$ (126.5)	-183.6%
Total debt to equity ratio	1.0	0.9	11.2%
Total debt to TTM EBITDA	1.9	1.9	4.3%
Net debt To TTM EBITDA	1.7	1.3	28.9%

(1) North American company-owned stores. At December 31, 2024, the Company distributed to 4,464 independently owned stores in North America. Also, as of December 31, 2024, there were 782 company-owned and 1,760 independently-owned stores in Europe, and 561 company-owned stores in Australasia.
(2) Automotive segment.
(3) Excludes share-based compensation of $40.7 million and $57.2 million in FY24 and FY23, respectively. Also excludes restructuring and other one-time charges of $315.7 million in FY24.

Revolving Credit Facility

Original Facility Date	October 30, 2017
Amendment Date	March 22, 2022 , September 30, 2021
Maturity Date	September 30, 2026
Agent Bank	JPMorgan Chase Bank
Maximum Borrowings	$ 1500 M
Availability (12/31/2024) :	$ 1500 M
Interest Rate Comment :	Interest based on SOFR plus applicable spread, depending on leverage ratio.
Security :	UNSECURED
Credit Facility Comments :	The loan agreement includes an accordion feature that would increase the commitment by $350.0 million.

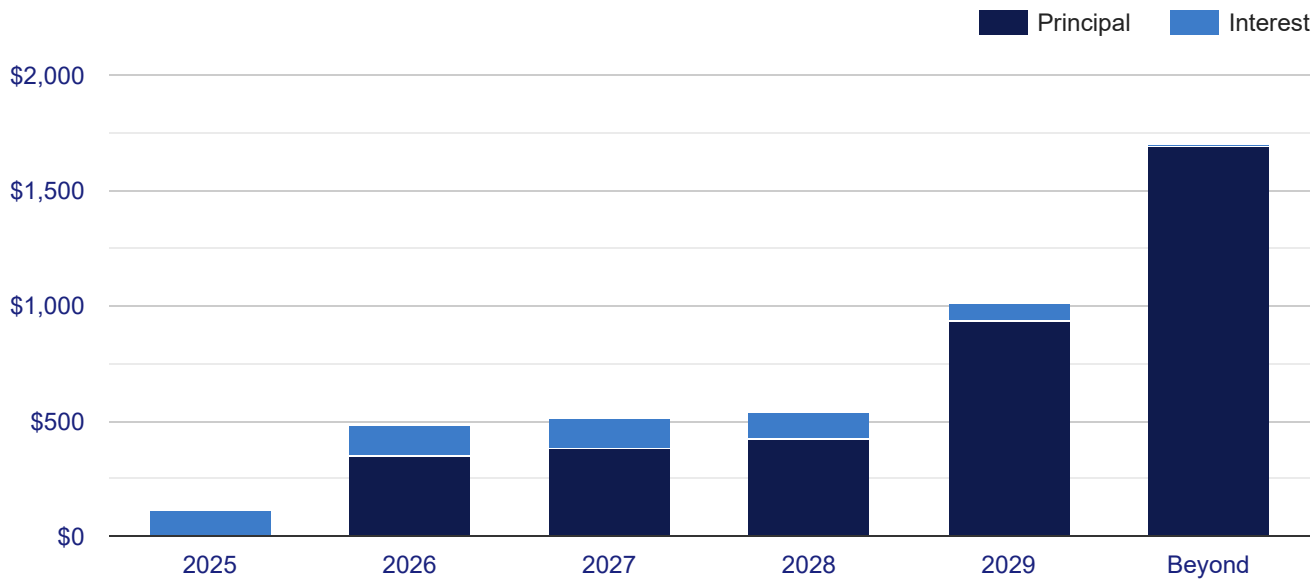
Debt Analysis

Approximate Date/U.S. Dollar in Millions

Outstanding 2024-12-31	Maturity Date	Interest Rate	Instrument	Security	Next Payment Date	Next Payment Amount
-	10/30/25	2.75%	Revolving Credit Facility	Unsecured	04/15/25	-
$ 96.68	06/30/26	3.43%	Series B Senior Unsecured Notes	Unsecured	06/30/25	$ 1.7 *i*
$ 250.00	11/30/26	3.24%	Series H Senior Unsecured Notes	Unsecured	05/30/25	$ 4.1 *i*
$ 261.26	10/30/27	1.81%	Series K Senior Unsecured Notes	Unsecured	04/30/25	$ 2.4 *i*
$ 120.00	10/30/27	3.70%	Series I Senior Unsecured Notes	Unsecured	04/15/25	$ 1.1 *i*
$ 425.00	11/01/28	6.50%	Senior Unsecured Notes	Unsecured	05/01/25	$ 13.8 *i*
$ 52.25	05/31/29	1.55%	Series A Senior Unsecured Notes	Unsecured	05/31/25	$ 0.4 *i*
$ 750.00	08/15/29	4.95%	Senior Unsecured Notes	Unsecured	02/15/25	$ 18.6 *i*
$ 130.63	10/30/29	2.02%	Series L Senior Unsecured Notes	Unsecured	04/30/25	$ 1.3 *i*
$ 500.00	11/01/30	1.88%	Senior Unsecured Notes	Unsecured	05/01/25	$ 4.7 *i*
$ 104.50	05/31/31	1.74%	Series B Senior Unsecured Notes	Unsecured	05/31/25	$ 0.9 *i*
$ 500.00	02/01/32	2.75%	Senior Unsecured Notes	Unsecured	02/01/25	$ 6.9 *i*
$ 104.50	10/30/32	2.32%	Series M Senior Unsecured Notes	Unsecured	04/30/25	$ 1.2 *i*
$ 375.00	11/01/33	6.88%	Senior Unsecured Notes	Unsecured	05/01/25	$ 12.9 *i*
$ 104.50	05/31/34	1.95%	Series C Unsecured Senior Notes	Unsecured	05/31/25	$ 1.0 *i*
$ 3,774.34						

i=Interest Payment; p=Principal Payment; b=Both Interest and Principal Payments Due

Debt Maturity Wall

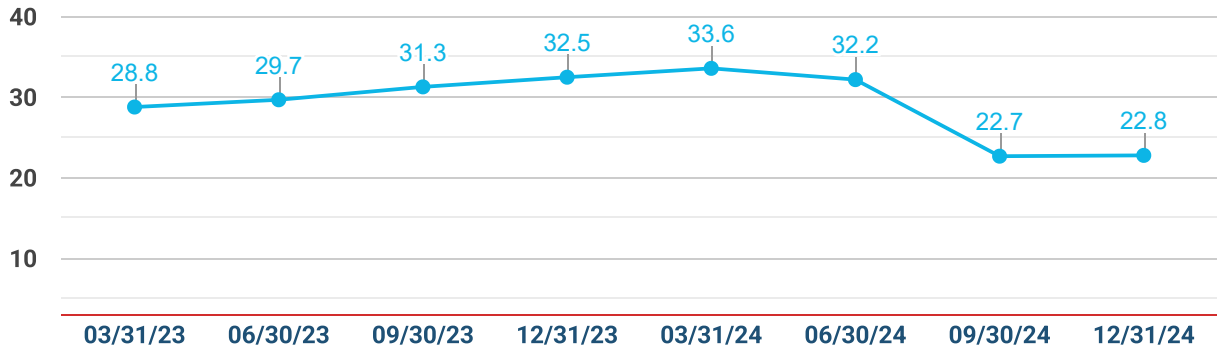


Free Cash Flow Analysis

(U.S. Dollar in Millions)

	FYE 12/31/24	3Q 09/30/24	2Q 06/30/24	1Q 03/31/24	FYE 12/31/23	3Q 09/30/23	2Q 06/30/23	1Q 03/31/23
Cash From Operations	$ 1,251.3	$ 1,096.2	$ 611.9	$ 318.3	$ 1,435.6	$ 1,082.4	$ 457.0	$ 197.5
Cash From Investing	(1,507.5)	(1,245.2)	(762.0)	(178.4)	(705.8)	(473.4)	(226.1)	(45.2)
Cash From Financing	(333.9)	124.8	(382.3)	(175.2)	(292.2)	(599.0)	(357.8)	(157.8)
Net Change in Cash	(590.2)	(24.1)	(532.4)	(35.4)	437.7	10.0	(126.9)	(5.5)
Cash From Operations	1,251.3	1,096.2	611.9	318.3	1,435.6	1,082.4	457.0	197.5
+ Interest Expense (Income)	96.8	67.4	39.6	0.0	64.5	49.1	33.3	16.9
Capital Expenditures	567.3	385.6	259.2	115.7	512.7	349.9	205.3	88.1
Free Cash Flow Before Interest Expense	780.7	778.1	392.3	202.6	987.4	781.7	285.0	126.3
Free Cash Flow / Interest Expense	8.1	11.5	9.9	No Int. Expense	15.3	15.9	8.6	7.5
Free Cash Flow After Interest Expense	683.9	710.6	352.7	202.6	922.9	732.6	251.7	109.4
Debt Service								
Total Debt	$ 4,284.3	$ 4,617.9	$ 3,880.7	$ 3,874.7	$ 3,906.2	$ 3,317.5	$ 3,403.8	$ 3,384.6
Revolver Available	1,500.0	1,500.0	1,400.0	1,500.0	1,500.0	1,500.0	1,400.0	1,400.0
Cash & Cash Equivalents	480.0	1,078.1	555.3	1,049.6	1,102.0	654.6	530.1	651.2
Total Liquidity	$ 1,980.0	$ 2,578.1	$ 1,955.3	$ 2,549.6	$ 2,602.0	$ 2,154.6	$ 1,930.1	$ 2,051.2

Interest Coverage



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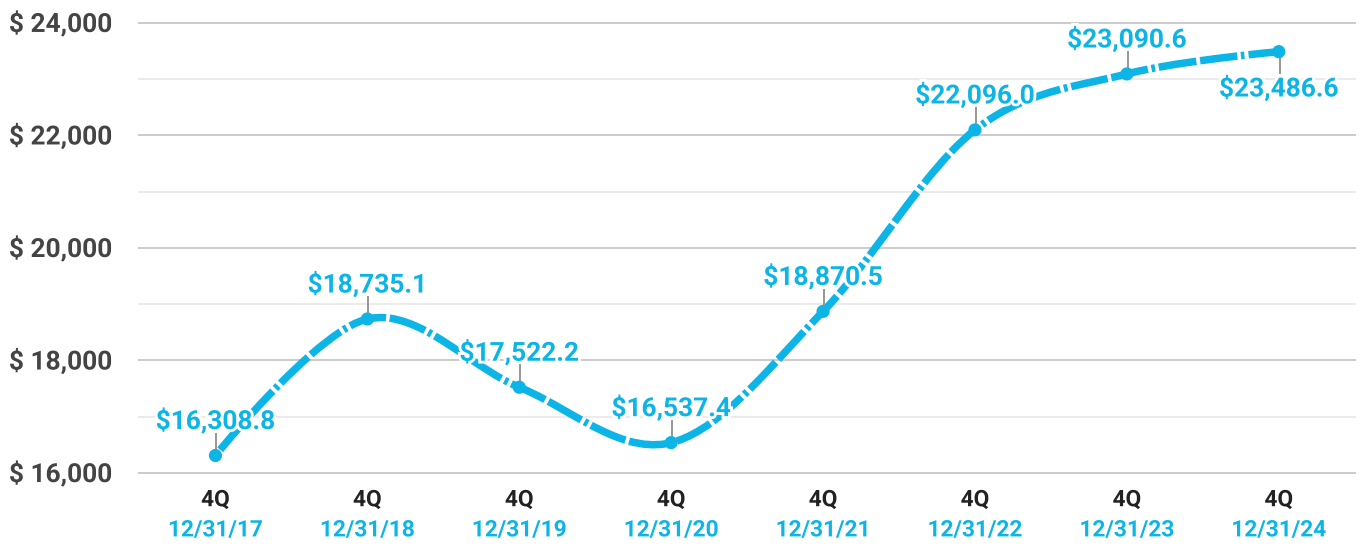
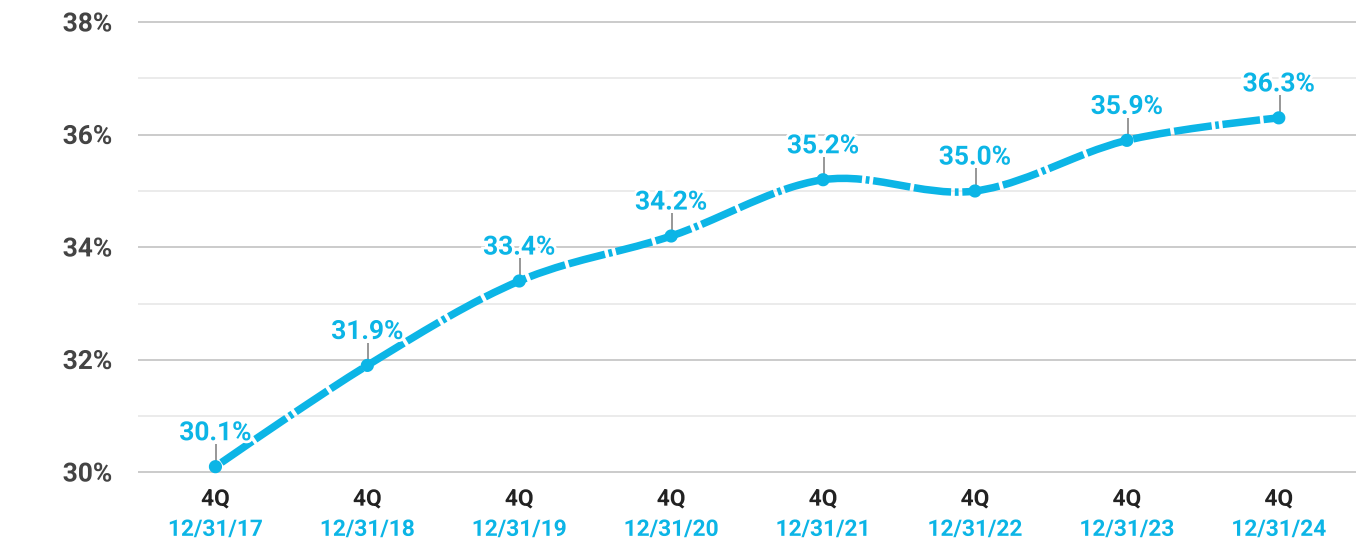
Performance Charts

(U.S. Dollars in Millions unless otherwise noted)

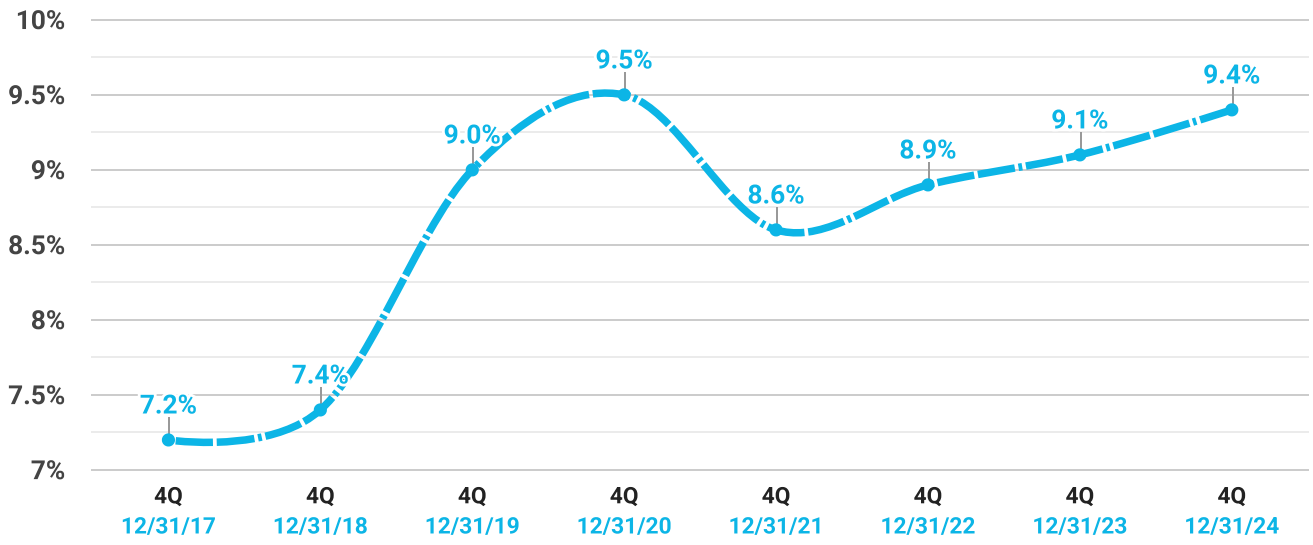
YTD Sales



YTD Gross Margin



YTD EBITDA Margin



Income Statement

GENUINE PARTS COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands, except per share data)	2024	2023	2024	2023
Net sales	$ 5,962,567	$ 5,915,006	$ 11,746,198	$ 11,680,124
Cost of goods sold	3,782,264	3,780,263	7,491,240	7,531,980
Gross profit	2,180,303	2,134,743	4,254,958	4,148,144
Operating expenses:				
Selling, administrative and other expenses	1,647,456	1,581,653	3,222,383	3,092,897
Depreciation and amortization	99,202	90,873	189,812	178,088
Provision for doubtful accounts	5,678	8,322	11,889	13,961
Restructuring and other costs	29,760	—	112,802	—
Total operating expenses	1,782,096	1,680,848	3,536,886	3,284,946
Non-operating (income) expense:				
Interest expense, net	21,921	16,455	39,611	33,319
Other	(9,915)	(16,649)	(32,921)	(28,616)
Total non-operating (income) expense	12,006	(194)	6,690	4,703
Income before income taxes	386,201	454,089	711,382	858,495
Income taxes	90,657	109,595	166,944	210,044
Net income	$ 295,544	$ 344,494	$ 544,438	$ 648,451
Dividends declared per common share	$ 1.00	$ 0.95	$ 2.00	$ 1.90
Basic earnings per share	$ 2.12	$ 2.45	$ 3.91	$ 4.61
Diluted earnings per share	$ 2.11	$ 2.44	$ 3.89	$ 4.58

Balance Sheet

GENUINE PARTS COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

(in thousands, except share and per share data)	June 30, 2024	December 31, 2023
Assets		
Current assets:		
Cash and cash equivalents	$ 555,277	$ 1,102,007
Trade accounts receivable, less allowance for doubtful accounts (2024 – $59,179; 2023 – $56,608)	2,526,060	2,223,431
Merchandise inventories, net	5,103,644	4,676,686
Prepaid expenses and other current assets	1,611,717	1,603,728
Total current assets	9,796,698	9,605,852
Goodwill	2,858,668	2,734,681
Other intangible assets, less accumulated amortization	1,818,954	1,792,913
Property, plant and equipment, less accumulated depreciation (2024 – $1,695,974; 2023 – $1,592,658)	1,787,822	1,616,785
Operating lease assets	1,604,559	1,268,742
Other assets	1,002,692	949,481
Total assets	$ 18,869,393	$ 17,968,454
Liabilities and equity		
Current liabilities:		
Trade accounts payable	$ 5,931,993	$ 5,499,536
Current portion of debt	853,236	355,298
Dividends payable	139,375	132,635
Other current liabilities	1,841,809	1,839,640
Total current liabilities	8,766,413	7,827,109
Long-term debt	3,027,491	3,550,930
Operating lease liabilities	1,318,307	979,938
Pension and other post–retirement benefit liabilities	222,378	219,644
Deferred tax liabilities	473,125	437,674
Other long-term liabilities	505,556	536,174
Equity:		
Preferred stock, par value – $1 per share; authorized – 10,000,000 shares; none issued	—	—
Common stock, par value – $1 per share; authorized – 450,000,000 shares; issued and outstanding – 2024 – 139,346,018 shares; 2023 – 139,567,071 shares	139,346	139,567
Additional paid-in capital	180,527	173,025
Accumulated other comprehensive loss	(1,035,739)	(976,872)
Retained earnings	5,256,514	5,065,327
Total parent equity	4,540,648	4,401,047
Noncontrolling interests in subsidiaries	15,475	15,938
Total equity	4,556,123	4,416,985
Total liabilities and equity	$ 18,869,393	$ 17,968,454

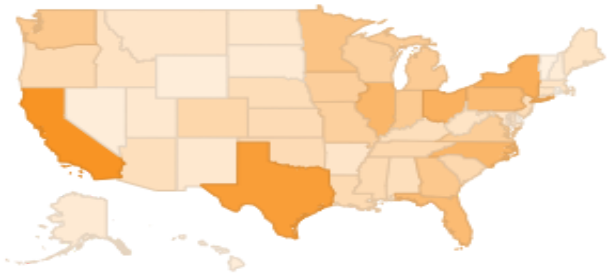
Cash Flow Statement

GENUINE PARTS COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

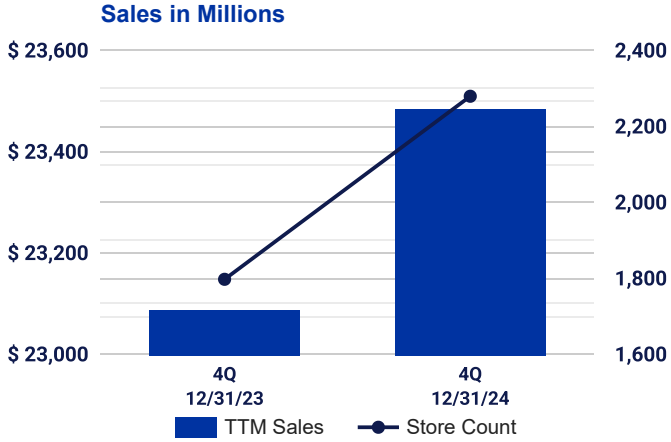
(in thousands)	Six Months Ended June 30, 2024	2023
Operating activities:		
Net income	$ 544,438	$ 648,451
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	189,812	178,088
Share-based compensation	26,570	36,945
Excess tax benefits from share-based compensation	(8,233)	(6,431)
Other operating activities, including changes in operating assets and liabilities	(140,672)	(400,050)
Net cash provided by operating activities	611,915	457,003
Investing activities:		
Purchases of property, plant and equipment	(259,245)	(205,336)
Proceeds from sale of property, plant and equipment	73,645	4,762
Proceeds from divestitures of businesses	3,715	—
Proceeds from sale of investments	—	80,482
Acquisitions and other investing activities	(580,141)	(106,028)
Net cash used in investing activities	(762,026)	(226,120)
Financing activities:		
Proceeds from debt	539,722	1,668,757
Payments on debt	(544,355)	(1,602,138)
Shares issued from employee incentive plans	(18,780)	(23,155)
Dividends paid	(272,021)	(259,929)
Purchases of stock	(74,999)	(134,849)
Other financing activities	(11,893)	(6,436)
Net cash used in financing activities	(382,326)	(357,750)
Effect of exchange rate changes on cash and cash equivalents	(14,293)	3,509
Net decrease in cash and cash equivalents	(546,730)	(123,358)
Cash and cash equivalents at beginning of period	1,102,007	653,463
Cash and cash equivalents at end of period	$ 555,277	$ 530,105

StoreTrends Overview

NAPA Auto Parts



Sales and Store Count





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