

GENUINE PARTS CO
Form 10-Q
November 04, 2010

Table of Contents

**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, 2010

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

Smaller reporting company

(Do not check if a 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, 2010

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Common Stock, \$1.00 par value per share

157,534,735 Shares

TABLE OF CONTENTS

PART I FINANCIAL INFORMATION

Item 1. Financial Statements

CONDENSED CONSOLIDATED BALANCE SHEETS

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Item 4. Controls and Procedures

PART II OTHER INFORMATION

Item 1A. Risk Factors

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

Item 6. Exhibits

SIGNATURES

Exhibit 31.1

Exhibit 31.2

Exhibit 32.1

Exhibit 32.2

EX-101 INSTANCE DOCUMENT

EX-101 SCHEMA DOCUMENT

EX-101 CALCULATION LINKBASE DOCUMENT

EX-101 LABELS LINKBASE DOCUMENT

EX-101 PRESENTATION LINKBASE DOCUMENT

EX-101 DEFINITION LINKBASE DOCUMENT

Table of Contents**PART 1 FINANCIAL INFORMATION**Item 1. **Financial Statements****GENUINE PARTS COMPANY AND SUBSIDIARIES**
CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2010 (unaudited) (in thousands, except share and per share data)	December 31, 2009
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 531,731	\$ 336,803
Trade accounts receivable, less allowance for doubtful accounts (2010 \$32,749; 2009 \$16,590)	1,394,870	1,187,075
Merchandise inventories, net at lower of cost or market	2,182,413	2,214,076
Prepaid expenses and other current assets	282,287	294,874
TOTAL CURRENT ASSETS	4,391,301	4,032,828
Goodwill and intangible assets, less accumulated amortization	207,237	171,532
Deferred tax assets	152,248	167,722
Other assets	184,548	147,583
Property, plant and equipment, less allowance for depreciation (2010 \$718,560; 2009 \$691,175)	478,436	485,024
TOTAL ASSETS	\$ 5,413,770	\$ 5,004,689
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Trade accounts payable	\$ 1,371,718	\$ 1,094,347
Income taxes payable	46,144	42,988
Dividends payable	64,584	63,586
Other current liabilities	238,439	207,363
TOTAL CURRENT LIABILITIES	1,720,885	1,408,284
Long-term debt	500,000	500,000
Pension and other post retirement benefit liabilities	239,326	300,197
Other long-term liabilities	175,777	166,836
EQUITY:		
Preferred stock, par value \$1 per share		
Authorized 10,000,000 shares None issued	-0-	-0-
Common stock, par value \$1 per share		
Authorized 450,000,000 shares		
Issued 2010 157,534,735; 2009 158,917,846	157,535	158,918
Retained earnings	2,880,155	2,772,309
Accumulated other comprehensive loss	(268,502)	(309,897)

TOTAL PARENT EQUITY	2,769,188	2,621,330
Noncontrolling interests in subsidiaries	8,594	8,042
TOTAL EQUITY	2,777,782	2,629,372
TOTAL LIABILITIES AND EQUITY	\$ 5,413,770	\$ 5,004,689

See notes to condensed consolidated financial statements.

Table of Contents**GENUINE PARTS COMPANY AND SUBSIDIARIES**
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended Sept.		Nine Months Ended Sept. 30,	
	2010	30, 2009	2010	2009
	(unaudited)			
	(in thousands, except per share data)			
Net sales	\$ 2,950,560	\$ 2,606,757	\$ 8,399,861	\$ 7,586,298
Cost of goods sold	2,097,529	1,841,511	5,964,045	5,343,996
Gross profit	853,031	765,246	2,435,816	2,242,302
Operating expenses:				
Selling, administrative & other expenses	618,449	571,978	1,792,997	1,693,384
Depreciation and amortization	22,093	22,562	67,422	67,494
	640,542	594,540	1,860,419	1,760,878
Income before income taxes	212,489	170,706	575,397	481,424
Income taxes	80,704	63,067	218,536	181,016
Net income	\$ 131,785	\$ 107,639	\$ 356,861	\$ 300,408
Basic net income per common share	\$.84	\$.67	\$ 2.26	\$ 1.88
Diluted net income per common share	\$.83	\$.67	\$ 2.25	\$ 1.88
Dividends declared per common share	\$.41	\$.40	\$ 1.23	\$ 1.20
Weighted average common shares outstanding	157,573	159,541	158,197	159,500
Dilutive effect of stock options and non-vested restricted stock awards	407	335	398	268
Weighted average common shares outstanding assuming dilution	157,980	159,876	158,595	159,768

See notes to condensed consolidated financial statements.

Table of Contents

GENUINE PARTS COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended Sept. 30,	
	2010	2009
	(unaudited)	
	(in thousands)	
OPERATING ACTIVITIES:		
Net income	\$ 356,861	\$ 300,408
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	67,422	67,494
Share-based compensation	4,674	6,709
Excess tax benefits from share-based compensation	(1,500)	(63)
Other	663	1,917
Changes in operating assets and liabilities	140,302	390,038
NET CASH PROVIDED BY OPERATING ACTIVITIES	568,422	766,503
INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	(58,931)	(49,360)
Acquisitions and other	(83,080)	(123,047)
Purchase of properties under construction and lease agreement		(72,811)
NET CASH USED IN INVESTING ACTIVITIES	(142,011)	(245,218)
FINANCING ACTIVITIES:		
Stock options exercised	7,177	2,178
Excess tax benefits from share-based compensation	1,500	63
Dividends paid	(193,313)	(189,739)
Changes in cash overdraft position		(52,000)
Purchase of stock	(69,438)	(159)
NET CASH USED IN FINANCING ACTIVITIES	(254,074)	(239,657)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	22,591	13,728
NET INCREASE IN CASH AND CASH EQUIVALENTS	194,928	295,356
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	336,803	67,777
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 531,731	\$ 363,133

See notes to condensed consolidated financial statements.

Table of Contents**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****Note 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, 2009. Accordingly, the quarterly condensed consolidated financial statements and related disclosures herein should be read in conjunction with the 2009 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 consolidated financial statements for the accrual of bad debts, inventory adjustments, discounts and volume incentives earned, among others. Bad debts are accrued based on a percentage of sales.

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 can only be performed at year-end. 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 three and nine month periods ended September 30, 2010 are not necessarily indicative of results for the entire year. The Company has evaluated subsequent events through the date the financial statements were issued.

Note B Segment Information

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
	(in thousands)		(in thousands)	
Net sales:				
Automotive	\$ 1,481,294	\$ 1,381,578	\$ 4,231,367	\$ 3,960,743
Industrial	921,162	711,471	2,606,697	2,149,200
Office products	434,513	436,287	1,246,984	1,255,169
Electrical/electronic materials	117,290	89,364	324,167	256,106
Other	(3,699)	(11,943)	(9,354)	(34,920)
Total net sales	\$ 2,950,560	\$ 2,606,757	\$ 8,399,861	\$ 7,586,298
Operating profit:				
Automotive	\$ 124,059	\$ 107,735	\$ 338,986	\$ 312,919
Industrial	72,856	36,495	181,820	102,113
Office products	26,657	26,692	93,670	99,081
Electrical/electronic materials	8,393	6,802	22,156	17,560
Total operating profit	231,965	177,724	636,632	531,673
Interest expense, net	(6,562)	(6,662)	(19,988)	(20,510)
Other, net	(12,914)	(356)	(41,247)	(29,739)
Income before income taxes	\$ 212,489	\$ 170,706	\$ 575,397	\$ 481,424

Net sales by segment exclude the effect of certain discounts, incentives and freight billed to customers. The line item "Other, net" 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.

Table of Contents**Note C Comprehensive Income**

Comprehensive income was \$398.3 million and \$465.2 million for the nine months ended September 30, 2010 and 2009, respectively. 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:

	Nine Months Ended September 30,	
	2010	2009
	(in thousands)	
Net income	\$ 356,861	\$ 300,408
Other comprehensive income:		
Foreign currency translation	13,526	65,756
Pension and other post-retirement benefit adjustments:		
Recognition of prior service credit, net of tax	(3,755)	(6,350)
Recognition of actuarial loss, net of tax	16,799	11,826
Net actuarial gain, net of tax	14,825	93,542
Total other comprehensive income	41,395	164,774
Comprehensive income	\$ 398,256	\$ 465,182

Comprehensive income for the three months ended September 30, 2010 and 2009 totaled \$171.8 million and \$160.8 million, respectively.

Note D Recently Issued Accounting Pronouncements

In June 2009, the Financial Accounting Standards Board (FASB) issued new guidance that addresses the elimination of the concept of a qualifying special purpose entity. It also replaces the quantitative-based risks and rewards calculation for determining which enterprise has a controlling financial interest in a variable interest entity with an approach focused on identifying which enterprise has the power to direct the activities of a variable interest entity and the obligation to absorb losses of the entity or the right to receive benefits from the entity. Additionally, the guidance requires an ongoing assessment of whether a company is the primary beneficiary of the entity. The Company adopted the new guidance on January 1, 2010 and concluded that certain independently controlled automotive parts stores for which the Company guarantees debt are variable interest entities; however, the Company is not the primary beneficiary. These entities are discussed further in Note G Guarantees.

Note E Share-Based Compensation

As more fully discussed in Note 5 of the Company's notes to the consolidated financial statements in the 2009 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, 2010, total compensation cost related to nonvested awards not yet recognized was approximately \$9.0 million, as compared to

\$4.5 million at December 31, 2009. The weighted-average period over which this compensation cost is expected to be recognized is approximately 3 years. The aggregate intrinsic value for options, SARs and RSUs outstanding at September 30, 2010 was approximately \$36.5 million. At September 30, 2010, the aggregate intrinsic value for options, SARs and RSUs vested totaled approximately \$22.8 million, and the weighted-average contractual life for outstanding and exercisable options, SARs and RSUs was approximately six years. For the nine months ended September 30, 2010, \$4.7 million of share-based compensation cost was recorded, as compared to \$6.7 million for the same period in the prior year. On April 1, 2010, the Company granted approximately 1,002,000 SARs and 124,000 RSUs.

Table of Contents

Options to purchase approximately 2.9 million and 5.0 million shares of common stock were outstanding but not included in the computation of diluted earnings per share for the three and nine month periods ended September 30, 2010, as compared to 5.4 million and 5.5 million in the same periods of the prior year, respectively. These options were not included in the computation of diluted net income per common share because the options' exercise price was greater than the average market price of common stock.

Note F Employee Benefit Plans

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

	Pension Benefits		Other Post-retirement Benefits	
	2010	2009	2010	2009
	(in thousands)			
Service cost	\$ 1,711	\$ 4,015	\$	\$ 63
Interest cost	23,055	23,328	143	250
Expected return on plan assets	(28,564)	(28,608)		
Amortization of prior service (credit) cost	(1,745)	(1,731)	(264)	(145)
Amortization of actuarial loss	7,623	3,808	423	448
Net periodic benefit cost	\$ 2,080	\$ 812	\$ 302	\$ 616

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

	Pension Benefits		Other Post-retirement Benefits	
	2010	2009	2010	2009
	(in thousands)			
Service cost	\$ 9,216	\$ 12,503	\$	\$ 443
Interest cost	71,598	70,140	455	1,102
Expected return on plan assets	(85,582)	(84,646)		
Curtailement gain		(4,298)		
Amortization of prior service (credit) cost	(5,228)	(5,277)	(794)	41
Amortization of actuarial loss	26,444	18,259	1,319	1,300
Net periodic benefit cost	\$ 16,448	\$ 6,681	\$ 980	\$ 2,886

Pension benefits also include amounts related to a supplemental retirement plan. During the nine months ended September 30, 2010, the Company contributed \$27 million 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 other equity conversion rights 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, 2010, the Company was in compliance with all such covenants.

Table of Contents

At September 30, 2010, the total borrowings of the independents and affiliates subject to guarantee by the Company were approximately \$251.4 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, 2010. 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 and trade accounts payable approximate their respective fair values based on the short-term nature of these instruments. At September 30, 2010, the fair value of fixed rate debt was approximately \$538.0 million, based primarily on quoted prices for similar instruments. The fair value of fixed rate debt was estimated by calculating the present value of anticipated cash flows. The discount rate used was an estimated borrowing rate for similar debt instruments with like maturities.

Note I Acquisitions

During the nine months ended September 30, 2010, the Company acquired three companies in the Industrial and Electrical Groups for approximately \$88.0 million. The Company allocated the purchase price to the assets acquired and the liabilities assumed based on their fair values as of their respective acquisition dates. The results of operations for the acquired companies were included in the Company's condensed consolidated statements of income beginning on their respective acquisition dates. The Company recorded approximately \$38.0 million of goodwill and other intangible assets associated with the acquisitions. The Company is in the process of analyzing the estimated values of assets and liabilities acquired and is obtaining third-party valuations of certain tangible and intangible assets. The allocation of the purchase price is therefore preliminary and subject to revision.

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, 2009.

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 include, but are not limited to, the ability to maintain favorable supplier arrangements and relationships, changes in general economic conditions, the growth rate of the market demand for the Company's products and services, competitive product, service and pricing pressures, including internet related initiatives, changes in financial markets, including particularly the capital and credit markets, impairment of financial institutions with which we do business, the effectiveness of the Company's promotional, marketing and advertising programs, changes in laws and regulations, including changes in accounting and taxation guidance, the uncertainties of litigation, as well as other risks and uncertainties discussed in the Company's Annual Report on Form 10-K for 2009 and from time to time in the Company's subsequent filings with the

SEC.

Table of Contents

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, and 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, 2010, business was conducted throughout the United States, Puerto Rico, Canada and Mexico from approximately 2,000 locations.

For the three months ended September 30, 2010, we recorded consolidated net income of \$131.8 million compared to consolidated net income of \$107.6 million in the same period last year, an increase of 22%. For the nine months ended September 30, 2010, we recorded consolidated net income of \$356.9 million compared to consolidated net income of \$300.4 million in the same period last year, an increase of 19%. The Company continues to focus on several initiatives, such as new and expanded product lines, the penetration of new markets (including by acquisitions), and a variety of gross margin and cost savings initiatives to facilitate consistent and steady growth.

Sales

Sales for the third quarter of 2010 were \$2.95 billion, an increase of 13% compared to \$2.61 billion for the same period in 2009. For the nine months ended September 30, 2010, sales were \$8.40 billion compared to \$7.59 billion for the same period last year, an increase of 11%.

Sales for the Automotive Parts Group increased 7% in the three and nine month periods ended September 30, 2010, as compared to the same periods in the previous year. Currency exchange had a positive impact on the Automotive Parts Group's results in Canada and Mexico, which contributed approximately 1% and 2% to sales for the three and nine month periods ended September 30, 2010, respectively. In addition, acquisitions in the Automotive Parts Group added approximately 1% to sales for the nine months ended September 30, 2010. We expect continued sales growth in this business over the remainder of the year as we continue to focus on our various sales initiatives. The Industrial Products Group's sales increased by 29% and 21% for the three and nine month periods ended September 30, 2010, respectively, as compared to the same periods in 2009. Several factors contributed to the increase in sales volumes for this group, including the positive impact of their internal sales initiatives. In addition, acquisitions contributed approximately 6% for the three and nine month periods ended September 30, 2010. Industrial market indices, such as Industrial Production and Capacity Utilization, also trended positive over the first nine months of 2010, indicating the ongoing improvement in the manufacturing sector of the economy served by the group. Sales for the Office Products Group were down slightly for the three months and decreased 1% for the nine months ended September 30, 2010, as compared to the same periods in 2009. The declining sales trends appear to have stabilized for this group, although the Office Group continues to experience soft market conditions. Sales for the Electrical/Electronic Materials Group increased 31% and 27% for the three and nine month periods ended September 30, 2010, respectively, as compared to the same periods of the previous year. The benefit of internal sales initiatives and escalating copper pricing, which added approximately 3% and 5% to sales for the three and nine month periods ended September 30, 2010, respectively, contributed to the group's sales increase over the same periods in 2009. In addition, acquisitions contributed approximately 9% and 5% to sales for the three and nine month periods ended September 30, 2010, respectively. The continued improvement in the industrial markets served by this group, as measured by the Purchasing Managers' Index, also had a significant positive impact on this business during the third quarter and nine months ended September 30, 2010.

Cost of Goods Sold/Expenses

Cost of goods sold for the third quarter of 2010 was \$2.10 billion, a 14% increase from \$1.84 billion for the third quarter of 2009. As a percent of sales, cost of goods sold increased to 71.1% for the three months ended September 30, 2010 from 70.6% for the same period in 2009. For the nine month period ended September 30, 2010, cost of goods sold was \$5.96 billion, a 12% increase from \$5.34 billion for the same period last year, and as a percent of sales increased to 71.0% compared to 70.4%. The increase in cost of goods sold as a percent of sales for the three and nine month periods ended September 30, 2010 over the same periods in 2009 reflects the pricing adjustments

implemented in the Automotive segment during the period April to September of 2009, in order to remain competitive in the marketplace. Competitive pricing pressures in the Office Products segment have also impacted cost of goods sold. For the nine month period ended September 30, 2010, cumulative pricing increased 3.6% in the Electrical Group, 2.1% in the Industrial Group, 0.4% in the Automotive Group and .3% in the Office Group.

Table of Contents

Operating expenses of \$640.5 million decreased to 21.7% of sales for the third quarter of 2010, as compared to 22.8% for the same period of the prior year. For the nine months ended September 30, 2010, these expenses totaled \$1.86 billion, or 22.2% of sales, an improvement from 23.2% for the same period in 2009. The decrease in expenses as a percent of sales for both the third quarter and nine months ended September 30, 2010 is due to our cost savings initiatives and the benefit of greater leverage associated with our sales growth for the three and nine month periods ended September 30, 2010.

Operating Profit

Operating profit as a percentage of sales was 7.9% for the three months ended September 30, 2010, compared to 6.8% for the same period of the previous year. For the nine months ended September 30, 2010, operating profit as a percentage of sales was 7.6%, as compared to 7.0% for the same period of the previous year. Our cost reduction efforts and improved expense leverage associated with our sales growth were the primary drivers of our improved operating margin for the three and nine month periods ended September 30, 2010.

The Automotive Parts Group's operating profit increased 15% in the third quarter of 2010 and its operating profit margin increased to 8.4% for the three months ended September 30, 2010, as compared to 7.8% in the same period of the prior year. For the nine months ended September 30, 2010, operating profit increased 8% as compared to the same nine month period of 2009, and operating profit margin increased to 8.0%, as compared to 7.9% for the same period last year. For the three and nine month periods ended September 30, 2010, operating profit margins for this group improved due to cost savings and improved expense leverage on increased revenues. The Industrial Products Group had a 100% increase in operating profit in the third quarter of 2010 compared to the third quarter of 2009, and the operating profit margin for this group increased to 7.9% as compared to 5.1% in the same period of the previous year. Operating profit increased by 78% for the nine month period ended September 30, 2010 compared to the same period in 2009, and the operating profit margin improved to 7.0%, as compared to 4.8% for the same period in 2009. The improved operating profit margins for this group are due to the combination of increased volume incentives, cost savings and greater expense leverage on sales growth, which contributed to the increase in operating profit for the three and nine month periods ended September 30, 2010. For the three month period ended September 30, 2010, the Office Products Group's operating profit was flat and its operating profit margin remained unchanged at 6.1%. For the nine months ended September 30, 2010, operating profit decreased 6% compared to the same period in 2009, and operating profit margin decreased to 7.5%, as compared to 7.9% for the nine months ended September 30, 2009. The decrease in operating results relates to soft market conditions and the resulting sales declines for this group. The Electrical/Electronic Materials Group increased its operating profit by 23% in the third quarter, and its operating profit margin decreased to 7.2% as compared to 7.6% in the third quarter of the previous year. Operating profit increased by 26% for the nine months ended September 30, 2010, and its operating profit margin decreased to 6.8% from 6.9% for the same period of 2009. The improvement in operating profit for this group is primarily due to cost savings and improved expense leverage on increased revenues for the three and nine month periods ended September 30, 2010. The decrease in operating profit margin reflects the downward pressure on margins from increased copper pricing.

Income Taxes

The effective income tax rate was 38.0% for the three months ended September 30, 2010, as compared to 36.9% for the three months ended September 30, 2009. The increase in the rate is due to increased state taxes, as well as the less favorable retirement asset valuation adjustment recorded in the quarter. The effective income tax rate was 38.0% for the nine months ended September 30, 2010, as compared to 37.6% for the same nine month period of the previous year.

Net Income

Net income for the three months ended September 30, 2010 was \$131.8 million, an increase of 22% as compared to \$107.6 million for the same three month period of 2009. On a per share diluted basis, net income was \$.83, an increase of 24% as compared to \$.67 for the third quarter of last year. Net income for the nine months ended September 30, 2010 was \$356.9 million, an increase of 19% from \$300.4 million recorded for the same period of the previous year. Earnings per share on a diluted basis for the nine months ended September 30, 2010 were \$2.25, up 20% as compared to \$1.88 for the same nine month period in 2009.

Table of Contents

Financial Condition

Most major balance sheet categories at September 30, 2010 were relatively consistent with the December 31, 2009 balance sheet categories, with the exception of cash and other categories discussed below. Cash balances increased \$194.9 million or 58% from December 31, 2009, due to strong cash flows associated with improved earnings and cash generated from working capital. The \$568.4 million in cash generated from operations in the nine months ended September 30, 2010, was used to pay \$193.3 million in dividends. In addition, \$58.9 million was invested in the Company via capital expenditures, \$87.6 million was used for strategic acquisitions and \$69.4 million was used to repurchase approximately 1.7 million shares of common stock under the Company's share repurchase program. Accounts receivable increased \$207.8 million or 17% from December 31, 2009, which is due to the Company's overall sales increase and acquisitions. Inventory decreased \$31.7 million or 1% compared to December 31, 2009, which reflects the benefits of the Company's inventory management initiatives. Goodwill and other intangible assets increased \$35.7 million or 21% from December 31, 2009, primarily due to three acquisitions in the nine month period ended September 30, 2010. Other assets increased \$37.0 million or 25% from December 31, 2009. Accounts payable increased \$277.4 million or 25% from December 31, 2009. This change is due to increased inventory purchases related to the sales increase for the first nine months of 2010, as well as more favorable terms negotiated with our vendors and other payables initiatives such as a procurement card program. The Company's long-term debt is discussed in detail below.

Liquidity and Capital Resources

Total debt, which matures in 2011 and 2013, is at fixed rates of interest and remains unchanged at \$500 million as of September 30, 2010, compared to December 31, 2009.

The ratio of current assets to current liabilities was 2.6 to 1 at September 30, 2010, as compared to 2.9 to 1 at December 31, 2009.

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. The Company maintains a \$350 million unsecured revolving line of credit with a consortium of financial institutions, which matures in December 2012 and bears interest at LIBOR plus .23%. At September 30, 2010, no amounts were outstanding under the line of credit.

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 exposure is the Canadian dollar, which is the functional currency of our Canadian operations. As previously noted under Sales, foreign currency exchange exposure, particularly in regard to the Canadian dollar and, to a lesser extent, the Mexican peso, positively impacted our results for the three month period ended September 30, 2010. 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, 2009.

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.

Table of Contents

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, 2009, 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

Period	Total Number of Shares Purchased (1)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (2)	Maximum Number of Shares That May Yet Be Purchased Under the Plans or Programs
July 1, 2010 through July 31, 2010	40,598	\$ 39.67	35,000	16,214,073
August 1, 2010 through August 31, 2010	160,245	\$ 42.43	117,428	16,096,645
September 1, 2010 through September 30, 2010	35,010	\$ 44.55		16,096,645
Totals	235,853	\$ 42.27	152,428	16,096,645

(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 August 21,
2006 and
November 17,
2008, the Board
of Directors
authorized the
repurchase of
15 million
shares and
15 million
shares,
respectively,
and such
repurchase plans
were announced
on August 21,
2006 and
November 17,
2008,
respectively.
The
authorization for
these repurchase
plans continues
until all such
shares have
been
repurchased, or
the repurchase
plan is
terminated by
action of the
Board of
Directors.
Approximately
1.1 million
shares
authorized in
the repurchase
plan announced
in 2006 and all
15 million
shares
authorized in

2008 remain to
be repurchased
by the
Company.
There were no
other publicly
announced
repurchase plans
outstanding as
of
September 30,
2010.

Table of Contents

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
- 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, 2010 and December 31, 2009;
(ii) the Condensed Consolidated Statements of Income for the three and nine month periods ended September 30, 2010 and 2009; (iii) the Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2010 and 2009; and (iv) the Notes to the Condensed Consolidated Financial Statements submitted herewith pursuant to Rule 406T

Table of Contents

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 4, 2010

/s/ Jerry W. Nix

Jerry W. Nix
Vice Chairman and Chief Financial
Officer
(Principal Financial and Accounting
Officer)