

GENUINE PARTS CO
Form 10-Q
May 07, 2009

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 March 31, 2009
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

58-0254510

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

2999 CIRCLE 75 PARKWAY, ATLANTA, GA

30339

(Address of principal executive offices)

(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 March 31, 2009 |
|--|-------------------------------|
| Common Stock, \$1.00 par value per share | 159,446,330 shares |

TABLE OF CONTENTS

PART I FINANCIAL INFORMATION

Item 1. 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 INDEX

EX-10.1

EX-31.1

EX-31.2

EX-32.1

EX-32.2

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

| | March 31, 2009 (unaudited) | December 31, 2008 |
|--|--|----------------------|
| | (in thousands, except share and per share data) | |
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 133,281 | \$ 67,777 |
| Trade accounts receivable, less allowance for doubtful accounts (2009 \$18,364; 2008 \$18,586) | 1,211,337 | 1,224,525 |
| Merchandise inventories, net at lower of cost (substantially last-in, first-out method) or market | 2,253,036 | 2,316,880 |
| Prepaid expenses and other current assets | 222,253 | 262,238 |
| TOTAL CURRENT ASSETS | 3,819,907 | 3,871,420 |
| Goodwill and intangible assets, less accumulated amortization | 158,427 | 158,825 |
| Deferred tax asset | 216,653 | 218,503 |
| Other assets | 117,502 | 114,337 |
| Property, plant and equipment, less allowance for depreciation (2009 - \$635,004; 2008 - \$628,532) | 412,366 | 423,265 |
| TOTAL ASSETS | \$ 4,724,855 | \$ 4,786,350 |
| LIABILITIES AND EQUITY | | |
| CURRENT LIABILITIES | | |
| Trade accounts payable | \$ 964,267 | \$ 1,009,423 |
| Income taxes payable | 70,883 | 24,685 |
| Dividends payable | 63,779 | 62,148 |
| Other current liabilities | 158,445 | 190,847 |
| TOTAL CURRENT LIABILITIES | 1,257,374 | 1,287,103 |
| Long-term debt | 500,000 | 500,000 |
| Other long-term liabilities | 110,207 | 103,264 |
| Retirement and other post-retirement benefit liabilities | 448,844 | 502,605 |
| 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 2009 159,446,330; 2008 159,442,508 | 159,446 | 159,443 |
| Retained earnings | 2,671,224 | 2,643,451 |
| Accumulated other comprehensive loss | (491,917) | (478,562) |

Edgar Filing: GENUINE PARTS CO - Form 10-Q

| | | |
|--|--------------|--------------|
| TOTAL PARENT EQUITY | 2,338,753 | 2,324,332 |
| Noncontrolling interests in subsidiaries | 69,677 | 69,046 |
| TOTAL EQUITY | 2,408,430 | 2,393,378 |
| TOTAL LIABILITIES AND EQUITY | \$ 4,724,855 | \$ 4,786,350 |

See notes to condensed consolidated financial statements.

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

| | Three Months Ended March 31, | |
|---|---------------------------------------|--------------|
| | 2009 | 2008 |
| | (unaudited) | |
| | (in thousands, except per share data) | |
| Net sales | \$ 2,444,496 | \$ 2,739,473 |
| Cost of goods sold | 1,712,295 | 1,919,990 |
| Gross profit | 732,201 | 819,483 |
| Operating Expenses: | | |
| Selling, administrative & other expenses | 565,012 | 605,118 |
| Depreciation and amortization | 22,521 | 22,684 |
| | 587,533 | 627,802 |
| Income before income taxes | 144,668 | 191,681 |
| Income taxes | 55,509 | 68,138 |
| Net income | \$ 89,159 | \$ 123,543 |
| Basic net income per common share | \$.56 | \$.75 |
| Diluted net income per common share | \$.56 | \$.75 |
| Dividends declared per common share | \$.40 | \$.39 |
| Weighted average common shares outstanding | 159,444 | 164,977 |
| Dilutive effect of stock options and non-vested restricted stock awards | 219 | 729 |
| Weighted average common shares outstanding assuming dilution | 159,663 | 165,706 |

See notes to condensed consolidated financial statements.

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

| | Three Months Ended March 31, | |
|---|------------------------------|-------------------|
| | 2009 | 2008 |
| | (unaudited) | |
| | (in thousands) | |
| OPERATING ACTIVITIES: | | |
| Net income | \$ 89,159 | \$ 123,543 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 22,521 | 22,684 |
| Share-based compensation | 2,370 | 1,600 |
| Excess tax benefits from share-based compensation | | (217) |
| Other | 807 | 804 |
| Changes in operating assets and liabilities | 85,565 | (2,527) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 200,422 | 145,887 |
| INVESTING ACTIVITIES: | | |
| Purchases of property, plant and equipment | (14,097) | (21,762) |
| Acquisitions and other | (5,779) | (39,003) |
| NET CASH USED IN INVESTING ACTIVITIES | (19,876) | (60,765) |
| FINANCING ACTIVITIES: | | |
| Stock options exercised | 142 | 752 |
| Excess tax benefits from share-based compensation | | 217 |
| Dividends paid | (62,148) | (60,789) |
| Changes in cash overdraft position | (52,000) | |
| Purchase of stock | (116) | (94,325) |
| NET CASH USED IN FINANCING ACTIVITIES | (114,122) | (154,145) |
| EFFECT OF EXCHANGE RATE CHANGES ON CASH | (920) | (1,295) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 65,504 | (70,318) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | 67,777 | 231,837 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | \$ 133,281 | \$ 161,519 |

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, 2008. Accordingly, the quarterly condensed consolidated financial statements and related disclosures herein should be read in conjunction with the 2008 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 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, and volume incentives are estimated based upon cumulative and projected purchasing levels. Inventory adjustments are accrued on an interim basis and adjusted in the fourth quarter based on the annual book to physical inventory adjustment. The estimates 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 period have been made. These adjustments are of a normal recurring nature. The results of operations for the three months ended March 31, 2009 are not necessarily indicative of results for the entire year.

Note B Segment Information

| | Three Months Ended March 31, | |
|---------------------------------|------------------------------|------------------|
| | 2009 | 2008 |
| | (in thousands) | |
| Net sales: | | |
| Automotive | \$ 1,219,128 | \$ 1,305,887 |
| Industrial | 736,501 | 881,213 |
| Office products | 412,748 | 442,392 |
| Electrical/electronic materials | 86,133 | 114,301 |
| Other | (10,014) | (4,320) |
| Total net sales | \$ 2,444,496 | \$ 2,739,473 |
| Operating profit: | | |
| Automotive | \$ 87,407 | \$ 90,644 |
| Industrial | 34,175 | 68,992 |
| Office products | 38,728 | 43,932 |
| Electrical/electronic materials | 5,668 | 9,010 |
| Total operating profit | 165,978 | 212,578 |
| Interest expense, net | (7,096) | (7,154) |
| Other, net | (14,214) | (13,743) |
| Income before income taxes | \$ 144,668 | \$ 191,681 |

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.

Table of Contents**Note C Comprehensive Income**

Comprehensive income was \$75.8 million and \$109.0 million for the three months ended March 31, 2009 and 2008, respectively. The difference between comprehensive income and net income was due to foreign currency translation adjustments and amounts amortized into net periodic benefit cost as required by Statement of Financial Accounting Standards (SFAS) No. 158, *Employers Accounting for Defined Benefit Pension and Other Postretirement Plans* (SFAS No. 158), as summarized below:

| | Three Months Ended March 31, | |
|---|------------------------------|------------|
| | 2009 | 2008 |
| | (in thousands) | |
| Net income | \$ 89,159 | \$ 123,543 |
| Other comprehensive loss: | | |
| Foreign currency translation | (17,781) | (17,733) |
| Amounts amortized into net periodic benefit cost: | | |
| Prior service (cost) credit, net of tax | (1,227) | 99 |
| Actuarial loss, net of tax | 5,653 | 3,089 |
| Total other comprehensive loss | (13,355) | (14,545) |
| Comprehensive income | \$ 75,804 | \$ 108,998 |

Note D Recently Issued Accounting Pronouncements

On September 15, 2006, the Financial Accounting Standards Board (FASB) issued SFAS No. 157, *Fair Value Measurements* (SFAS No. 157). SFAS No. 157 defines fair value, establishes a framework for measuring fair value in accordance with accounting principles generally accepted in the United States, and expands disclosures about fair value measurements. SFAS No. 157 does not expand the use of fair value in any new circumstances. In accordance with FASB Staff Position 157-2, the Company adopted SFAS No. 157 for its financial assets and liabilities as of January 1, 2008 and for its non-financial assets and liabilities as of January 1, 2009. SFAS No. 157 did not have a significant impact on the condensed consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141 (Revised 2007), *Business Combinations* (SFAS No. 141(R)). Under SFAS No. 141(R), an acquiring entity is required to recognize all the assets acquired and liabilities assumed in a transaction at the acquisition-date fair value with limited exceptions. SFAS No. 141(R) changes the accounting treatment and disclosure for certain specific items in a business combination. SFAS No. 141(R) applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The Company adopted SFAS No. 141(R) on January 1, 2009. SFAS No. 141(R) did not have a significant impact on the condensed consolidated financial statements.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements An Amendment of ARB No. 51* (SFAS No. 160). SFAS No. 160 establishes new accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. This statement requires that noncontrolling minority interests be reported as equity instead of a liability on the balance sheet. Additionally, it requires disclosure of consolidated net income attributable to the parent and to the noncontrolling interest on the face of the income statement. SFAS No. 160 is effective for fiscal years beginning on or after December 15, 2008. The Company adopted SFAS No. 160 on January 1, 2009 and reclassified \$69 million of noncontrolling minority interest from liabilities to equity on the December 31, 2008 condensed consolidated balance sheet. The net income attributable to noncontrolling interests is not material to the Company's consolidated net income and is, therefore, included in selling, administrative & other expenses on the accompanying condensed consolidated statements of income.

Table of Contents

In December 2008, the Financial Accounting Standards Board (FASB) issued FASB Staff Position 132(R) 1, *Employers' Disclosures about Postretirement Benefit Plan Assets* (FSP 132(R) -1). This FSP amends SFAS No. 132(R) to provide guidance on an employer's disclosures about plan assets of a defined benefit pension or other postretirement plan on investment policies and strategies, major categories of plan assets, inputs and valuation techniques used to measure the fair value of plan assets and significant concentrations of risk within plan assets. FSP 132(R) 1 shall be effective for fiscal years ending after December 15, 2009, with earlier application permitted. Upon initial application, the provisions of this FSP are not required for earlier periods that are presented for comparative purposes. The Company is currently evaluating the disclosure requirements of this new FSP.

In April 2009, the FASB issued FSP FAS 107-1 and APB 28-1, *Interim Disclosures about Fair Value of Financial Instruments* (FSP 107-1), which is effective for the Company for the quarterly period beginning April 1, 2009. FSP 107-1 requires an entity to provide the annual disclosures required by FASB Statement No. 107, *Disclosures about Fair Value of Financial Instruments*, in its interim financial statements. The Company will provide the additional disclosures required by FSP 107-1 in its quarterly report on Form 10-Q for the period ending June 30, 2009.

Note E Share-Based Compensation

As more fully discussed in Note 5 of the Company's notes to the consolidated financial statements in the 2008 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 March 31, 2009, total compensation cost related to nonvested awards not yet recognized was approximately \$12.1 million, as compared to \$18.2 million at March 31, 2008. The weighted-average period over which this compensation cost is expected to be recognized is approximately three years. The aggregate intrinsic value for options, SARs and RSUs outstanding at March 31, 2009 was approximately \$9.6 million. At March 31, 2009 the aggregate intrinsic value for options, SARs and RSUs vested totaled approximately \$3.4 million, and the weighted-average contractual life for outstanding and exercisable options, SARs and RSUs was approximately six years. For the three months ended March 31, 2009, \$2.4 million of share-based compensation cost was recorded, as compared to \$1.6 million for the same period in the prior year. The Company had no grant activity for the three months ended March 31, 2009.

Table of Contents**Note F Employee Benefit Plans**

Net periodic pension cost included the following components for the three months ended March 31:

| | Pension Benefits | | Other Post-retirement Benefits | |
|---|------------------|-----------|--------------------------------|----------|
| | 2009 | 2008 | 2009 | 2008 |
| | (in thousands) | | | |
| Service cost | \$ 4,371 | \$ 13,341 | \$ 190 | \$ 220 |
| Interest cost | 23,482 | 22,629 | 426 | 404 |
| Expected return on plan assets | (27,776) | (28,746) | | |
| Amortization of prior service (income) cost | (1,802) | (4) | 93 | 93 |
| Amortization of actuarial loss | 8,936 | 4,504 | 426 | 404 |
| Net periodic pension cost | \$ 7,211 | \$ 11,724 | \$ 1,135 | \$ 1,121 |

Pension benefits also include amounts related to a supplemental retirement plan. During the three months ended March 31, 2009, the Company contributed \$52.9 million to the pension plan.

Note G Guarantees

In June 2003, the Company completed an amended and restated master agreement to its \$85 million construction and lease agreement (the Agreement). The lessor in the Agreement is an independent third-party limited liability company, which has as its sole member a publicly traded corporation. Properties acquired by the lessor are constructed and/or then leased to the Company under operating lease agreements. No additional properties are being added to this Agreement, as the construction term has ended. The Company does not believe the lessor is a variable interest entity, as defined in FASB Interpretation No. 46(R), *Consolidation of Variable Interest Entities, an interpretation of ARB No. 51* (FIN No. 46). In addition, the Company has verified that even if the lessor was determined to be a variable interest entity, the Company would not have to consolidate the lessor nor the assets and liabilities associated with properties leased to the Company. This is because the assets leased under the Agreement do not exceed 50% of the total fair value of the lessor's assets, excluding any assets that should be excluded from such calculation under FIN No. 46, nor did the lessor finance 95% or more of the leased balance with non-recourse debt, target equity or similar funding. The Agreement has been accounted for as an operating lease under SFAS No. 13, *Accounting for Leases* and related interpretations. Rent expense related to the Agreement is recorded under selling, administrative and other expenses in our condensed consolidated statements of income and was \$0.2 million and \$0.8 million for the three months ended March 31, 2009 and 2008, respectively.

This Agreement, having a term of six years expiring in June 2009, contains residual value guarantee provisions and other guarantees that would become due in the event of a default under the operating lease agreement, or at the expiration of the operating lease agreement if the fair value of the leased properties is less than the guaranteed residual value. The maximum amount of the Company's potential guarantee obligation, representing the residual value guarantee, at March 31, 2009, is approximately \$62.7 million. The Company believes the likelihood of funding the guarantee obligation under any provision of the operating lease agreements is remote.

The Company also 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 it is not the primary beneficiary with respect to any of the independents and that 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.

At March 31, 2009, the total borrowings of the independents and affiliates subject to guarantee by the Company were approximately \$194.0 million. These loans generally mature over periods from one to ten 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.

Table of Contents

Effective January 1, 2003, the Company adopted FIN No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others* (FIN No. 45). In accordance with FIN No. 45 and based on available information, the Company has accrued for those guarantees related to the independents and affiliates borrowings and the construction and lease agreement as of March 31, 2009. 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.

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, 2008.

Forward-Looking Statements

Some statements in this report, as well as in other materials we file with the 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 our 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, the effectiveness of the Company's promotional, marketing and advertising programs, changes in the financial markets, including particularly the capital and credit markets, changes in laws and regulations, including changes in accounting and taxation guidance, the uncertainties of litigation, as well as other risks and uncertainties discussed from time to time in the Company's filings with the SEC.

Forward-looking statements are only as of the date they are made, and the Company undertakes no duty to update its forward-looking statements except as required by law. You are advised, however, to review any further disclosures we make on related subjects in our subsequent Forms 10-Q, 10-K, 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 three months ended March 31, 2009, business was conducted throughout the United States, Puerto Rico, Canada and Mexico from approximately 2,000 locations.

For the three months ended March 31, 2009, we recorded consolidated net income of \$89.2 million compared to consolidated net income of \$123.5 million in the same period last year, a decrease of 28%. Similar to the fourth quarter of 2009, our businesses continue to be impacted by the effects of reduced consumer spending, declining industrial production and higher unemployment, which we discuss further below. The Company remains focused on several initiatives to address the economic slowdown, such as new and expanded product lines, the penetration of new markets (including acquisitions), and a variety of gross margin and cost savings initiatives.

Table of Contents**Sales**

Sales for the first quarter of 2009 were \$2.44 billion, a decrease of 11% compared to \$2.74 billion for the same period in 2008.

Sales for the Automotive Parts Group decreased 7% in the first quarter of 2009, as compared to the same period in the previous year. Currency exchange had a negative impact on our results in Canada and Mexico, which contributed to approximately 4% of the decrease in the three months ended March 31, 2009 as compared to the same period of the previous year. The Industrial Products Group sales decreased by 16% for the three month period ended March 31, 2009, as compared to the same period in 2008. Industrial market indices, such as Industrial Production and Capacity Utilization, are trending downward, indicating a continuation of deteriorating economic conditions. Sales for the Office Products Group for the first quarter of 2009 decreased 7% as compared to the three months ended March 31, 2008. This group continues to experience weak market conditions, which have resulted in an industry-wide softening of demand. Sales for the Electrical/Electronic Materials Group decreased 25% for the three month period ended March 31, 2009, as compared to the same period of the previous year. The deteriorating economy, including manufacturing contraction as measured by the Institute for Supply Managements Purchasing Managers Index had a significant impact on this business during the quarter.

Cost of Goods Sold/Expenses

Cost of goods sold for the first quarter of 2009 was \$1.71 billion, an 11% decrease from \$1.92 billion for the first quarter of 2008. As a percent of sales, cost of goods sold was flat for the three months ended March 31, 2009 as compared to the same period in 2008. Cumulative pricing increased .2% in Industrial and 2.2% in Office Products for the three months ended March 31, 2009. Cumulative pricing was flat in Electrical/Electronic and decreased 1% in Automotive, as compared to the same three month period of the prior year.

Selling, administrative and other expenses of \$587.5 million increased to 24.0% of sales for the first quarter of 2009 as compared to 22.9% for the same period of the prior year. The increase is primarily associated with the loss of expense leverage in the quarter due to decreased sales for the three months ended March 31, 2009 as compared to the same three month period ended March 31, 2008.

Operating Profit

Operating profit as a percentage of sales was 6.8% for the three months ended March 31, 2009, compared to 7.8% for the same period of the previous year.

The Automotive Parts Group's operating profit decreased 3.6% in the first quarter of 2009 compared to the first quarter of 2008, and its operating profit margin of 7.2% for the three months ended March 31, 2009 was an increase from 6.9% in the same period of the prior year. The improved operating profit margin is primarily due to certain one-time costs incurred in the first quarter of 2008 related to the sale of the Company's Johnson Industries subsidiary and the consolidation of the Company's remanufacturing operations. The Industrial Products Group had a 50.5% decrease in operating profit in the first quarter of 2009, and the operating profit margin for this group decreased to 4.6%, as compared to 7.8% from the same period in the previous year. For the three month period ended March 31, 2009, the Office Products Group's operating profit decreased 11.8% and its operating profit margin decreased to 9.4%, as compared to 9.9% in the same period of the prior year. The Electrical/Electronic Materials Group decreased its operating profit for the first quarter by 37.1%, and its operating margin decreased to 6.6% compared to 7.9% in the first quarter of the previous year. The operating profit margin decrease across all business segments is primarily due to the loss of expense leverage on decreased revenues for the three months ended March 31, 2009, as compared to the three month period ended March 31, 2008.

Income Taxes

The effective income tax rate was 38.4% for the three month period ended March 31, 2009 as compared to 35.6% for the three month period ended March 31, 2008. The increase in the rate is primarily due to the tax benefit on the sale of the Company's Johnson Industries subsidiary in the first quarter of last year.

Net Income

Net income for the three months ended March 31, 2009 was \$89.2 million, a decrease of 28%, as compared to \$123.5 million for the first quarter of 2008. On a per share diluted basis, net income was \$.56, down 25% compared to \$.75 for the first quarter of last year.

Table of Contents

Financial Condition

The major balance sheet categories at March 31, 2009 were relatively consistent with the December 31, 2008 balance sheet categories, with the exception of cash. Cash balances increased \$65.5 million or 97% from December 31, 2008, due primarily to an improved working capital position. Cash generated from operations of \$200.4 million was primarily used to pay dividends of \$62.1 million, invest in the Company via capital expenditures of \$14.1 million, as well as for acquisitions of approximately \$5.8 million.

Accounts receivable decreased \$13.2 million or 1%, which is primarily due to the Company's overall sales decrease. Inventory decreased \$63.8 million compared to December 31, 2008, which reflects the Company's reduced purchases and inventory management initiatives. Prepaid expenses and other current assets decreased 15%, or \$40.0 million, primarily due to collections of volume incentives accrued as of December 31, 2008. Other assets increased \$3.2 million or 3%, from December 31, 2008. Accounts payable decreased \$45.2 million, or 4%, primarily due to decreased purchases related to the sales decline in the three months ended March 31, 2009, compared to December 31, 2008. The Company's long-term debt is discussed in detail below.

Liquidity and Capital Resources

Long-term debt, which matures in 2011 and 2013, is at fixed rates of interest and remains unchanged at \$500 million as of March 31, 2009, compared to December 31, 2008.

The ratio of current assets to current liabilities was 3.0 to 1 at March 31, 2009, and remains unchanged as compared to December 31, 2008.

The credit and capital markets continue to experience adverse conditions. Continued volatility in the credit and capital markets may increase costs associated with the incurrence of debt or affect our ability to access the credit or capital markets. Notwithstanding these adverse market conditions, the Company currently believes existing lines of credit and cash generated from operations will be sufficient to fund anticipated operations, including voluntary 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 March 31, 2009, no amounts were outstanding under the line of credit.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

The information called for by this item is provided elsewhere herein and in Item 7A. Quantitative and Qualitative Disclosures about Market Risk in the Company's Annual Report on Form 10-K for the year ended December 31, 2008. 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 to the Canadian dollar and, to a lesser extent, the Mexican peso, negatively impacted our results for the first quarter of 2009. 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, 2008.

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.

Table of Contents**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, 2008, 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 |
|--|---|---|---|---|
| January 1, 2009 through January 31, 2009 | 1,180 | \$ 39.04 | | 18,544,730 |
| February 1, 2009 through February 28, 2009 | 2,434 | \$ 29.39 | 4,000 | 18,540,730 |
| March 1, 2009 through March 31, 2009 | | | | 18,540,730 |
| Totals | 3,614 | \$ 32.54 | 4,000 | 18,540,730 |

(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 3.5 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 plans
outstanding as
of March 31,
2009.

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 10.1 Genuine Parts Company 2009 Annual Incentive Bonus Plan, dated March 13, 2009, effective January 1, 2009 filed herewith
- 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

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: May 7, 2009

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

Table of Contents

EXHIBIT INDEX

| Exhibits No. | Description |
|-----------------|--|
| Exhibit 10.1 | Genuine Parts Company 2009 Annual Incentive Bonus Plan, dated March 13, 2009, effective January 1, 2009 filed herewith |
| 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 |