



AUTO PARTS®

PROFESSIONAL PARTS PEOPLE

**William Blair 38th Annual
Growth Stock Conference**

June 13, 2018

Participants

Greg Johnson

Chief Executive Officer and Co-President

Tom McFall

Chief Financial Officer and Executive Vice President

Forward Looking Statements

We claim the protection of the safe-harbor for forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. You can identify these statements by forward-looking words such as “estimate,” “may,” “could,” “will,” “believe,” “expect,” “would,” “consider,” “should,” “anticipate,” “project,” “plan,” “intend” or similar words. In addition, statements contained within this presentation that are not historical facts are forward-looking statements, such as statements discussing, among other things, expected growth, store development, integration and expansion strategy, business strategies, the impact of the U.S. Tax Cuts and Jobs Act, future revenues and future performance. These forward-looking statements are based on estimates, projections, beliefs and assumptions and are not guarantees of future events and results. Such statements are subject to risks, uncertainties and assumptions, including, but not limited to, the economy in general, inflation, product demand, the market for auto parts, competition, weather, risks associated with the performance of acquired businesses, our ability to hire and retain qualified employees, consumer debt levels, our increased debt levels, credit ratings on public debt, governmental regulations, terrorist activities, war and the threat of war. Actual results may materially differ from anticipated results described or implied in these forward-looking statements. Please refer to the “Risk Factors” section of the annual report on Form 10-K for the year ended December 31, 2017, for additional factors that could materially affect our financial performance. Forward-looking statements speak only as of the date they were made and we undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law.

Company History



1957

Founded by the O'Reilly family

13

Original Team Members

**Initial public offering in
1993 – listed on
NASDAQ as “ORLY”**

Track record of consistent performance:

25

**consecutive years of comparable store sales growth
and record revenue, operating income and EBITDA**

30+

years of effective execution of our dual market strategy, serving both do-it-yourself (DIY) customers and professional service provider customers (DIFM)



Company Overview

\$9.0B

Annual Sales in 2017

\$7.6B

Total Assets in 2017

58%

**Do-It-Yourself Split
for 2017**

42%

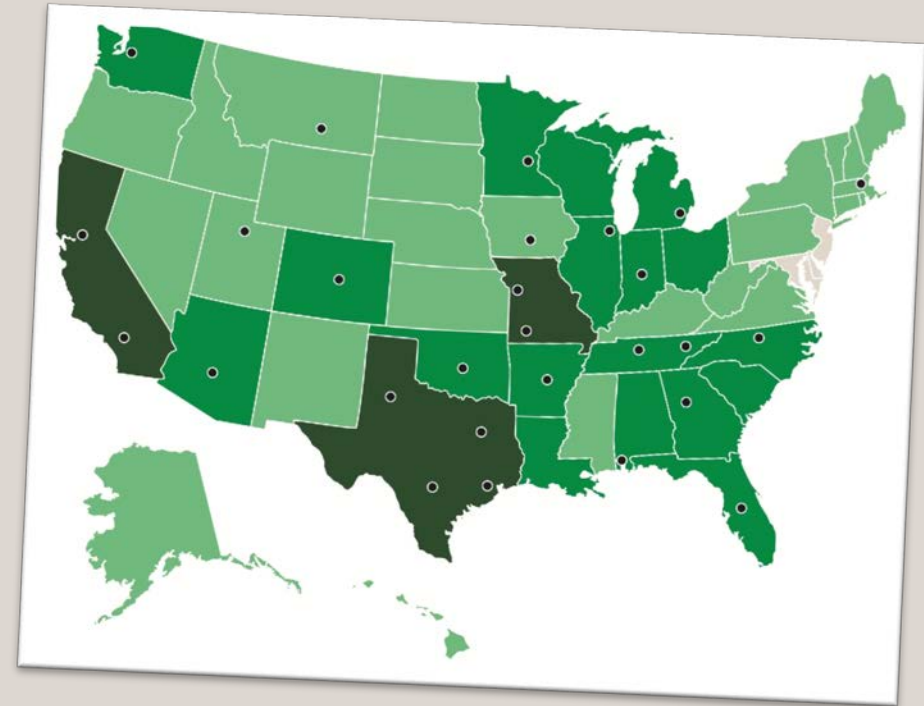
**Do-It-For-Me Split
for 2017**

\$23.3B

**Market Capitalization
as of June 11, 2018**

76,000+

**Team Members as of
March 31, 2018**



5,097

**Stores in 47 states as
of March 31, 2018**

27

**Regional, tiered
distribution centers**

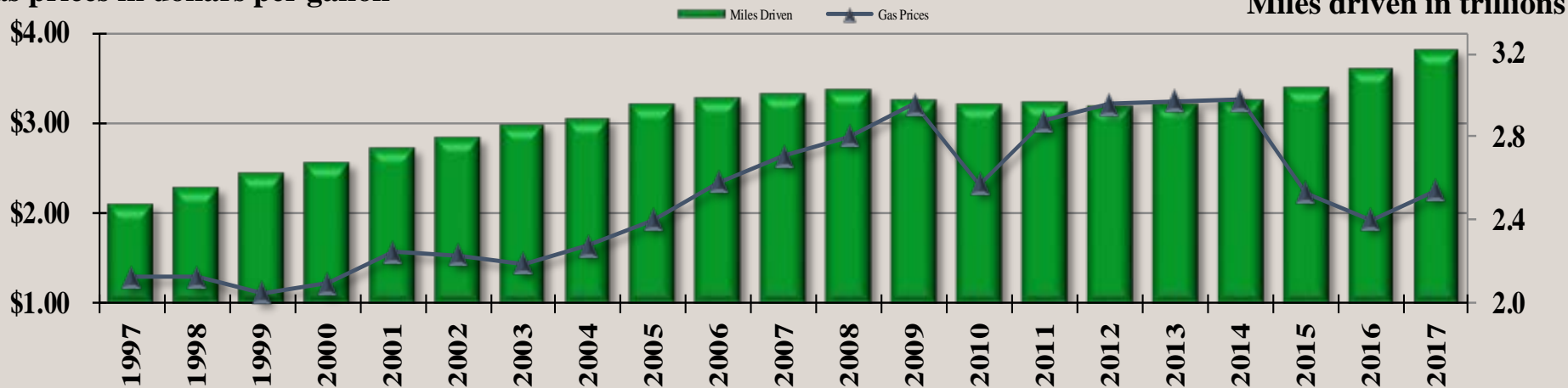
Industry Drivers

#1 Driver for Demand in Our Industry is Total Miles Driven

- Lack of comprehensive mass transit system in U.S. results in sustainable commuter miles driven
- 25% increase in miles driven from 1997 to 2017
- Miles driven was flat from 2008 through 2013 due to macro economic pressures
- Since 2013, growth in annual miles driven has resumed as total employment has improved
 - 0.3%, 1.2% and 2.8% increase in miles driven in YTD 2018, 2017 and 2016 respectively
- Average Per Gallon Price for Regular Gasoline
 - \$2.85, \$2.38 and \$2.25 on 06/04/18, 12/25/17 and 12/26/16, respectively

Historical U.S. Miles Driven and Gasoline Prices:

Gas prices in dollars per gallon

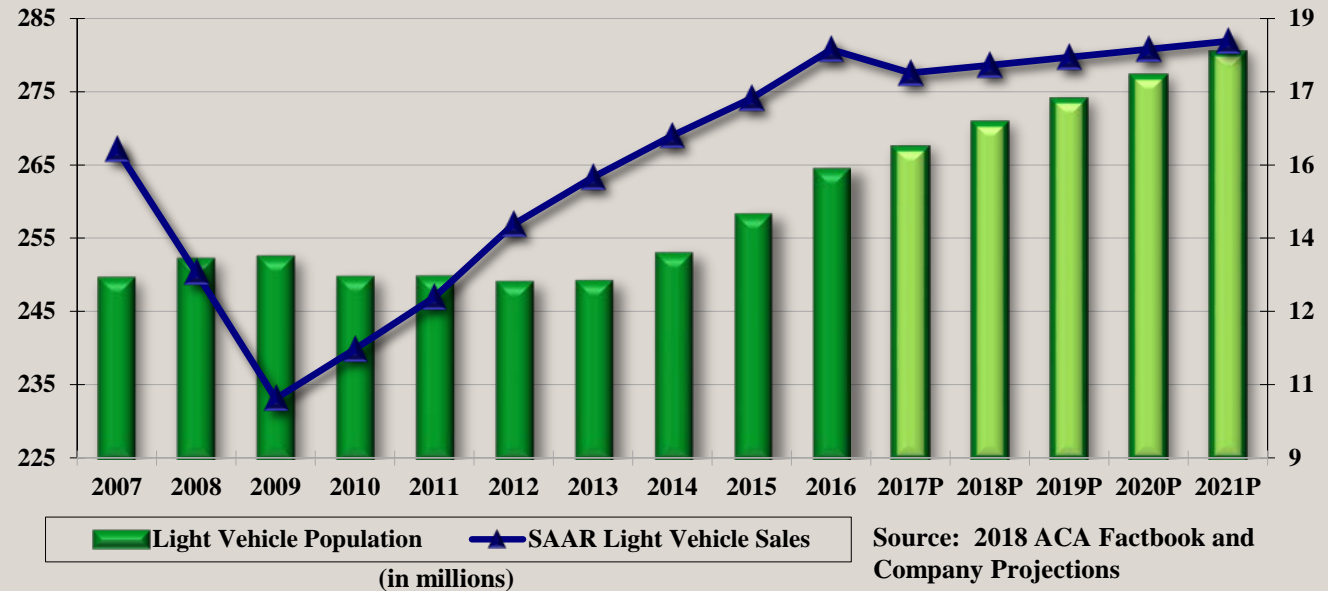


Source: Dept. of Transportation and Dept. of Energy

Industry Drivers

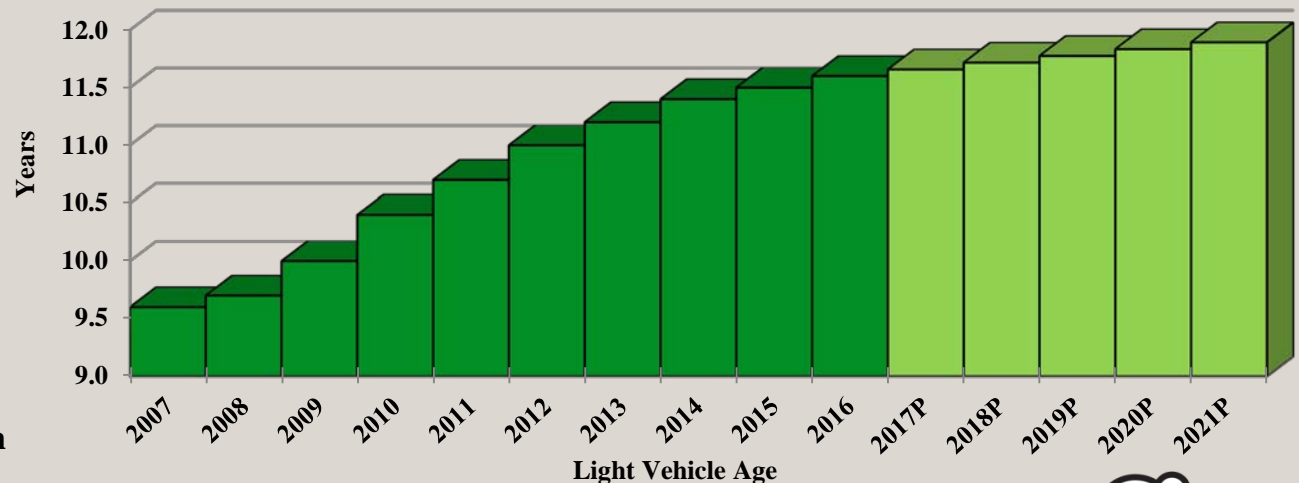
Growing U.S. Light Vehicle Population

- Stable SAAR reflects positive consumer confidence
- Stable SAAR and low scrappage rates return the population to historic growth trend
 - Average annual scrappage rate from 2007-2017: 4.95%



Continued Aging of U.S. Light Vehicle Population:

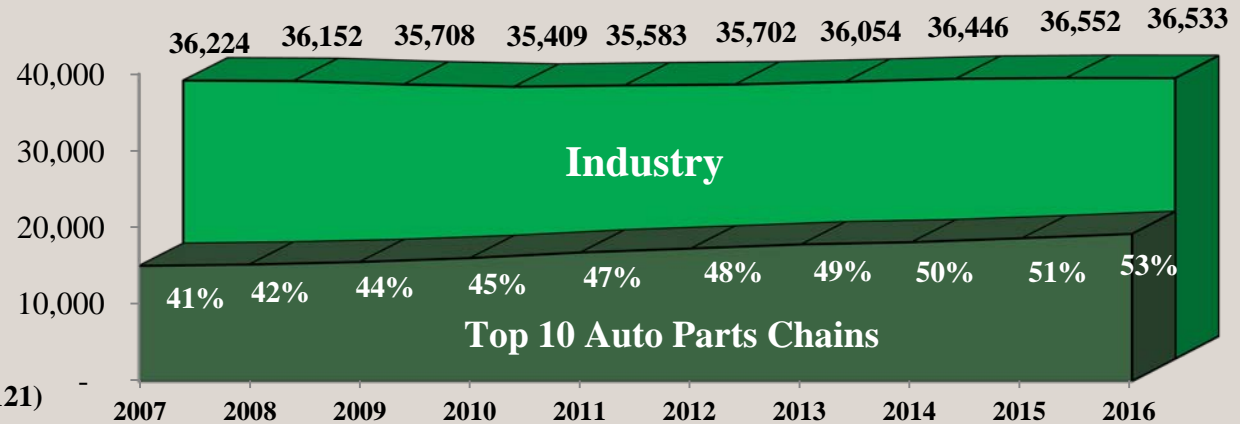
- Better engineered vehicles, which can be reliably driven at higher miles, result in an aging vehicle fleet
- 10 year CAGR of 2.1% exemplifies the gradual pace of change in the vehicle fleet
- We do not expect the average light vehicle age to decrease in the future



Industry Landscape Opportunities

Top Ten Auto Parts Chains

1. AutoZone Inc. (5,540)¹
2. Advance Auto Parts (5,175)²
3. O'Reilly Auto Parts (5,097)
4. Genuine Parts/NAPA (1,368)²
5. Pep Boys / Autoplus (1,069)²
6. Fisher Auto Parts (500)²
7. Auto-Wares (175)²
8. Replacement Parts (170)
9. Automotive Parts Headquarters (121)
10. Hahn Automotive (89)

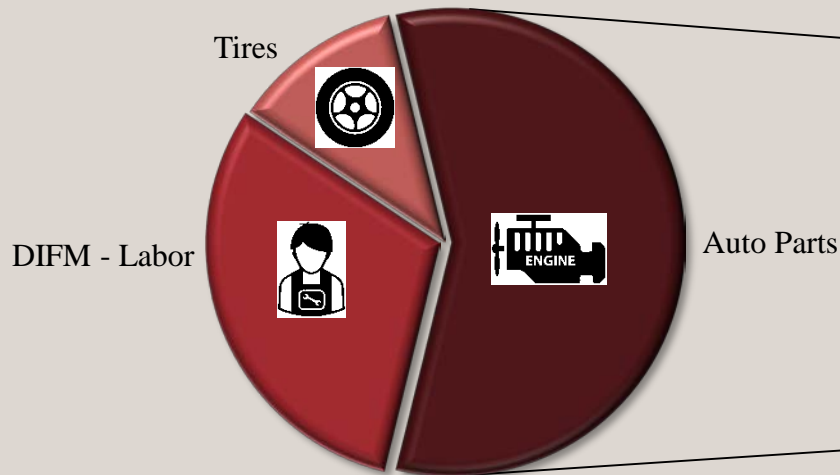


¹ U.S. Domestic Stores

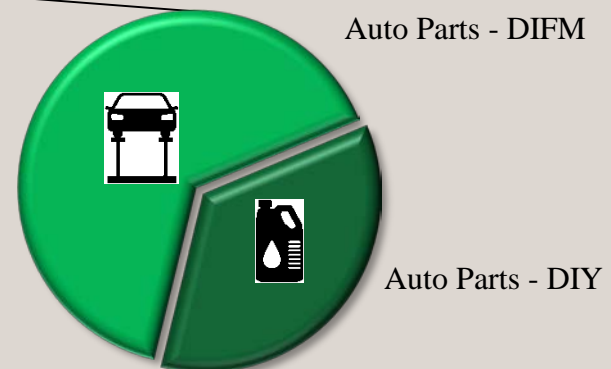
² Company owned stores

Source: ACA Factbook or latest SEC filing

Total Auto Care Market = \$287 Billion



Total O'Reilly Addressable Market = \$90 Billion



Source: ACA Factbook and Company Estimates

O'Reilly Business Model



Mission Statement...We will be the dominant auto parts supplier in all our market areas

Dual Market Strategy

Industry Leading Parts Availability

Growth Focus

“Culture Driven” Leadership

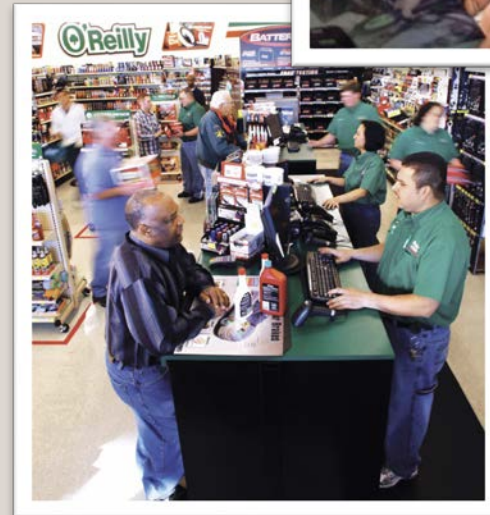


Dual Market Strategy

We have an established track record of serving both the do-it-yourself (DIY) and professional service provider customers (DIFM), our “**Dual Market Strategy.**” Our store managers drive professional sales models supported by 780+ dedicated outside sales professionals and industry leading parts availability.

Our Dual Market Strategy:

- ✓ Provides greater market penetration and reduced vulnerability to competition
- ✓ Allows us to profitably operate in large and small markets
- ✓ Leverages our existing retail store locations and extensive distribution infrastructure
- ✓ Enhances service levels offered to our DIY customers



Industry Leading Parts Availability

Primary factor in making a buying decision for both DIY and DIFM customers is parts availability

Strategically deployed distribution network designed to cost effectively and efficiently replenish nightly and support multiple daily deliveries to stores

27

Regionally deployed Distribution Centers “DCs” support our stores across the country

157K

Average SKUs stocked at our DCs, which are linked to multiple other Master Inventory DCs stocking over 170K SKUs

5

Night-per-week deliveries to all our stores in continental U.S. from our DCs’ company-owned fleet

90%+

Of our stores receive multiple deliveries per day from our DCs and “Hub” stores

90%+

Of our stores receive deliveries on weekends from our DCs and “Hub” stores

331

“Hub” stores provide multiple deliveries per day to “Spoke” stores



Growth Focus

Invest and grow market share in existing markets



Continued expansion in existing and new markets



190 net, new stores and converted 48 acquired Bond stores in 2017



200 net, new stores projected for 2018

Continued focus on consolidating the industry through strategic acquisitions



“Culture Driven” Leadership

Philosophy

- Proud of our O'Reilly Culture
- Stable, consistent Business Model
- Strong “promote from within” philosophy
- Proven “hands on” management team
- Team Member Technical Training and Development
 - Focus on increasingly complex vehicle systems / product knowledge

- 10 Division Managers who average 18 years of service
- 190 Senior Managers who average 19 years of service
- 244 Corporate Managers who average 16 years of service
- 496 District Managers who average 12 years of service



2018 1st Quarter Highlights

As of March 31, 2018

\$311M

Free Cash Flow

\$0.5B

Share Repurchases

\$3.61

Diluted Earnings Per Share

3.4%

Comparable store sales increase

52.6%

Gross Margin

18.5%

Operating Margin

78

Net, new stores opened



2018 2nd QTR and Full-Year Guidance

2nd Quarter 2018

**2% to
4%**

Comparable store sales
increase

**\$3.95 to
\$4.05**

Diluted Earnings Per
Share



Full-Year 2018

**2% to
4%**

Comparable store sales
increase

**\$15.30 to
\$15.40**

Diluted Earnings Per
Share

**18.5% to
19.0%**

Operating Margin

**\$1.1B to
\$1.2B**

Free Cash Flow

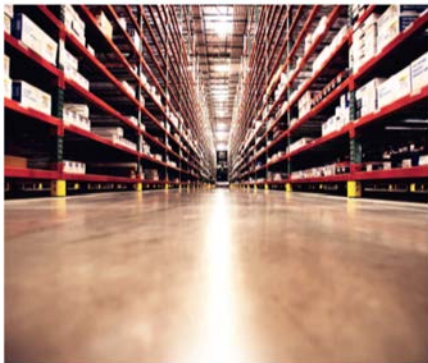
Profitable Long-Term Growth

Reinvestment in our Service

With the income tax savings from the Tax Cuts and Job Act, we will reinvest in our business to further enhance our best-in-class customer service

- **Expect tax savings will be approximately \$215 million**
- **2018 reinvestment**
 - **Approximately \$30 million of incremental capital expenditures**
 - **70 basis points of operating profit headwind**
- **Three major areas for reinvestment**
 - **Enhancing the Company's wage and benefit programs**
 - **Expanding our omni-channel presence**
 - **Improving our in-store technology**





O'Reilly Culture Statement

“O'Reilly is COMMITTED to our customers and our Team Members.

**We are ENTHUSIASTIC,
HARDWORKING
PROFESSIONALS who are
DEDICATED to TEAMWORK,
SAFETY/WELLNESS, and
EXCELLENT CUSTOMER
SERVICE. We will practice
EXPENSE CONTROL while setting
an example of RESPECT,
HONESTY, and a
WIN-WIN ATTITUDE
in everything we do!”**

