

GENUINE PARTS CO  
Form 10-Q  
November 07, 2013

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**

**FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended September 30, 2013**

**OR**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission file number: 1-5690**

**GENUINE PARTS COMPANY**

**(Exact name of registrant as specified in its charter)**

**GEORGIA**  
**(State or other jurisdiction of**  
**incorporation or organization)**

**58-0254510**  
**(I.R.S. Employer**  
**Identification No.)**

**2999 CIRCLE 75 PARKWAY, ATLANTA, GA**  
**(Address of principal executive offices)**

**30339**  
**(Zip Code)**

**(770) 953-1700**

**(Registrant's telephone number, including area code)**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at September 30, 2013
Common Stock, \$1.00 par value per share	154,357,198 Shares

**PART I FINANCIAL INFORMATION**Item 1. Financial StatementsGENUINE PARTS COMPANY AND SUBSIDIARIESCONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2013 (unaudited)	December 31, 2012
	(in thousands, except share and per share data)	
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 320,870	\$ 403,095
Trade accounts receivable, less allowance for doubtful accounts (2013 \$30,676; 2012 \$19,180)	1,759,517	1,490,028
Merchandise inventories, net at lower of cost or market	2,832,108	2,602,560
Prepaid expenses and other current assets	382,980	324,448
<b>TOTAL CURRENT ASSETS</b>	<b>5,295,475</b>	<b>4,820,131</b>
Goodwill and other intangible assets, less accumulated amortization	1,280,182	497,839
Deferred tax assets	257,571	279,463
Other assets	462,172	643,263
Property, plant and equipment, less allowance for depreciation (2013 \$814,710; 2012 \$759,640)	648,503	566,365
<b>TOTAL ASSETS</b>	<b>\$ 7,943,903</b>	<b>\$ 6,807,061</b>
<b>LIABILITIES AND EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Trade accounts payable	\$ 2,213,190	\$ 1,681,900
Current portion of debt	583,896	250,000
Income taxes payable	19,176	4,354
Dividends payable	82,982	76,641
Other current liabilities	554,850	474,743
<b>TOTAL CURRENT LIABILITIES</b>	<b>3,454,094</b>	<b>2,487,638</b>
Long-term debt	250,000	250,000
Pension and other post retirement benefit liabilities	481,333	572,988
Deferred tax liabilities	90,584	
Other long-term liabilities	514,717	488,256
<b>EQUITY</b>		
Preferred stock, par value \$1 per share		
Authorized 10,000,000 shares None issued	-0-	-0-
Common stock, par value \$1 per share		

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Authorized	450,000,000 shares		
Issued	2013 154,357,198; 2012 154,841,438	154,357	154,841
Retained earnings		3,570,356	3,344,538
Accumulated other comprehensive loss		(581,652)	(501,492)
<b>TOTAL PARENT EQUITY</b>		<b>3,143,061</b>	<b>2,997,887</b>
Noncontrolling interests in subsidiaries		10,114	10,292
<b>TOTAL EQUITY</b>		<b>3,153,175</b>	<b>3,008,179</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>\$ 7,943,903</b>	<b>\$ 6,807,061</b>

See notes to condensed consolidated financial statements.

GENUINE PARTS COMPANY AND SUBSIDIARIESCONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

	Three Months Ended Sept. 30,		Nine Months Ended Sept. 30,	
	2013	2012	2013	2012
	(unaudited)			
	(in thousands, except per share data)			
Net sales	\$ 3,685,243	\$ 3,375,778	\$ 10,560,042	\$ 9,894,902
Cost of goods sold	2,584,320	2,399,742	7,432,263	7,027,469
Gross profit	1,100,923	976,036	3,127,779	2,867,433
Operating expenses:				
Selling, administrative & other expenses	793,957	678,894	2,221,096	2,027,098
Depreciation and amortization	35,220	25,609	98,072	73,329
	829,177	704,503	2,319,168	2,100,427
Income before income taxes	271,746	271,533	808,611	767,006
Income taxes	98,000	98,590	274,119	279,190
Net income	\$ 173,746	\$ 172,943	\$ 534,492	\$ 487,816
Basic net income per common share	\$ 1.12	\$ 1.11	\$ 3.45	\$ 3.14
Diluted net income per common share	\$ 1.12	\$ 1.11	\$ 3.43	\$ 3.11
Dividends declared per common share	\$ .5375	\$ .495	\$ 1.6125	\$ 1.485
Weighted average common shares outstanding	154,567	155,147	154,835	155,568
Dilutive effect of stock options and non-vested restricted stock awards	1,096	988	1,082	1,038
Weighted average common shares outstanding assuming dilution	155,663	156,135	155,917	156,606
Comprehensive income	\$ 192,317	\$ 210,542	\$ 454,332	\$ 549,009

See notes to condensed consolidated financial statements.

GENUINE PARTS COMPANY AND SUBSIDIARIESCONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months	
	Ended September 30,	
	2013	2012
	(unaudited)	
	(in thousands)	
<b>OPERATING ACTIVITIES:</b>		
Net income	\$ 534,492	\$ 487,816
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	98,072	73,329
Share-based compensation	8,932	8,098
Excess tax benefits from share-based compensation	(12,020)	(9,239)
Other	(50,608)	(1,011)
Changes in operating assets and liabilities	258,617	205,827
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>837,485</b>	<b>764,820</b>
<b>INVESTING ACTIVITIES:</b>		
Purchases of property, plant and equipment	(84,146)	(71,627)
Acquisitions and other investing activities	(614,109)	(545,378)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(698,255)</b>	<b>(617,005)</b>
<b>FINANCING ACTIVITIES:</b>		
Proceeds from debt	2,094,550	750,000
Payments on debt	(1,990,204)	(750,000)
Share-based awards exercised, net of taxes paid	(14,313)	(4,008)
Excess tax benefits from share-based compensation	12,020	9,239
Dividends paid	(243,262)	(224,170)
Purchase of stock	(71,738)	(58,808)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(212,947)</b>	<b>(277,747)</b>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH</b>	<b>(8,508)</b>	<b>2,996</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(82,225)</b>	<b>(126,936)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>403,095</b>	<b>525,054</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>\$ 320,870</b>	<b>\$ 398,118</b>

See notes to condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTSNote A Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and therefore do not include all information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. Except as disclosed herein, there has been no material change in the information disclosed in the notes to the consolidated financial statements included in the Annual Report on Form 10-K of Genuine Parts Company (the Company) for the year ended December 31, 2012. Accordingly, the unaudited interim condensed consolidated financial statements and related disclosures herein should be read in conjunction with the Company's 2012 Annual Report on Form 10-K.

The preparation of interim financial statements requires management to make estimates and assumptions for the amounts reported in the condensed consolidated financial statements. Specifically, the Company makes estimates and assumptions in its interim condensed consolidated financial statements for inventory adjustments, the accrual of bad debts, customer sales returns, and volume incentives earned, among others. Inventory adjustments (including adjustments for a majority of inventories that are valued under the last-in, first-out (LIFO) method) are accrued on an interim basis and adjusted in the fourth quarter based on the annual book to physical inventory adjustment and LIFO valuation, which is performed each year-end. Reserves for bad debts are estimated and accrued based on a percentage of sales. Volume incentives are estimated based upon cumulative and projected purchasing levels. The estimates and assumptions for interim reporting may change upon final determination at year-end, and such changes may be significant.

In the opinion of management, all adjustments necessary for a fair presentation of the Company's financial results for the interim periods have been made. These adjustments are of a normal recurring nature. The results of operations for the nine month period ended September 30, 2013 are not necessarily indicative of results for the entire year. The Company has evaluated subsequent events through the date the financial statements covered by this quarterly report were issued.

Note B Segment Information

	Three Months Ended Sept.		Nine Months Ended Sept.	
	30,		30,	
	2013	2012	2013	2012
	(in thousands)		(in thousands)	
Net sales:				
Automotive	\$ 2,016,076	\$ 1,650,857	\$ 5,572,415	\$ 4,789,258
Industrial	1,110,309	1,138,854	3,344,421	3,398,801
Office products	430,457	444,255	1,252,857	1,283,748
Electrical/electronic materials	142,818	150,877	424,973	447,433
Other	(14,417)	(9,065)	(34,624)	(24,338)
<b>Total net sales</b>	<b>\$ 3,685,243</b>	<b>\$ 3,375,778</b>	<b>\$ 10,560,042</b>	<b>\$ 9,894,902</b>
Operating profit:				
Automotive	\$ 180,166	\$ 150,648	\$ 487,591	\$ 418,187
Industrial	79,596	94,621	247,382	274,002
Office products	28,094	29,942	91,054	98,068

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Electrical/electronic materials	12,625	13,555	35,297	38,454
Total operating profit	300,481	288,766	861,324	828,711
Interest expense, net	(7,031)	(4,971)	(18,236)	(14,705)
Other intangible assets amortization	(7,726)	(3,428)	(20,487)	(9,180)
Other, net	(13,978)	(8,834)	(13,990)	(37,820)
Income before income taxes	\$ 271,746	\$ 271,533	\$ 808,611	\$ 767,006

Net sales by segment exclude the effect of certain discounts, incentives and freight billed to customers. The line item Other represents the net effect of the discounts, incentives and freight billed to customers, which is reported as a component of net sales in the Company's condensed consolidated statements of income and comprehensive income.



Note C Other Comprehensive Income

The difference between comprehensive income and net income was due to foreign currency translation adjustments and pension and other post-retirement benefit adjustments, as summarized below. The decrease in other comprehensive income for the nine months ended September 30, 2013 as compared to 2012 is attributed to fluctuations in the Australian dollar and Canadian dollar exchange rates in 2013.

	Three Months Ended Sept. 30,		Nine Months Ended Sept. 30,	
	2013	2012	2013	2012
	(in thousands)		(in thousands)	
Net income	\$ 173,746	\$ 172,943	\$ 534,492	\$ 487,816
Other comprehensive income (loss):				
Foreign currency translation	5,369	25,802	(116,900)	29,727
Pension and other post-retirement benefit adjustments:				
Recognition of prior service credit, net of tax	(1,314)	(1,241)	(3,956)	(3,715)
Recognition of actuarial loss, net of tax	12,726	10,812	38,906	32,955
Net actuarial gain, net of tax	1,790	2,226	1,790	2,226
Total other comprehensive income (loss)	18,571	37,599	(80,160)	61,193
Comprehensive income	\$ 192,317	\$ 210,542	\$ 454,332	\$ 549,009

The following table presents the changes in accumulated other comprehensive loss by component for the nine months ended September 30, 2013:

	Changes in Accumulated Other Comprehensive Loss by Component		
	Pension and Other Post-Retirement Benefits	Foreign Currency Translation	Total
	(in thousands)		
Beginning balance, January 1, 2013	\$ (632,576)	\$ 131,084	\$ (501,492)
Other comprehensive income (loss) before reclassifications, net of tax	1,790	(116,900)	(115,110)
Amounts reclassified from accumulated other comprehensive loss, net of tax	34,950		34,950
Net current period other comprehensive income (loss)	36,740	(116,900)	(80,160)
Ending balance, September 30, 2013	\$ (595,836)	\$ 14,184	\$ (581,652)

The accumulated other comprehensive loss components related to the pension and other post-retirement benefits are included in the computation of net periodic benefit cost (see employee benefit plans footnote for additional details).

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Note D Recently Adopted Accounting Pronouncements

In February 2013, the Financial Accounting Standards Board ( FASB ) issued Accounting Standards Update ( ASU ) 2013-02, *Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income*. Under ASU 2013-02, an entity is required to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present, either on the face of the financial statements or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income, but only if the amount reclassified is required to be reclassified in its entirety in the same reporting period. For amounts that are not required to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures that provide additional details about those amounts. ASU 2013-02 does not change the current requirements for reporting net income or other comprehensive income in the financial statements. ASU 2013-02 is effective for the Company's interim and annual periods beginning after December 15, 2012. The adoption of ASU 2013-02 did not have a material impact on the condensed consolidated financial statements for the nine months ended September 30, 2013 and will not have a material impact on the annual consolidated financial statements.

Note E Share-Based Compensation

As more fully discussed in Note 5 of the Company's notes to the consolidated financial statements in its 2012 Annual Report on Form 10-K, the Company maintains various long-term incentive plans, which provide for the granting of stock options, stock appreciation rights ( SARs ), restricted stock, restricted stock units ( RSUs ), performance awards, dividend equivalents and other share-based awards. SARs represent a right to receive upon exercise an amount, payable in shares of common stock, equal to the excess, if any, of the fair market value of the Company's common stock on the date of exercise over the base value of the grant. The terms of such SARs require net settlement in shares of common stock and do not provide for cash settlement. RSUs represent a contingent right to receive one share of the Company's common stock at a future date. The majority of awards previously granted vest on a pro-rata basis for periods ranging from one to five years and are expensed accordingly on a straight-line basis. The Company issues new shares upon exercise or conversion of awards under these plans. Most awards may be exercised or converted to shares not earlier than twelve months nor later than ten years from the date of grant. At September 30, 2013, total compensation cost related to nonvested awards not yet recognized was approximately \$26.3 million, as compared to \$20.4 million at December 31, 2012. The weighted-average period over which this compensation cost is expected to be recognized is approximately three years. The aggregate intrinsic value for SARs and RSUs outstanding at September 30, 2013 was approximately \$144.0 million. At September 30, 2013, the aggregate intrinsic value for SARs and RSUs vested totaled approximately \$91.1 million, and the weighted-average contractual life for outstanding and exercisable SARs and RSUs was approximately six and five years, respectively. For the nine months ended September 30, 2013, \$8.9 million of share-based compensation cost was recorded, as compared to \$8.1 million for the same period in the prior year. On April 1, 2013, the Company granted approximately 727,000 SARs and 132,000 RSUs. On October 1, 2013, the Company granted approximately 40,000 RSUs.

Options to purchase approximately 0.7 million and 0.6 million shares of common stock were outstanding but excluded from the computation of diluted earnings per share for the three and nine month periods ended September 30, 2013, as compared to approximately 0.8 million and 0.7 million shares in the same three and nine month periods of the prior year, respectively. These options were excluded from the computation of diluted net income per common share because the options' exercise price was greater than the average market price of the common stock.

Note F Employee Benefit Plans

Net periodic benefit cost included the following components for the three months ended September 30:

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	Pension Benefits		Other Post-retirement Benefits	
	2013	2012	2013	2012
	(in thousands)			
Service cost	\$ 4,798	\$ 3,801	\$	\$
Interest cost	22,219	25,030	32	66
Expected return on plan assets	(33,414)	(32,098)		
Amortization of prior service credit	(1,884)	(1,749)	(239)	(232)
Amortization of actuarial loss	20,535	17,314	258	307
Net periodic benefit cost	\$ 12,254	\$ 12,298	\$ 51	\$ 141

Net periodic benefit cost included the following components for the nine months ended September 30:

	Pension Benefits		Other Post-retirement Benefits	
	2013	2012	2013	2012
	(in thousands)			
Service cost	\$ 14,735	\$ 11,452	\$	\$
Interest cost	67,017	75,299	107	200
Expected return on plan assets	(100,427)	(96,260)		
Amortization of prior service credit	(5,670)	(5,241)	(717)	(698)
Amortization of actuarial loss	62,744	52,809	820	941
Net periodic benefit cost	\$ 38,399	\$ 38,059	\$ 210	\$ 443

Pension benefits also include amounts related to a supplemental retirement plan. During the nine months ended September 30, 2013, the Company made a \$57.2 million contribution to the pension plan.

#### Note G Guarantees

The Company guarantees the borrowings of certain independently controlled automotive parts stores ( independents ) and certain other affiliates in which the Company has a noncontrolling equity ownership interest ( affiliates ). Presently, the independents are generally consolidated by unaffiliated enterprises that have a controlling financial interest through ownership of a majority voting interest in the entity. The Company has no voting interest or direct or indirect equity ownership interest in any of the independents. The Company does not control the independents or the affiliates but receives a fee for the guarantee. The Company has concluded that the independents are variable interest entities but that the Company is not the primary beneficiary. Specifically, the equity holders of the independents have the power to direct the activities that most significantly impact the entity s economic performance including, but not limited to, decisions about hiring and terminating personnel, local marketing and promotional initiatives, pricing and selling activities, credit decisions, monitoring and maintaining appropriate inventories, and store hours. Separately, the Company concluded the affiliates are not variable interest entities. The Company s maximum exposure to loss as a result of its involvement with these independents and affiliates is equal to the total borrowings subject to the Company s guarantee. While such borrowings of the independents and affiliates are outstanding, the Company is required to maintain compliance with certain covenants, including a maximum debt to capitalization ratio and certain limitations on additional borrowings. At September 30, 2013, the Company was in compliance with all such covenants.

At September 30, 2013, the total borrowings of the independents and affiliates subject to guarantee by the Company were approximately \$261.0 million. These loans generally mature over periods from one to six years. In the event that the Company is required to make payments in connection with guaranteed obligations of the independents or the affiliates, the Company would obtain and liquidate certain collateral (e.g., accounts receivable and inventory) to recover all or a portion of the amounts paid under the guarantee. When it is deemed probable that the Company will incur a loss in connection with a guarantee, a liability is recorded equal to this estimated loss. To date, the Company has had no significant losses in connection with guarantees of independents and affiliates borrowings.

The Company has accrued for certain guarantees related to the independents and affiliates borrowings as of September 30, 2013. These liabilities are not material to the financial position of the Company and are included in Other long-term liabilities in the accompanying condensed consolidated balance sheets.

Note H Fair Value of Financial Instruments

The carrying amounts reflected in the condensed consolidated balance sheets for cash and cash equivalents, trade accounts receivable, trade accounts payable, and borrowings under the line of credit approximate their respective fair values based on the short-term nature of these instruments. At September 30, 2013, the fair value of fixed rate debt was approximately \$510.8 million. The fair value of fixed rate debt is designated as Level 2 in the fair value hierarchy (i.e., significant observable inputs) and is based primarily on the discounted value of future cash flows using current market interest rates offered for debt of similar credit risk and maturity.

Note I Acquisition

Effective January 1, 2012, the Company acquired a 30% investment in GPC Asia Pacific, formerly known as the Exego Group, for approximately \$166 million. On April 1, 2013, the Company acquired the remaining 70% interest in GPC Asia Pacific for approximately \$590 million, net of cash acquired of \$70 million, and the assumption of approximately \$230 million in debt. The acquisition was financed using a combination of cash on hand and borrowings under existing credit facilities. GPC Asia Pacific, which is headquartered in Melbourne, Australia, is a leading aftermarket distributor of automotive replacement parts and accessories in Australasia, with annual revenues of approximately \$1 billion and a company-owned store footprint of more than 430 locations across Australia and New Zealand. This acquisition will allow the Company to participate in the ongoing and significant growth opportunities in the Australasian aftermarket.

The Company recognized certain one-time positive purchase accounting pre-tax adjustments of approximately \$33 million, or \$0.21 net of taxes on a per share diluted basis, as a result of the acquisition. The net one-time purchase accounting adjustments consisted of a gain of \$59 million related to remeasuring the 30% investment in GPC Asia Pacific held before the business combination to fair value, the post-closing sale of acquired inventory written up to fair value of \$21 million as part of the purchase price allocation, and certain negative adjustments of approximately \$5 million.

Prior to the 70% acquisition, the Company accounted for the 30% investment under the equity method of accounting. The acquisition-date fair value of the 30% investment was approximately \$234 million and is included in the measurement of the consideration transferred. The difference between the acquisition-date fair value and the carrying amount of the equity method investment resulted in the recognition of a gain of approximately \$59 million on the acquisition date. The acquisition-date fair value was determined using a market and income approach with the assistance of a third party valuation firm.

As part of the allocation of purchase price described below, acquired inventory was written up to fair value, which was approximately \$21 million above the cost of the acquired inventory. Based on the inventory turn of the acquired inventories, approximately \$18 million and \$3 million of the write-up was recognized in cost of goods sold during the three months ended June 30, 2013 and the three months ended September 30, 2013, respectively.

The net \$54 million of one-time gain and other adjustments are included in the line item *Selling, administrative & other expenses* and the acquired inventory adjustment of \$21 million is included in *Cost of goods sold* in the condensed consolidated statements of income and comprehensive income.

The acquisition date fair value of the consideration transferred totaled approximately \$824 million, net of cash acquired of \$70 million, which consisted of the following:

	April 1, 2013 (in thousands)
Cash	\$ 590,000
Fair value of 30% investment held prior to business combination	234,000
<b>Total</b>	<b>\$ 824,000</b>

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the acquisition date. The Company is in the process of analyzing the estimated values of assets and liabilities acquired as

of the acquisition date and is obtaining third-party valuations of certain intangible assets. The allocation of the purchase price is therefore preliminary and subject to revision.



	April 1, 2013 (in thousands)
Trade accounts receivable	\$ 94,000
Merchandise inventory	306,000
Prepaid expenses and other current assets	40,000
Property and equipment	59,000
Intangible assets	347,000
Other assets	25,000
<b>Total identifiable assets acquired</b>	<b>871,000</b>
Current liabilities	(244,000)
Long-term debt	(230,000)
Deferred tax liabilities and other	(109,000)
<b>Total liabilities assumed</b>	<b>(583,000)</b>
<b>Net identifiable assets acquired</b>	<b>288,000</b>
<b>Goodwill</b>	<b>536,000</b>
<b>Net assets acquired</b>	<b>\$ 824,000</b>

The acquired intangible assets of approximately \$347 million were provisionally assigned to customer relationships of \$202 million, trademarks of \$141 million, and non-compete agreements of \$4 million, with weighted average amortization lives of 16, 40, and 1 year, respectively, for a total weighted average amortization life of 26 years. As noted earlier, the fair value of the acquired identifiable intangible assets is provisional pending completion of the final valuations for these assets.

The preliminary estimated goodwill recognized as part of the acquisition is not tax deductible and has been assigned to the automotive segment. The goodwill is attributable primarily to expected synergies and the assembled workforce of GPC Asia Pacific.

The amounts of net sales and earnings of GPC Asia Pacific included in the Company's condensed consolidated statements of income and comprehensive income from April 1, 2013 to September 30, 2013 were approximately \$551 million in net sales and net income of \$0.37 on a per share diluted basis, respectively.

The unaudited pro forma condensed consolidated statements of income and comprehensive income of the Company as if GPC Asia Pacific had been included in the consolidated results of the Company for the nine months ended September 30, 2013 and 2012 would be estimated at \$10.8 and \$10.7 billion in net sales, respectively, and net income of \$3.45 and \$3.44 on a per share diluted basis, respectively. The pro forma information is not necessarily indicative of the results of operations that we would have reported had the transaction actually occurred at the beginning of these periods, nor is it necessarily indicative of future results.

The adjustments to the pro forma amounts include, but are not limited to, applying the Company's accounting policies, amortization related to fair value adjustments to intangible assets, one-time purchase accounting adjustments, interest expense on acquisition related debt, and any associated tax effects.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with the unaudited condensed consolidated financial statements and accompanying notes contained herein and with the audited consolidated financial statements,

accompanying notes, related information and Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2012.

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, including GPC Asia Pacific, 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 2012 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 reports on Forms 10-K, 10-Q, 8-K and other reports to the SEC.

### Overview

Genuine Parts Company is a service organization engaged in the distribution of automotive replacement parts, industrial replacement parts, office products and electrical/electronic materials. The Company has a long tradition of growth dating back to 1928, the year we were founded in Atlanta, Georgia. During the nine months ended September 30, 2013, business was conducted throughout the United States, Canada, Australasia, Mexico and Puerto Rico from approximately 2,400 locations.

For the three months ended September 30, 2013, we recorded consolidated net income of \$173.7 million compared to consolidated net income of \$172.9 million, a slight increase from the same three month period in the prior year. For the nine months ended September 30, 2013, we recorded consolidated net income of \$534.5 million compared to consolidated net income of \$487.8 million in the same period last year, an increase of 10%.

On April 1, 2013, the Company acquired the remaining 70% interest in GPC Asia Pacific, formerly known as the Exego Group, and was required to revalue its original 30% investment, which originated January 1, 2012. This remeasurement, net of certain one-time purchase accounting costs, amounted to a positive pre-tax adjustment of approximately \$33 million recorded in the nine month period ended September 30, 2013. In accounting for the adjustment, approximately \$21 million in costs were recorded to cost of goods sold and a \$54 million gain, net of expenses, was recorded to selling, administrative & other expenses in the Company's income statement. Additionally, the \$33 million net adjustment is included in the "Other, net" line on our segment information in Part I, Item 1. Note B. The \$33 million net adjustment, combined with a lower tax rate for the remeasurement, favorably impacted diluted earnings per share by \$0.21 for the nine months ended September 30, 2013.

### Sales

Sales for the third quarter of 2013 were \$3.69 billion, an increase of 9% compared to \$3.38 billion for the same period in 2012. For the nine months ended September 30, 2013, sales were \$10.56 billion, an increase of 7% compared to \$9.89 billion in the same period of the prior year.

Sales for the Automotive Parts Group increased 22% in the third quarter of 2013 and 16% for the nine months ended September 30, 2013, as compared to the same periods in the previous year. The increase in this group's revenues was

due to the approximately 17% accretive impact of the Company's acquisitions, with the remaining 5% representing core North American sales growth. We expect sales in the Automotive Parts Group to remain strong over the remainder of the year due to the acquisition, continued organic growth and the improving economic conditions in the automotive aftermarket. The Industrial Products Group's sales decreased by 3% and 2% for the three and nine month periods ended September 30, 2013, respectively, as compared to the same period in 2012 primarily as a result of lower sales volume. Although the Industrial market indices, such as Industrial Production and Capacity Utilization, would indicate a relatively stable manufacturing sector overall, customer demand in sectors such as equipment and machinery remains a headwind for our Industrial Group. Customers in this sector have been impacted by the slowdown in the oil and gas and mining and resource industries both domestically and globally. As the Industrial Group transitions through these industry challenges, the Company will rely on internal sales initiatives to show gradually improving revenues in the quarters ahead. Sales for

the Office Products Group decreased by approximately 3% and 2% for the three and nine month periods ended September 30, 2013, respectively, as compared to the same periods in 2012 primarily as a result of lower sales volumes. The industry-wide slowdown in office product consumption, which continues to pressure this segment, reflects the on-going elevated levels of white-collar unemployment. Sales for the Electrical/Electronic Materials Group decreased 5% for the three and nine month periods ended September 30, 2013, as compared to the same period of the previous year, primarily as a result of lower sales volumes. The impact of copper pricing decreased sales by approximately 1% for the three and nine month periods ended September 30, 2013. We expect the industry segments currently pressuring the Electrical/Electronic Materials Group sales volume to remain weak in the near term. However, our focused growth initiatives should enable this group to report gradual revenue improvement in the quarters ahead.

Industry pricing was not a significant factor in any of the Company's reportable segments for the three and nine month periods ended September 30, 2013.

#### Cost of Goods Sold/Expenses

Cost of goods sold for the third quarter of 2013 was \$2.58 billion, an 8% increase from \$2.40 billion for the third quarter of 2012. The increase in cost of goods sold for the third quarter was primarily related to the 9% sales increase for the same period. As a percentage of net sales, cost of goods sold decreased to 70.1% of net sales for the three month period ended September 30, 2013, as compared to 71.1% for the same period of the prior year. For the nine months ended September 30, 2013, cost of goods sold was \$7.43 billion, a 6% increase from \$7.03 billion for the same period last year, and as a percent of net sales decreased to 70.4% compared to 71.0% in the same nine month period of 2012. The increase in cost of goods sold for the nine months ended September 30, 2013 was primarily related to the 7% sales increase for the same period and the approximately \$21 million in costs which were recorded to cost of goods sold from the Company's GPC Asia Pacific acquisition, as previously noted under Overview, and as more fully discussed in Part I, Item 1. Note I. The Company's cost of goods sold includes the total cost of merchandise sold, including freight expenses associated with moving merchandise from our vendors to our distribution centers and retail stores, vendor income and inventory adjustments. Gross profit as a percentage of net sales may fluctuate based on (i) changes in merchandise costs and related vendor income or vendor pricing, (ii) variations in product and customer mix, (iii) price changes in response to competitive pressures and (iv) physical inventory and LIFO adjustments.

Total operating expenses of \$829.2 million increased to 22.5% of net sales for the third quarter of 2013 compared to \$704.5 million, or 20.9% of net sales for the same period of the prior year. For the nine months ended September 30, 2013, these expenses totaled \$2.32 billion, or 22.0% of net sales, an increase from \$2.10 billion, or 21.2% of net sales for the same period in the prior year. The increase in operating expenses as a percentage of net sales for the third quarter and nine months ended September 30, 2013 reflects the impact of higher operating costs at GPC Asia Pacific due to its higher level of operating costs associated with a 100% owned store-based model, as well as a decrease in leverage associated with the sales declines in our non-automotive related businesses. These increases are partially offset by the one-time acquisition gain, net of expenses, of \$54 million recorded in operating expenses, as previously noted under Overview, and as more fully discussed in Part I, Item 1. Note I.

The Company's operating expenses are substantially comprised of compensation and benefit costs for personnel. Other major expense categories include facility occupancy costs for headquarters, distribution center and store operations, insurance costs, accounting, legal and professional services, transportation and delivery costs, travel and advertising. Management's ongoing cost control measures in these areas, as well as investments in technology, have served to improve the Company's cost structure.

It should be noted that the GPC Asia Pacific business has a lower cost of goods sold and a higher level of operating costs due to its 100% owned store-based model, as compared to the Company's other automotive businesses. However,

the operating profit margin for GPC Asia Pacific is similar to the Company's other automotive businesses.

Operating Profit

Operating profit of \$300.5 million was 8.2% of net sales for the three months ended September 30, 2013, compared to 8.6% for the same period of the previous year. For the nine months ended September 30, 2013, operating profit of \$861.3 million decreased to 8.2% of net sales, compared to \$828.7 million or 8.4% of net sales in the same period in 2012. The decrease in operating profit as a percentage of net sales for the three and nine month periods ended September 30, 2013 is primarily due to the loss of expense leverage associated with lower sales growth in the Company's non-automotive related businesses.

The Automotive Parts Group's operating profit increased 20%, which correlates with the sales increase of 22% in the third quarter of 2013 and its operating profit margin decreased to 8.9%, as compared to 9.1% for the same three month period of the prior year. For the nine months ended September 30, 2013, operating profit increased 17% compared to the same period of the prior year, and the operating profit margin increased to 8.8% compared to 8.7% for the same period last year. For the nine month period ended September 30, 2013, operating profit margin for this group improved due to the Company's cost savings and improved expense leverage on increased revenues. The Industrial Products Group had a 16% decrease in operating profit in the third quarter of 2013 compared to the third quarter of 2012, and the operating profit margin for this group in the third quarter of 2013 decreased to 7.2% compared to 8.3% in the same period of the previous year. Operating profit for the Industrial Products Group decreased by 10% for the nine month period ended September 30, 2013, compared to the same period in 2012, and the operating profit margin decreased to 7.4% compared to 8.1% for the same period in 2012. The Office Products Group's operating profit decreased 6% in the third quarter of 2013 compared to the same three month period in 2012, and the operating profit margin for this group decreased to 6.5% as compared to 6.7% for the same period of 2012. For the nine months ended September 30, 2013, the Office Products Group's operating profit decreased 7% compared to the same period of the prior year and the operating profit margin decreased to 7.3% compared to 7.6% for the same period in 2012. The Electrical/Electronic Materials Group operating profit decreased by 7% in the third quarter, and its operating profit margin decreased to 8.8% compared to 9.0% in the third quarter of the previous year. Operating profit for this group decreased by 8% for the nine month period ended September 30, 2013, compared to the same period in 2012, and the operating profit margin decreased to 8.3% compared to 8.6% for the same nine month period in 2012. The decrease in operating profit margin for each of the Industrial, Office Products and Electrical/Electronic Materials Groups is a result of the loss of expense leverage due to lower sales volume in the three and nine month periods ended September 30, 2013.

#### Income Taxes

The effective income tax rate decreased to 36.1% for the three month period ended September 30, 2013, compared to 36.3% for the same three month period ended September 30, 2012. The effective income tax rate was 33.9% for the nine month period ended September 30, 2013, compared to 36.4% for the same period in 2012. The rate decrease in the nine month period ended September 30, 2013 reflects the favorable tax rate applied to the one-time acquisition gain recorded in the period, as well as the favorable impact of a lower Australian tax rate applied to the pre-tax earnings of GPC Asia Pacific.

#### Net Income

Net income for the three months ended September 30, 2013 was \$173.7 million, a slight increase as compared to \$172.9 million for the same three month period of 2012. On a per share diluted basis, net income was \$1.12, an increase of 1% as compared to \$1.11 for the third quarter of 2012. Net income for the nine months ended September 30, 2013, was \$534.5 million, an increase of 10% from \$487.8 million recorded in the same period of the previous year. Net income on a per share diluted basis for the nine months ended September 30, 2013, was \$3.43, up 10% compared to \$3.11 for the same period in 2012.

#### Financial Condition

The Company's cash balance at September 30, 2013 decreased \$82.2 million or 20% from December 31, 2012, due primarily to the Company's April 1, 2013 GPC Asia Pacific acquisition.

Accounts receivable increased \$269.5 million or 18% from December 31, 2012, which is due to the Company's GPC Asia Pacific acquired receivables and the increase in sales primarily in the Automotive Parts Group during the nine month period ended September 30, 2013. Inventory increased \$229.5 million or 9% compared to the inventory balance at December 31, 2012, due to \$305.6 million of inventory included in the Company's GPC Asia Pacific

acquisition and marginally offset by planned inventory reductions. Accounts payable increased \$531.3 million or 32% from December 31, 2012. This change is partly due to \$131.8 million of accounts payable included in the Company's GPC Asia Pacific acquisition, as well as more favorable payment terms, and other payables initiatives negotiated with our vendors in the nine month period ended September 30, 2013. The Company's debt is discussed below.

#### Liquidity and Capital Resources

Total debt increased \$333.9 million, or 67%, from December 31, 2012, due to incremental borrowings under the \$850 million unsecured revolving line of credit for the GPC Asia Pacific acquisition. The line of credit matures in September 2017 and bears interest at LIBOR plus various margins, which is based on the Company's leverage ratio. At September 30, 2013, \$333.9 million was outstanding under the line of credit.



The remaining debt outstanding is at fixed rates of interest and remains unchanged at \$500.0 million as of September 30, 2013, compared to December 31, 2012. The fixed rate debt is comprised of two notes of \$250.0 million each, due in November 2013 and November 2016, carrying an interest rate of 4.67% and 3.35%, respectively. On August 19, 2013, the Company entered into an agreement which would fund the note maturing in November 2013 totaling \$250 million. Upon funding, this note will be due in 2023 and carry an interest rate of 2.99%. At September 30, 2013, the Company was in compliance with all covenants connected with these borrowings.

The ratio of current assets to current liabilities was 1.5 to 1 at September 30, 2013, as compared to 1.9 to 1 at December 31, 2012.

The Company currently believes existing lines of credit and cash generated from operations will be sufficient to fund anticipated operations, including share repurchases, if any, for the foreseeable future.

### Item 3. Quantitative and Qualitative Disclosures about Market Risk

Although the Company does not face material risks related to interest rates and commodity prices, the Company is exposed to changes in foreign currency rates with respect to foreign currency denominated operating revenues and expenses. The Company has translation gains or losses that result from translation of the results of operations of an operating unit's foreign functional currency into U.S. dollars for consolidated financial statement purposes. The Company's principal foreign currency exchange exposures are the Australian dollar and Canadian dollar, which are the functional currency of our Australian and Canadian operations. There have been no other material changes in market risk from the information provided in the Company's Annual Report on Form 10-K for the year ended December 31, 2012.

### Item 4. Controls and Procedures

As of the end of the period covered by this report, an evaluation was performed under the supervision and with the participation of the Company's management, including the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), of the effectiveness of the Company's disclosure controls and procedures. Based on that evaluation, the Company's CEO and CFO concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this report to provide reasonable assurance that information required to be disclosed by the Company in the reports that it files or furnishes under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to the Company's management, including the CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

There have been no changes in the Company's internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Rule 13a-15 of the SEC that occurred during the Company's last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## PART II OTHER INFORMATION

### Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2012, which could materially affect our business, financial condition or future results. The risks described in our Annual Report on Form 10-K are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or

operating results.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

## Purchases of Equity Securities by the Issuer and Affiliated Purchasers

The following table provides information about the Company's purchases of shares of the Company's common stock during the quarter:

**ISSUER PURCHASES OF EQUITY SECURITIES**

<b>Period</b>	<b>Total</b>	<b>Average</b>	<b>Total Number of Maximum Number of</b>	
	<b>Number of</b>		<b>Shares Purchased</b>	<b>Shares That May Yet</b>
	<b>Shares</b>	<b>Price Paid</b>	<b>as Part of Publicly Be Purchased Under</b>	
	<b>Purchased</b>	<b>Per Share</b>	<b>Announced Plans</b>	<b>the Plans or</b>
	<b>(1)</b>	<b>or Programs (2)</b>	<b>Programs</b>	
July 1, 2013 through July 31, 2013	155,433	\$ 81.59	131,794	11,710,511
August 1, 2013 through August 31, 2013	514,357	\$ 80.81	430,969	11,279,542
September 1, 2013 through September 30, 2013	56,857	\$ 81.04		11,279,542
Totals	726,647	\$ 80.99	562,763	11,279,542

(1) Includes shares surrendered by employees to the Company to satisfy tax withholding obligations in connection with the vesting of shares of restricted stock, the exercise of stock options and/or tax withholding obligations.

(2) On November 17, 2008, the Board of Directors announced that it had authorized the repurchase of 15 million shares. The authorization for this repurchase plan continues until all such shares have been repurchased or the repurchase plan is terminated by action of the Board of Directors. Approximately 11.3 million shares authorized in the 2008 plan remain available to be repurchased by the Company. There were no other publicly announced plans as of September 30, 2013.

Item 6. Exhibits

(a) The following exhibits are filed or furnished as part of this report:

Exhibit 3.1	Amended and Restated Articles of Incorporation of the Company, dated April 23, 2007 (incorporated herein by reference from Exhibit 3.1 to the Company's Current Report on Form 8-K dated April 23, 2007)
Exhibit 3.2	Bylaws of the Company, as amended and restated (incorporated herein by reference from Exhibit 3.2 to the Company's Current Report on Form 8-K dated August 20, 2007)
Exhibit 31.1	Certification pursuant to SEC Rule 13a-14(a) signed by the Chief Executive Officer filed herewith

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- Exhibit 31.2 Certification pursuant to SEC Rule 13a-14(a) signed by the Chief Financial Officer filed herewith
- Exhibit 32.1 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, signed by the Chief Executive Officer furnished herewith
- Exhibit 32.2 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, signed by the Chief Financial Officer furnished herewith

Exhibit 101      Interactive data files pursuant to Rule 405 of Regulation S-T:  
(i) the Condensed Consolidated Balance Sheets at September 30, 2013 and December 31, 2012;  
(ii) the Condensed Consolidated Statements of Income and Comprehensive Income for the three and  
nine month periods ended September 30, 2013 and 2012; (iii) the Condensed Consolidated  
Statements of Cash Flows for the nine months ended September 30, 2013 and 2012; and (iv) the  
Notes to the Condensed Consolidated Financial Statements submitted herewith pursuant to Rule 406T

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Genuine Parts Company  
(Registrant)

Date: November 7, 2013

/s/ Carol B. Yancey  
Carol B. Yancey  
Executive Vice President and Chief Financial Officer  
(Principal Financial and Accounting Officer)