



Genuine Parts Company (NYSE: GPC)

Recommendation: **Long**

October 1st, 2025

Company Overview



Genuine Parts Company is a leading global service provider of automotive and industrial replacement parts and value-added solutions.

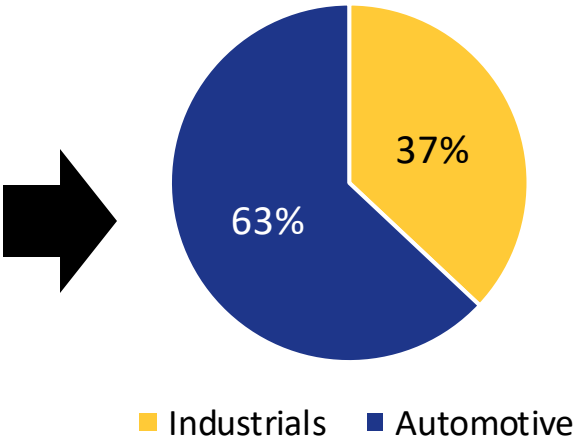
- **Genuine Parts Company (NYSE: GPC)** was founded in 1928 and is headquartered in Atlanta, Georgia.
- The firm operates across two key business segments: **Automotive (63% of revenue)** and **Industrials (37% of revenue)**.
- Its Automotive Parts Group is anchored by NAPA Auto Parts in North alongside
- Industrials Parts Group distributes replacement parts, safety products and power transmission equipment to 190k+ MRO and OEM customers.

100+ Acquisitions over 5 Years

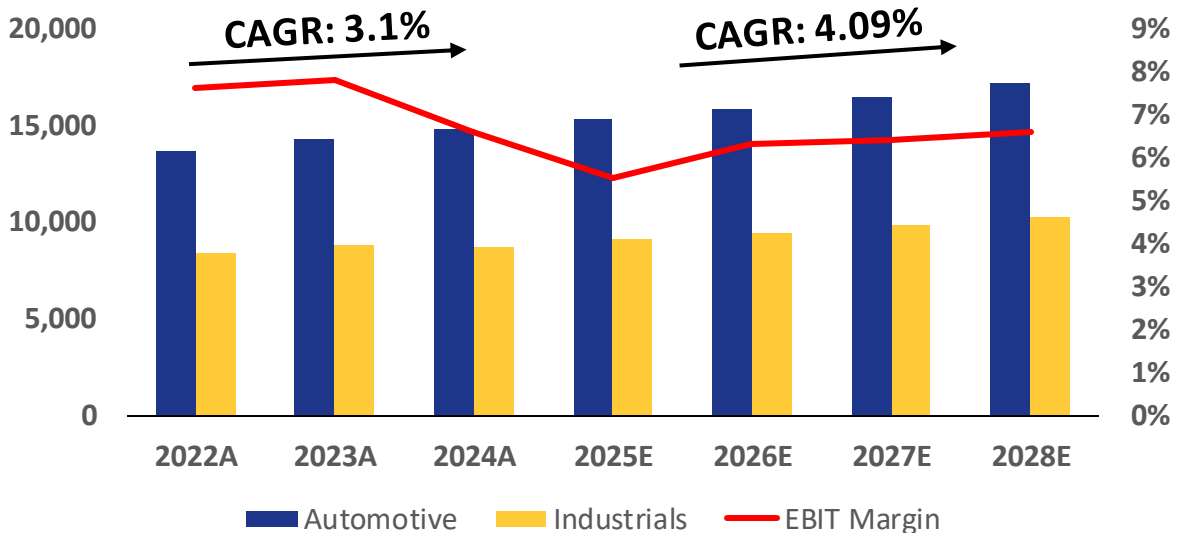


Revenue Segmentation

Automotive constitutes most of the current revenue. However, the Industrial segment is a steadily growing area as demand rises for maintenance, repair, and operations (MRO) products across diversified industries.



Total Revenue (\$M) and EBIT Margin



Dividends

- | | | |
|---|---------------------------|---|
| 68 straight years of consecutive dividend increases | \$4.12 per share annually | 3% yield today versus peer group average 0-1% |
|---|---------------------------|---|
- GPC has increased dividends for 68 years, a feat unmatched by peers like AutoZone and O'Reilly.
 - GPC has a proof of durable cash flow through recurring earnings even in downside years.
 - GPC combines reinvestment with direct cash returns making it a superior long-term compounder

Segment Overview: Industrials

Motion is GPC's Industrials distribution segment, contributing roughly ~37% of GPC's business model.



Segment Snapshot

- Motion is positioned to grow as **industrial reshoring, automation, and sustainability** drive demand for essential MRO and engineering services; its scale and M&AS strategy allows it to capitalize on fragmented market.
- It serves many industrial markets from **chemical manufacturing to oil and gas to mining** while mainly focusing on equipment and machinery.
- It serves as a **complement to GPC's automotive segment** – serving as passage into a sector that GPC's competitors have not tapped into.
- The **MRO demand is necessary**, as major industrial plants cannot function without bearings, hydraulics, etc. this allows for constant demand.
- Motion serves customers **worldwide**, with the strongest presence in North America and Australasia.

Key Stats

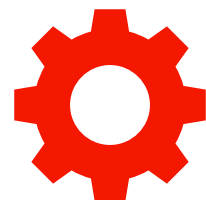


18M+

Global Parts Available
for Distribution

~720

Branches and Services
Centers



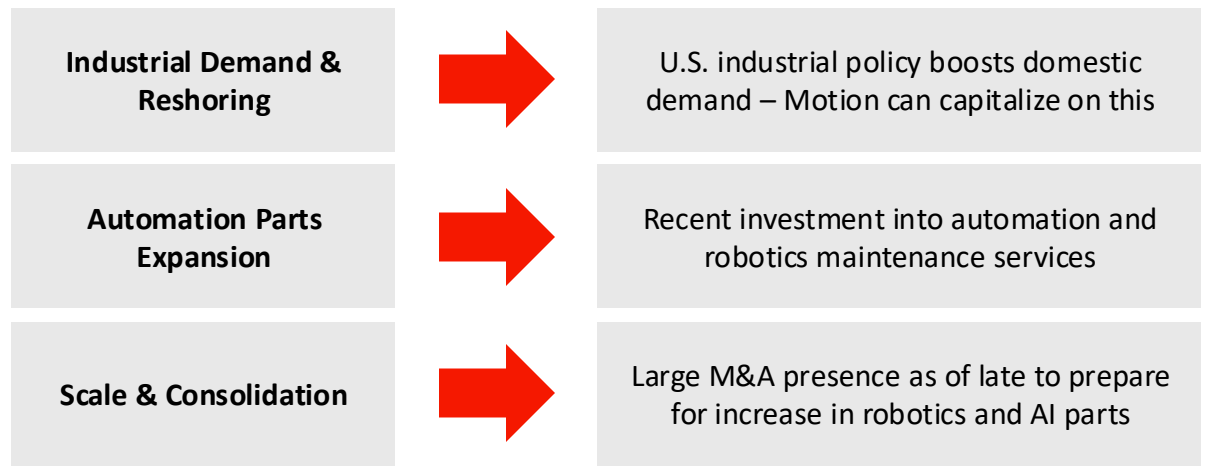
~80%

MRO/Maintenance

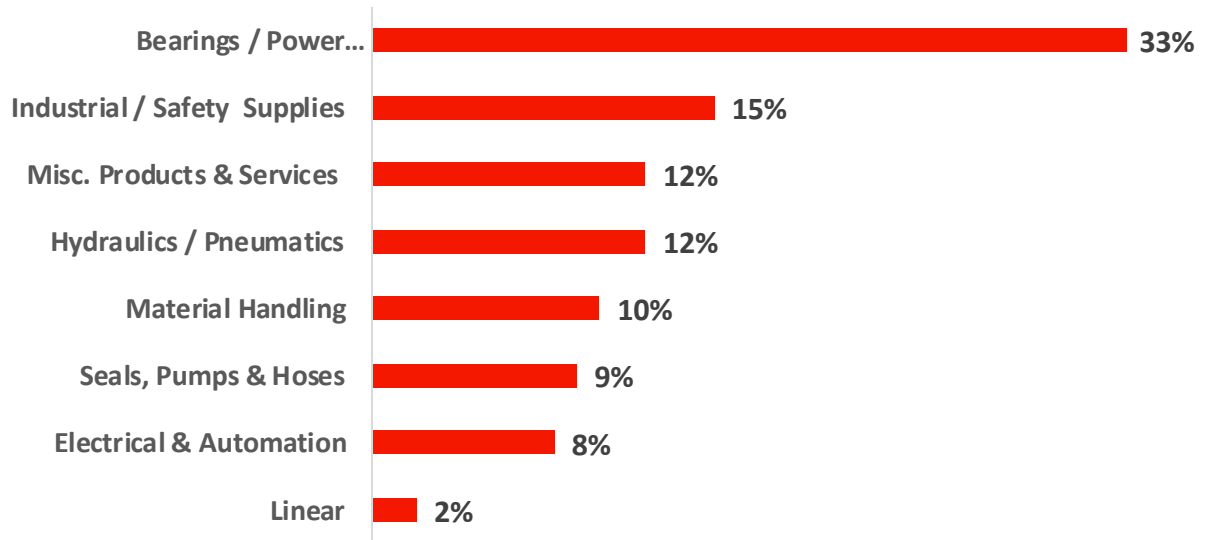
~20%

OEM/Value Solutions

Growth Drivers



2024 Sales by Product Category



Segment Overview: Automotive

GPC's Automotive segment drives the business through its strong NAPA brand and diversified international footprint.



Segment Snapshot

- Supplies automotive replacement parts across **North America, Europe and Australasia** under NAPA, Alliance and Repco Brands.
- Serves both **DIFM** (professional repair shops) and **DIY** (individual car owners). DIFM is the majority focus making up 80% of revenue.
- Includes **brakes, batteries, filters, fluids, tools and specialty services**.
- Customer stickiness via NAPA AutoCare – **20,000+ global repair center partnerships** with warranties, loyalty programs and trusted brand equity.
- Global and domestic footprint** expanded through acquisition of MPEC and Gaudi in Spain.

Key Stats

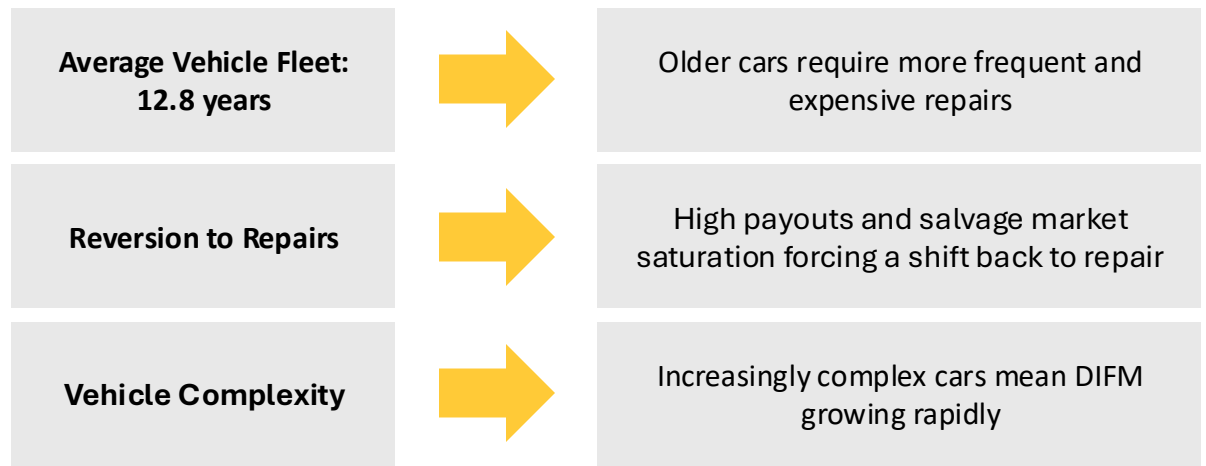


20,000+
Global Repair Center
Customer Partnerships

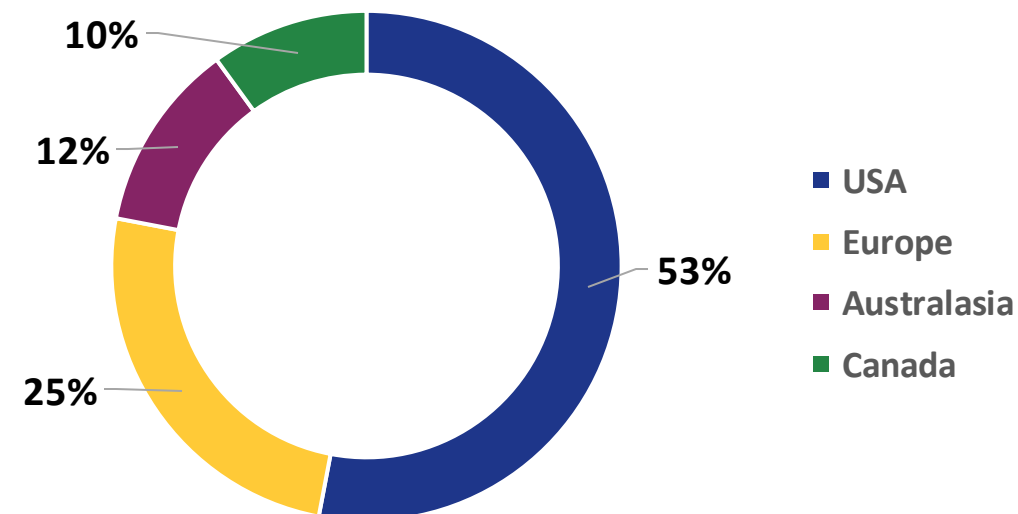


~80%
of North American sales
are NAPA products

Growth Drivers



Diversification of Business – 2024 Sales by Region

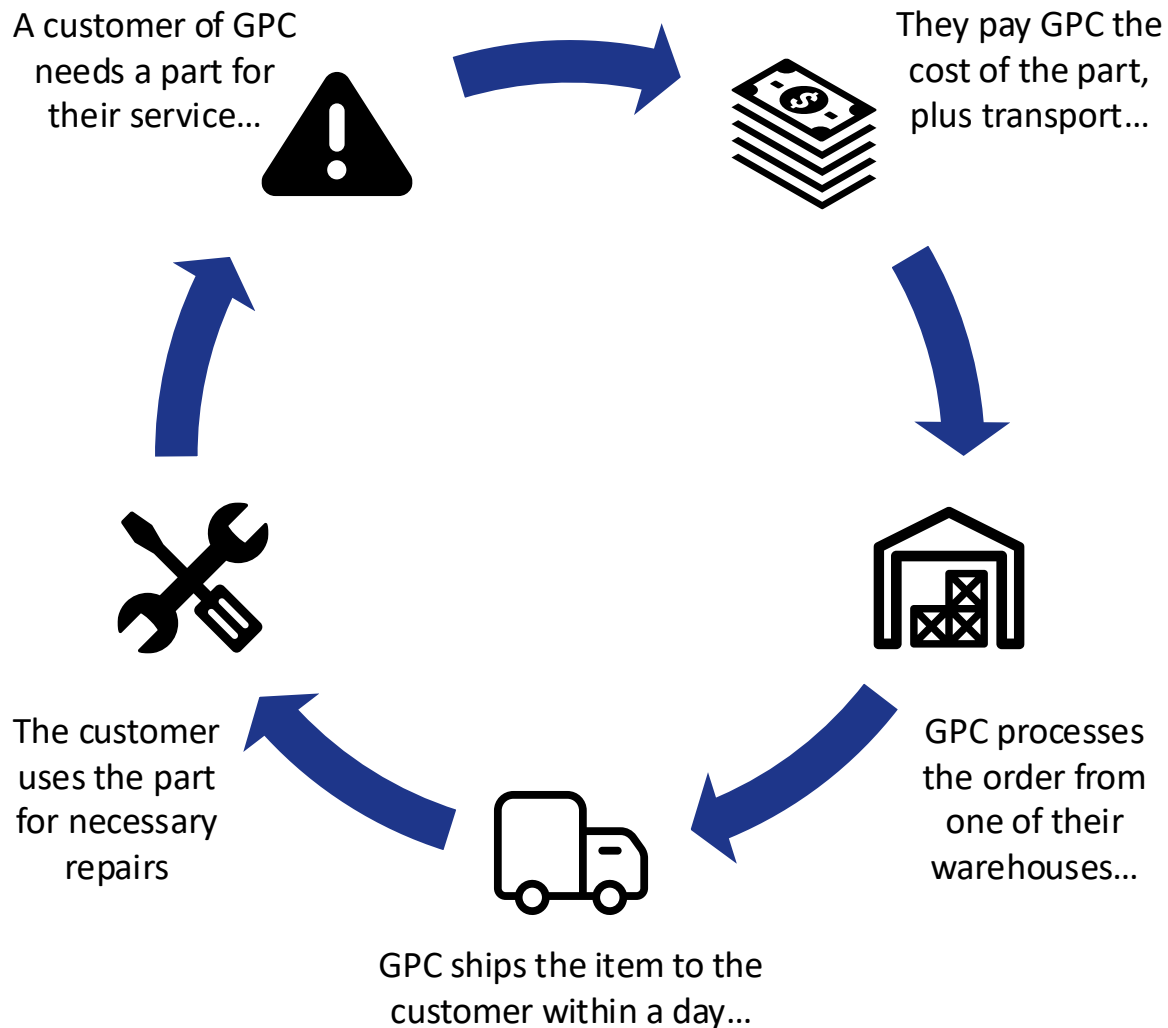


Revenue Model



GPC creates recurring revenue as it supplies essential replacement parts which customers cannot wait long for nor can find anywhere else.

The Money Maker



Why GPC is Superior

- 1 Time to Customer**
By having over **10,700 distribution centers over 17 countries**, GPC is able to get a part to consumer faster than any competitor.
- 2 Plethora of Products**
GPC offers more parts compared to competitors due to Automotive and Industrial, allowing it to have the **greatest customer reach** with the most parts available.
- 3 Offers DIFM**
GPC owns many **do-it-for-me** stores through their **NAPA** brand, allowing for general consumers to have GPC repair their cars for them – unmatched by competitors.



Sticky Revenue

Customers trust NAPA to offer DIFM services for their vehicles, plus the reward and loyalty programs drive retention

Why Genuine Parts Company?



Genuine Parts Company is currently being sold at a discount.

1

GPC's Scale and Services are Unparalleled

- GPC is the largest distributor of automotive aftermarket repair parts in North America and is only expanding internationally.
- They can get a product to a customer faster than any other competitor; services through DIFM model.

2

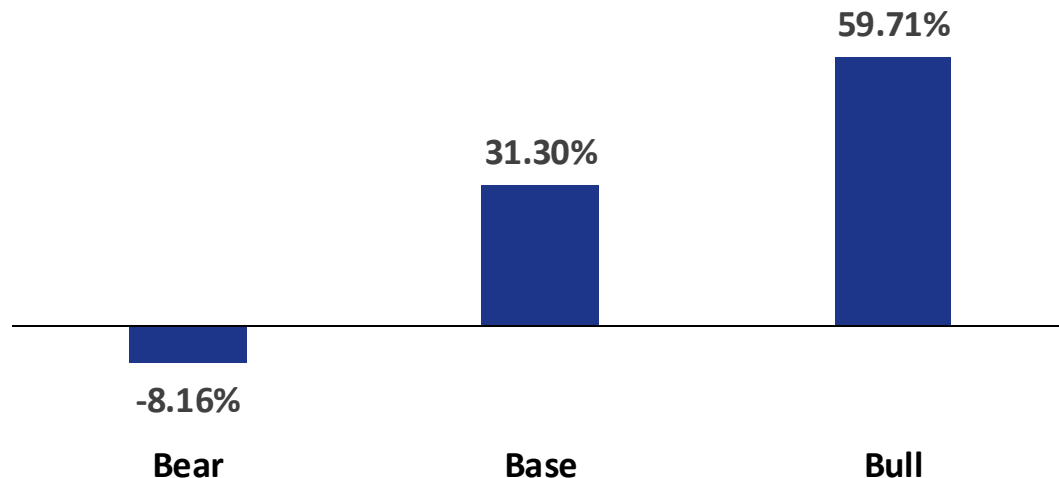
Looming Deferred Maintenance Bubble

- Car age has risen to ~13 in recent years causing there to be no need for maintenance on old cars as they were scrapped.
- As new cars enter the market, there will be pent up demand for maintenance that has been deferred due to the economy.

2

GPC is Mislabeled as a Weak Asset

- GPC trades lower than competitors but holds a stronger projection for their future through M&A and restructuring.
- In the future, GPC will be able to capitalize on this for their investors.



Recommendation: BUY

Price Target: \$181.41

Upside: 31.30%

Current: \$138.17

Competitive Advantage

GPC moved early and strategically which has provided the company an unmatched scale and offering when compared to competitors.



Genuine Parts Company



Competitors



10,000+ automotive locations worldwide supported by 162 distribution centers



18,000+ NAPA AutoCare centers ensuring recurring professional repair demand



26% of revenue generated outside North America giving global diversification



Broadest product assortment with same to 1 day delivery

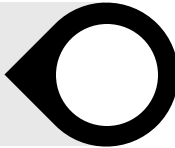
6000-7600 stores each with fewer distribution centers (ORLY – 31, AAP 12)



Limited shop networks – competitors rely on retail & smaller commercial programs



Growth driven mostly by organic store openings and buy backs



Are more reliant on DIY customers & spend more in DIFM segment



Recent Acquisitions



Genuine Parts Company has bolstered its international business model through a series of large and small acquisitions.



Acquired: 2024

- Largest independent NAPA store group in the US (181 stores)
- Strengthened GPC's US automotive footprint and increased margin capture



Acquired: 2017

- One of Europe's largest automotive aftermarket parts distributors
- Gave GPC a major foothold in Europe
- ~ \$2bn deal



Acquired: 2019

- E-commerce specialist in Australian automotive parts space
- Complements GPC Asia Pacific's existing business model



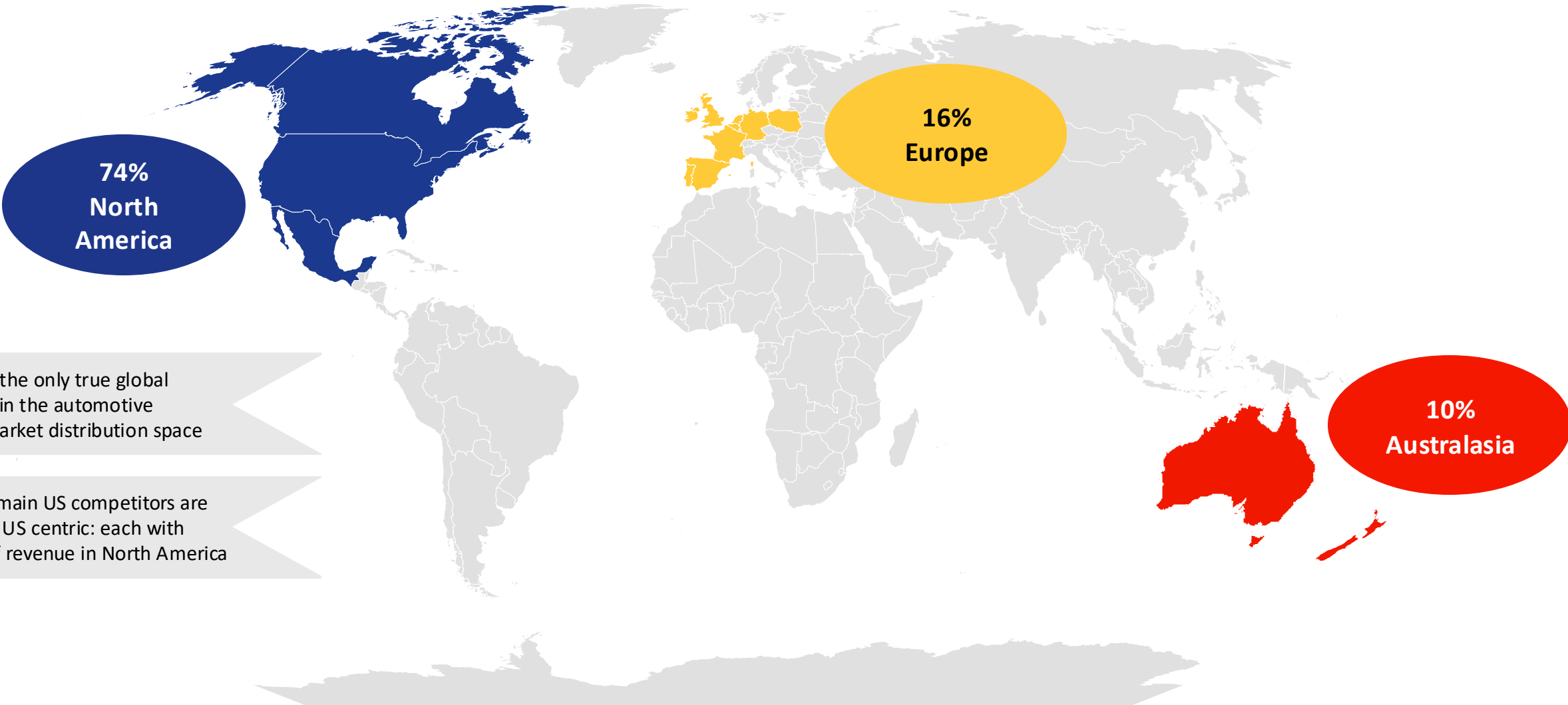
Acquired: 2019

- A multi-stage deal to acquire a leading industrial distributor in Australia and NZ
- Strengthened Motion, another subsidiary of GPC, & diversified revenue

Global Presence



Unlike U.S.-centric competitors, GPC has built global presence, making it the world's largest auto parts distributor.



GPC is the only true global player in the automotive aftermarket distribution space

GPC's main US competitors are largely US centric: each with 90% of revenue in North America

Deferred Maintenance Bubble



The deferred maintenance bubble is the large backlog of repairs drivers have delayed due to costs, supply chain issues, and aging vehicles.

Deferred Maintenance Example



Bob was commuting to work in his car



Suddenly, he gets the check engine light



He takes it to the shop to get repairs

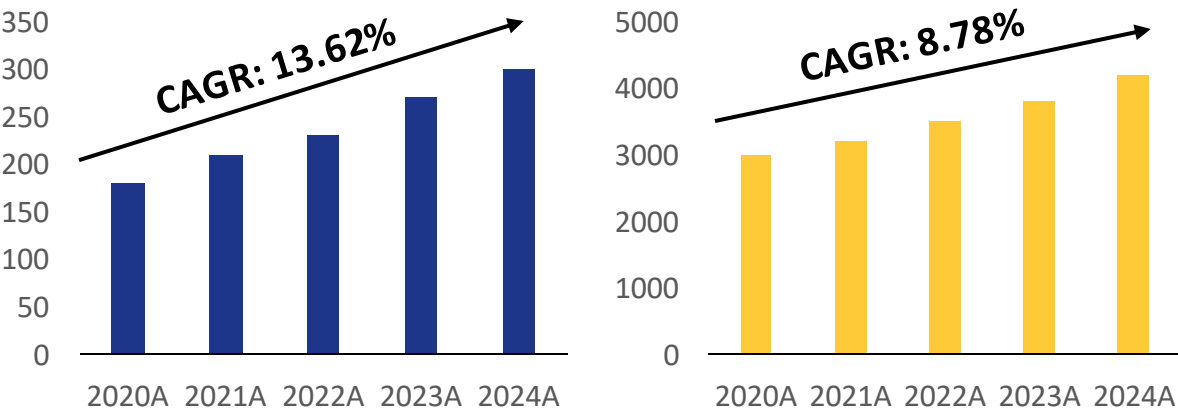


However, Bob doesn't have money for fixing



Downturn means Bob can't

Prices for Brakes & Transmission (\$)



Prices for automotive aftermarket parts are rising higher than inflation: **5.23% L5**

Timeline for Repairs – Every (x) Miles

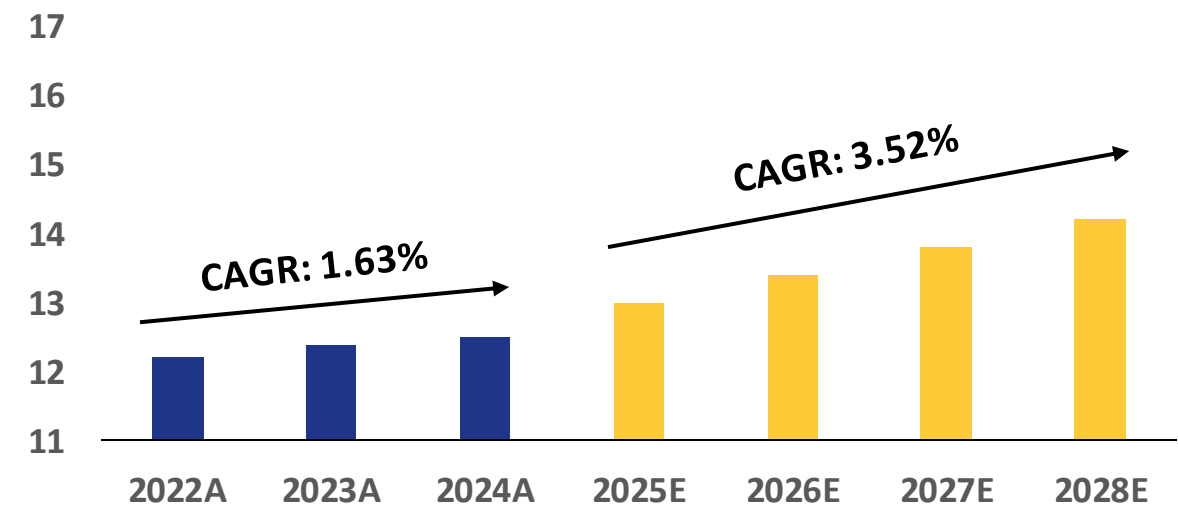
30,000	Brakes, Fuel System, Cooling System, Tires
60,000	Belts, Hoses, Spark Plugs, Battery
90,000	Timing Belt, Engine Chains, Rubber Hoses
120,000	Ignition Coils, Wheel Bearings, Transmission Fluid
150,000	Transmission (If not earlier), Often Full Overhaul

Increasing Age of Vehicle Fleet

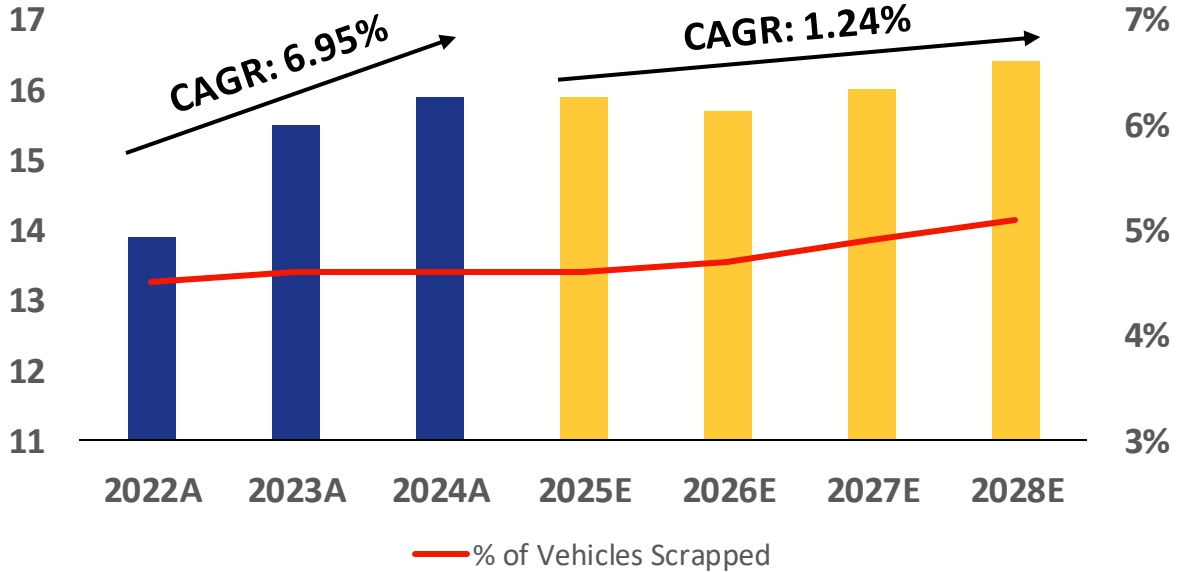


Older cars break more often and need repairs, but due to a deferred maintenance bubble GPC is not currently reaping these profits.

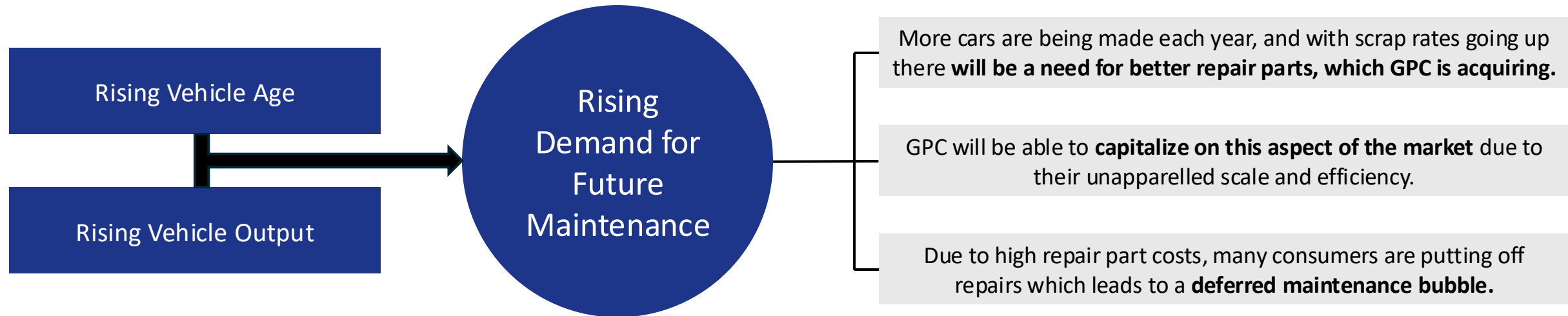
Average Vehicle Fleet Age (yrs)



New Vehicles Sold (M)



What Does This Mean?

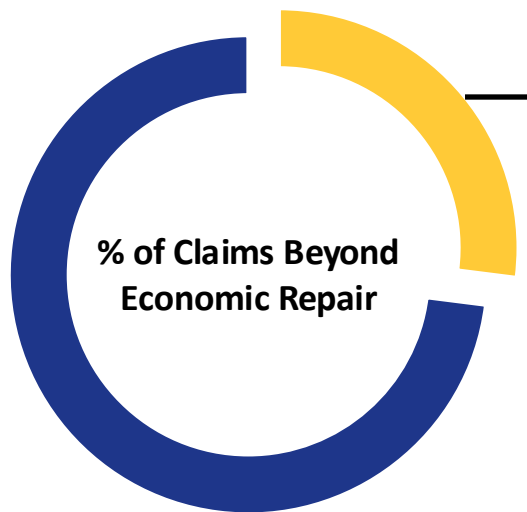


Vehicle Insurance



Insurers are cheap, they refuse to pay for maintenance on any old vehicle and would rather pay the Actual Cash Value (ACV) of the car.

Insurers are Cheap



- ~27% of insurance claims last year were deemed beyond economic repair.
- Insurers often pay for the **Actual Cash Value (ACV)** than a new repair part for many old cars on the roads.
- However, if it is a newer car, insurance firms **would rather pay for a repair** than ACV.

Liability Risk

The longer insurers refuse to do maintenance, or charge costs, the **more accident-prone vehicles on the road.**



The more accident-prone vehicles on the road, the **more likely for an accident causing an insurance claim.**



While this benefits insurers short term, **over time it will hurt their margins, forcing them to pay for repairs.**

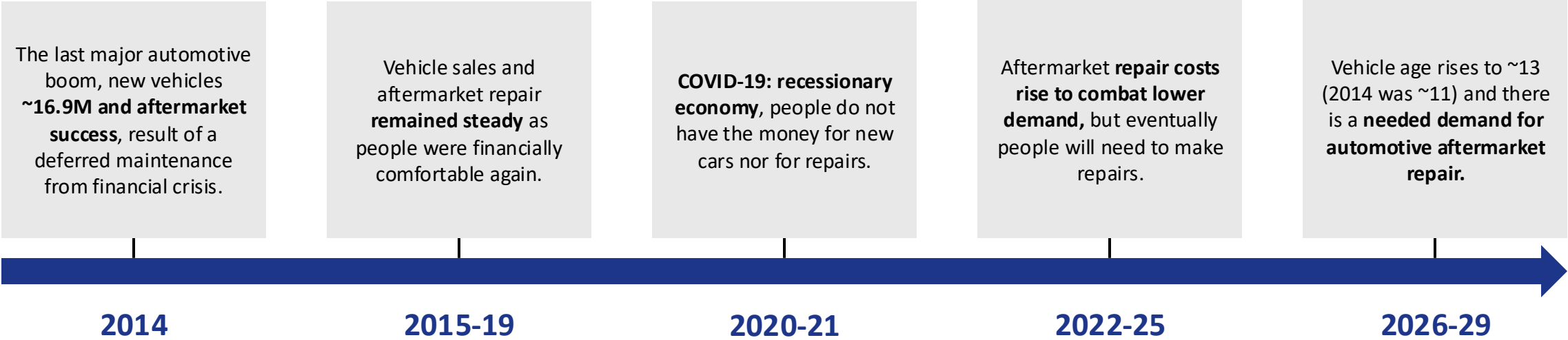
Can't Go on Forever



When Will it Happen?



I believe that the bubble will pop within the next 2 years due to multiple factors and historical timeline assumptions.



Why 2026-2029?

	In 2014, at its peak GPC reported record same-store sales ~\$10B, 5% YoY growth
	It took ~7 years for the economy to recover to prerecession numbers, normalizing GDP and unemployment
	Economy recovered, and people had money to repair their neglected vehicles – we will see this in this time frame

How GPC Capitalizes on the Burst

1 Expand to have strong presence: economies of scale	2 Have faster delivery times than any other distributor	3 Strong customer loyalty that drives consistent revenue
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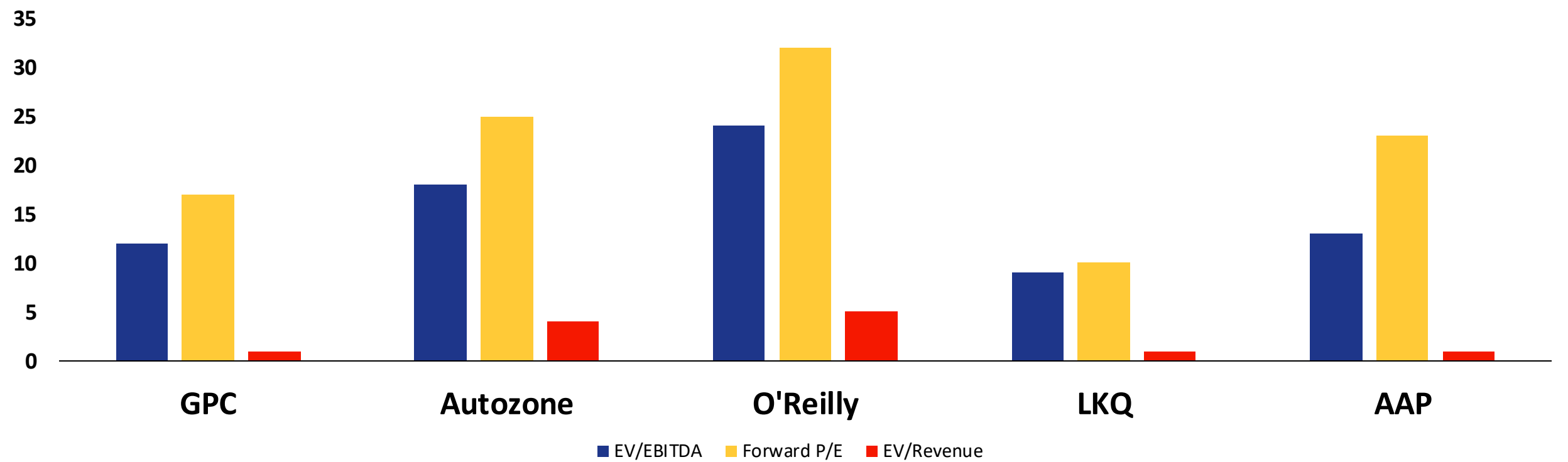


GPC holds all these qualities and therefore I believe it will be in the best position to capitalize on the benefits of the upcoming deferred maintenance burst.

Genuine Parts Company at a Discount



Genuine Parts trades at much lower multiples than competitors; equity research GPC trades at a discount of ~30% in comparison to its peers.



1

Irrational Discount

Distributors usually trade at lower multiples than retailers, but GPC’s scale, pro DIFM focus and Motion segment mean it is not a commoditized distributor.

2

Comparison to LKQ

LKQ is another distributor and trades closely to GPC. The market prices GPC as only ‘slightly better’, & GPC is mispriced as a structurally worse asset.

3

‘No Moat Distributor’

There’s a 77% gap between peers and GPC. The multiple should not be this low. This conveys a market sentiment of no growth despite GPC’s scale.



Financial Projections

Our projections include revenue, gross profit, and EBIT growing at a 4.2%, 4.9%, and 9.2% CAGR respectively.

1

Revenue growing over the forecast period at a **CAGR of 4.2%**, resulting in ~ \$30Bn of revenue in 2030E

2

EBITDA grows at a **CAGR of 12.1%** as margins expand to ~ 10% over the forecast period; helped by the elimination of restructuring costs and a larger growth margin

3

Rapidly expanding Capex as location growth and increased demand require GPC to expand their vehicle fleet

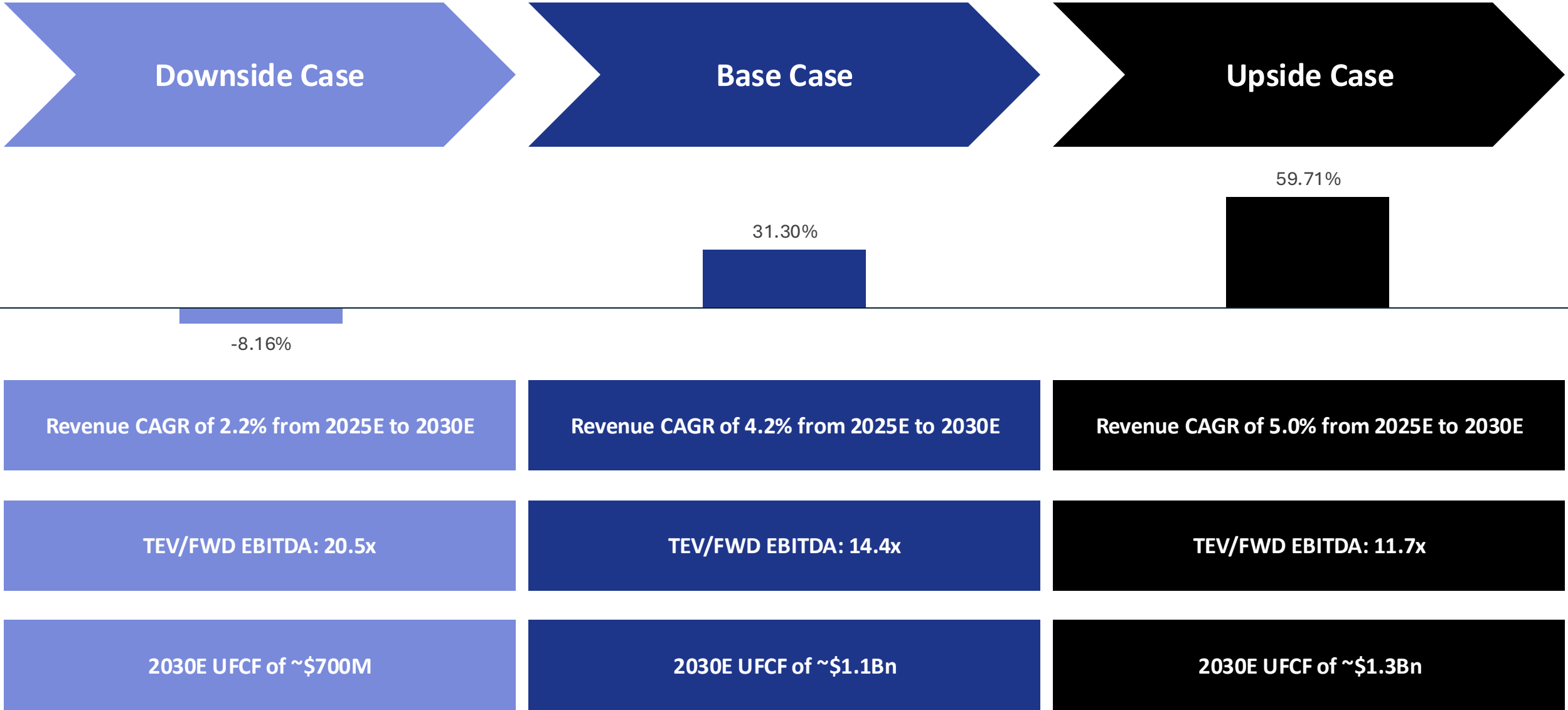
\$ in millions

	2025E	2026E	2027E	2028E	2029E	2030E	CAGR
Build							
Total Revenue	24,352.19	25,289.48	26,304.08	27,402.22	28,590.77	29,877.36	4.2%
<i>% Growth</i>	3.7%	3.8%	4.0%	4.2%	4.3%	4.5%	
COGS	(15,463.64)	(15,995.60)	(16,571.57)	(17,194.89)	(17,869.23)	(18,598.66)	
Gross Profit	8,888.55	9,293.88	9,732.51	10,207.33	10,721.54	11,278.70	4.9%
<i>Gross Profit Margin</i>	36.5%	36.8%	37.0%	37.3%	37.5%	37.8%	
SG&A	(6,940.37)	(7,144.28)	(7,365.14)	(7,604.12)	(7,862.46)	(8,141.58)	
Provision for Bad Debt	(24.35)	(25.29)	(26.30)	(27.40)	(28.59)	(29.88)	
RX & Other Costs	(170.47)	0.00	0.00	0.00	0.00	0.00	
EBITDA	1,753.36	2,124.32	2,341.06	2,575.81	2,830.49	3,107.25	12.1%
<i>EBITDA Margin</i>	7.2%	8.4%	8.9%	9.4%	9.9%	10.4%	
D&A	(426.16)	(531.08)	(644.45)	(767.26)	(900.61)	(1,045.71)	
EBIT	1,327.19	1,593.24	1,696.61	1,808.55	1,929.88	2,061.54	9.2%
<i>EBIT Margin</i>	5.5%	6.3%	6.4%	6.6%	6.7%	6.9%	
Tax Expense	(278.71)	(334.58)	(356.29)	(379.79)	(405.27)	(432.92)	
<i>Effective Tax Rate</i>	21%	21%	21%	21%	21%	21%	
NOPAT	1,048.48	1,258.66	1,340.32	1,428.75	1,524.60	1,628.61	9.2%
Capex	(608.80)	(758.68)	(920.64)	(1,096.09)	(1,286.58)	(1,493.87)	
Change in NWC	348.28	(80.38)	(86.66)	(93.57)	(101.15)	(109.49)	
UFCF	1,214.12	950.68	977.47	1,006.36	1,037.48	1,070.97	
Discount Period	0.13	1.13	2.13	3.13	4.13	5.13	
Discount Factor	0.99	0.92	0.86	0.80	0.74	0.69	-2.5%
PV of UFCF	1,203.06	875.47	836.57	800.46	766.92	735.76	

Model Assumptions



My projections include revenue, gross profit, and EBIT growing at a 4.2%, 4.9%, and 9.2% CAGR respectively.





Appendix

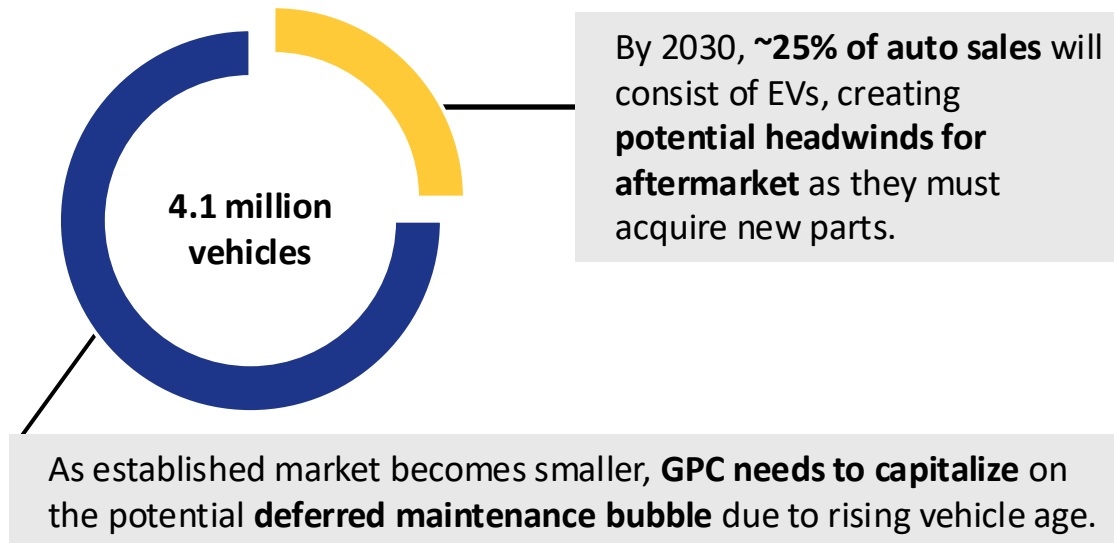
Timeline for Repairs Table - Price

Mileage (mi)	Service/Repair	Estimated Cost (\$)
30,000	Air Filter/Cabin Filter/Fluid Top-off (minor)	200
60,000	Brake Pads + Rotors (per axle)	500
60,000	Brake Fluid Flush	200
60,000	Transmission Fluid & Filter	400
60,000	Coolant Flush	200
60,000	Spark Plugs (non-iridium)	300
60,000	Belts & Hoses Replacement	300
90,000	Timing Belt (if applicable)	585
90,000	Full Timing Belt + Water Pump + Tensioner	1200
120,000	Spark Plugs (iridium/coils)	500
120,000	Fuel Filter	200
120,000	Suspension/Shocks/Struts Replacement	1200
120,000	CV Joints/Boots/Axle Replacement	600
150,000	Alternator or Starter Replacement	800
150,000	Radiator/Cooling System/Thermostat	800
150,000	Drivetrain/Differential/Transfer Case Work	1000
150,000	Major HVAC/Compressor/System Repair	1500

Electric Vehicle Considerations

GPC is diversifying by expanding into EV-compatible replacement components.

EV Future Auto Market Share



Headwinds

The longer insurers refuse to do maintenance, or charge costs, the **more accident-prone vehicles on the road.**



The more accident-prone vehicles on the road, the **more likely for an accident causing an insurance claim.**



While this benefits insurers short term, **over time it will hurt their margins, forcing them to pay for repairs.**

GPC's Plan of Attack

1

- **Play conservative**, double down on what GPC does well
- **Move into more industrial parts distribution:** GPC has done this in recent M&A through its subsidiary Motion
- **Move into collision repair:** the scrap rate for cars is high and will eventually fall, asking for repairs for parts like paint or windshields, not only distribute but also service for collisions
- **Win the 75% of the non-EV market**

2

- **Play aggressive**, acquire EV parts OEMs (battery and tech supply)
- **Recent acquisitions back this:** GPC announced focusing in on "emerging technology" in their current/future investments
- **They already distribute these parts** – GPC already distributes replacement parts for hybrid and electric vehicles, they are expanding via M&A and broadening parts catalog to account for this
- **Win the 25% of the EV market**

DCF Base Case Output



Terminal Value	
Perpetuity Growth Method	
2030 FCF	1,070.97
Perpetuity Growth Rate	3.0%
Terminal Value	23,107.68
PV of Terminal Value	15,848.98
PV of Projected UFCFs	5,218.24
PV of Terminal Value	15,848.98
Implied TEV	21,067.22
(-) Total Debt	6086.1
(+) Cash	479.99
Implied Equity Value	21,541.13
Diluted Shares Outstanding	139.67
Share Price	\$154.23

Terminal Value	
Exit Multiple Method	
2030 EBITDA	3,107.25
Multiple	11x
Terminal Value	34,179.70
PV of Terminal Value	23,443.00
PV of Projected UFCFs	5,218.24
PV of Terminal Value	23,443.00
Implied TEV	28,661.24
(-) Total Debt	6086.1
(+) Cash	479.99
Implied Equity Value	29,135.15
Diluted Shares Outstanding	139.67
Share Price	\$208.60

Blended Share Price	
Perpetuity Growth Method	\$154.23
Weight	50%
Exit Multiple Method	\$208.60
Weight	50%
Blended Share Price	\$181.41
Implied Upside	31.30%

WACC:	7.6%
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Downside Case Output

\$ in millions

	2025E	2026E	2027E	2028E	2029E	2030E
Build						
Total Revenue	24,117.32	24,725.89	25,309.81	25,866.68	26,394.21	26,890.20
% Growth	2.7%	2.5%	2.4%	2.2%	2.0%	1.9%
COGS	(15,555.67)	(15,886.39)	(16,198.28)	(16,490.01)	(16,760.32)	(17,008.05)
Gross Profit	8,561.65	8,839.51	9,111.53	9,376.67	9,633.89	9,882.15
Gross Profit Margin	35.5%	35.8%	36.0%	36.3%	36.5%	36.8%
SG&A	(7,114.61)	(7,232.32)	(7,339.85)	(7,436.67)	(7,522.35)	(7,596.48)
Provision for Bad Debt	(24.12)	(24.73)	(25.31)	(25.87)	(26.39)	(26.89)
RX & Other Costs	(192.94)	0.00	0.00	0.00	0.00	0.00
EBITDA	1,229.98	1,582.46	1,746.38	1,914.13	2,085.14	2,258.78
EBITDA Margin	5.1%	6.4%	6.9%	7.4%	7.9%	8.4%
D&A	(340.05)	(435.79)	(535.30)	(638.26)	(744.32)	(853.09)
EBIT	889.93	1,146.66	1,211.07	1,275.87	1,340.83	1,405.69
EBIT Margin	3.7%	4.6%	4.8%	4.9%	5.1%	5.2%
Tax Expense	(186.89)	(240.80)	(254.33)	(267.93)	(281.57)	(295.19)
Effective Tax Rate	21%	21%	21%	21%	21%	21%
NOPAT	703.04	905.86	956.75	1,007.94	1,059.25	1,110.49
Capex	(482.35)	(618.15)	(759.29)	(905.33)	(1,055.77)	(1,210.06)
Change in NWC	371.67	(63.92)	(64.14)	(64.11)	(63.83)	(63.29)
UFCF	932.42	659.59	668.62	676.76	683.97	690.23
Discount Period	0.13	1.13	2.13	3.13	4.13	5.13
Discount Factor	0.99	0.92	0.86	0.80	0.74	0.69
PV of UFCF	923.92	607.41	572.24	538.29	505.61	474.20

CAGR

2.2%

2.9%

12.9%

9.6%

9.6%

-5.8%

Terminal Value

Perpetuity Growth Method

2030 FCF	690.23
Perpetuity Growth Rate	3.0%
Terminal Value	14,892.80
PV of Terminal Value	10,214.60
PV of Projected UFCFs	3,621.67
PV of Terminal Value	10,214.60
Implied TEV	13,836.27
(-) Total Debt	6086.1
(+) Cash	479.99
Implied Equity Value	14,310.17
DSO	139.67

Share Price \$102.46

Blended Share Price

PGM	\$102.46
Weight	50%
Exit Multiple Method	\$151.34
Weight	50%

Blended Share Price \$126.90

Implied Upside -8.16%

Terminal Value

Exit Multiple Method

2030 EBITDA	2,258.78
Multiple	11x
Terminal Value	24,846.55
PV of Terminal Value	17,041.62
PV of Projected UFCFs	3,621.67
PV of Terminal Value	17,041.62
Implied TEV	20,663.29
(-) Total Debt	6086.1
(+) Cash	479.99
Implied Equity Value	21,137.20
DSO	139.67

Share Price \$151.34

WACC: 7.6%

Upside Case Output

\$ in millions

	2025E	2026E	2027E	2028E	2029E	2030E
Build						
Total Revenue	24,543.46	25,687.90	26,927.55	28,270.92	29,727.46	31,307.63
% Growth	4.5%	4.7%	4.8%	5.0%	5.2%	5.3%
COGS	(15,339.67)	(15,990.72)	(16,695.08)	(17,457.29)	(18,282.39)	(19,175.92)
Gross Profit	9,203.80	9,697.18	10,232.47	10,813.63	11,445.07	12,131.71
Gross Profit Margin	37.5%	37.8%	38.0%	38.3%	38.5%	38.8%
SG&A	(6,872.17)	(7,128.39)	(7,405.08)	(7,703.83)	(8,026.41)	(8,374.79)
Provision for Bad Debt	(24.54)	(25.69)	(26.93)	(28.27)	(29.73)	(31.31)
RX & Other Costs	(147.26)	0.00	0.00	0.00	0.00	0.00
EBITDA	2,159.82	2,543.10	2,800.46	3,081.53	3,388.93	3,725.61
EBITDA Margin	8.8%	9.9%	10.4%	10.9%	11.4%	11.9%
D&A	(511.73)	(624.86)	(748.59)	(884.17)	(1,033.03)	(1,196.73)
EBIT	1,648.09	1,918.24	2,051.88	2,197.36	2,355.90	2,528.87
EBIT Margin	6.7%	7.5%	7.6%	7.8%	7.9%	8.1%
Tax Expense	(346.10)	(402.83)	(430.89)	(461.45)	(494.74)	(531.06)
Effective Tax Rate	21%	21%	21%	21%	21%	21%
NOPAT	1,301.99	1,515.41	1,620.98	1,735.91	1,861.16	1,997.81
Capex	(736.30)	(899.08)	(1,077.10)	(1,272.19)	(1,486.37)	(1,721.92)
Change in NWC	326.78	(90.98)	(98.75)	(107.32)	(116.78)	(127.24)
UFCF	1,404.20	1,150.21	1,193.72	1,240.57	1,291.03	1,345.39
Discount Period	0.13	1.13	2.13	3.13	4.13	5.13
Discount Factor	0.99	0.92	0.86	0.80	0.74	0.69
PV of UFCF	1,391.40	1,059.23	1,021.64	986.75	954.36	924.29

CAGR

5.0%

5.7%

11.5%

8.9%

8.9%

-0.9%

Terminal Value

Perpetuity Growth Method

2030 FCF	1,345.39
Perpetuity Growth Rate	3.0%
Terminal Value	29,028.74
PV of Terminal Value	19,910.08
PV of Projected UFCFs	6,337.68
PV of Terminal Value	19,910.08
Implied TEV	26,247.76
(-) Total Debt	6086.1
(+) Cash	479.99
Implied Equity Value	26,721.67
DSO	139.67

Share Price \$191.32

Blended Share Price

PGM	\$191.32
Weight	50%
Exit Multiple Method	\$250.02
Weight	50%

Blended Share Price \$220.67

Implied Upside 59.71%

Terminal Value

Exit Multiple Method

2030 EBITDA	3,725.61
Multiple	11x
Terminal Value	40,981.69
PV of Terminal Value	28,108.31
PV of Projected UFCFs	6,337.68
PV of Terminal Value	28,108.31
Implied TEV	34,445.99
(-) Total Debt	6086.1
(+) Cash	479.99
Implied Equity Value	34,919.90
DSO	139.67

Share Price \$250.02

WACC: 7.6%