



Analyst Day


Aurora, CO Distribution Center
August 6, 2019

Forward Looking Statements

We intend to be covered by, and we claim the protection of, the safe-harbor provisions 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, 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, tariffs, 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, information security and cyber-attacks, 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 our annual report on Form 10-K for the year ended December 31, 2018, and other recent SEC filings, 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.

O'Reilly Analyst Day Agenda

	Meet & Greet with Management	8:00 – 8:30
	Management Presentation and Q&A Session	8:30 – 10:30
	Distribution Center Tour	10:30 – 11:00
	Light Lunch with Management	11:00 – 11:45
	Store Tours	11:45 – 2:00
	Shuttle to Denver International Airport	2:00

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.



Greg Johnson

Chief Executive Officer & Co-President



Management Team Present Today

Years of Experience in the Automotive Aftermarket Industry

Greg Johnson	Chief Executive Officer & Co-President	37 Years
Jeff Shaw	Chief Operating Officer & Co-President	35 Years
Tom McFall	Chief Financial Officer & Executive Vice President	21 Years
Brad Beckham	Executive Vice President of Store Ops & Sales	23 Years
Jason Tarrant	Senior Vice President of Western Store Ops & Sales	17 Years
Jeremy Fletcher	Senior Vice President of Finance & Controller	14 Years
Brent Kirby	Senior Vice President of Omnichannel	1 Year
Diego Santillana	Vice President of Southwestern Division	23 Years
Mark Merz	Vice President of IR, Reporting & Planning	12 Years
Thad Slicker	Regional Director – DCs	11 Years
David Slape	Distribution Center Manager	14 Years

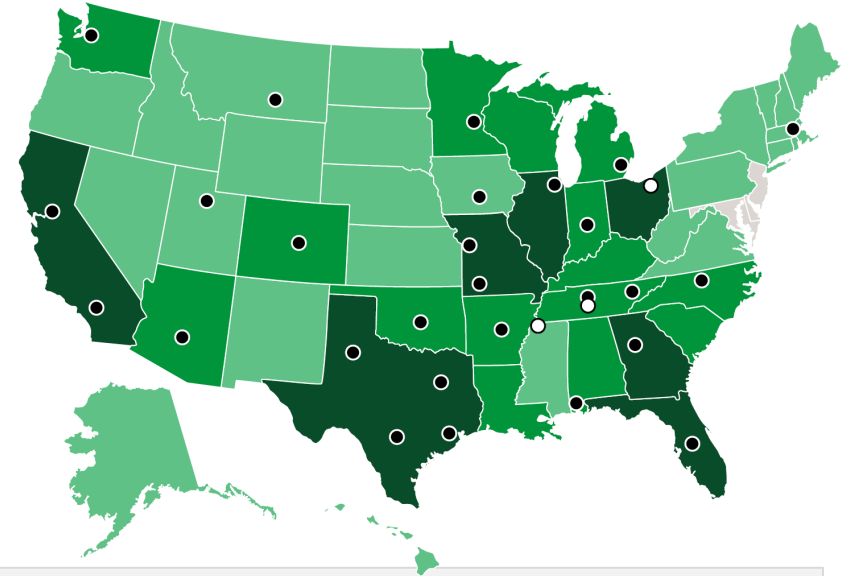
Company Overview

5,344 Stores in 47 states

(as of June 30, 2019)

27 Distribution Centers

81,000+ Team Members



Last-Twelve-Months Sales:

\$9.8 Billion

(as of June 30, 2019)

Market Capitalization:

\$30 Billion

(as of July 29, 2019)

**Do-It-Yourself versus
Professional Split:**

57% and 43%

(for the year end December 31, 2018)

Store Count ■ 200-600+ ■ 100-199 ■ 1-99
Distribution Center ● Future Distribution Center ○



Year-to-Date 2019 Results

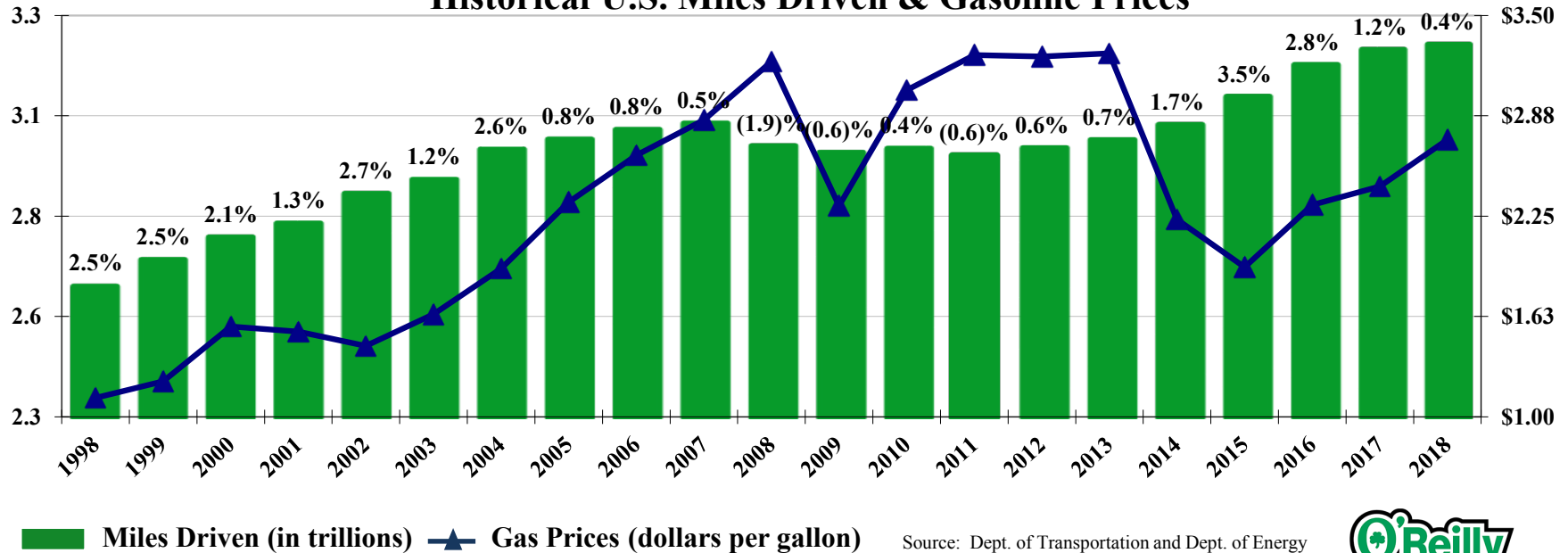
- ④ **3.3% Comparable Store Sales Increase** (on top of a 4.0% increase in 2018)
- ④ **52.9% Gross Margin** versus 52.5% in 2018
- ④ **18.9% Operating Margin**
- ④ Opened **105** net, **New Stores**
- ④ **\$8.56 Diluted EPS** versus \$7.89 in 2018
- ④ Generated **\$541 million** of **Free Cash Flow**
- ④ Repurchased **\$921 Million** Under Share Repurchase Program

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
- 23% increase in miles driven from 1998 to 2018
- Miles driven were flat from 2008 through 2013 due to macro economic pressures
- Since 2013, growth in annual miles driven has resumed as total employment has improved
 - 1.0% increase in miles driven YTD 2019
 - Average Per Gallon Price for Regular Gasoline \$2.72 on 06/30/2019

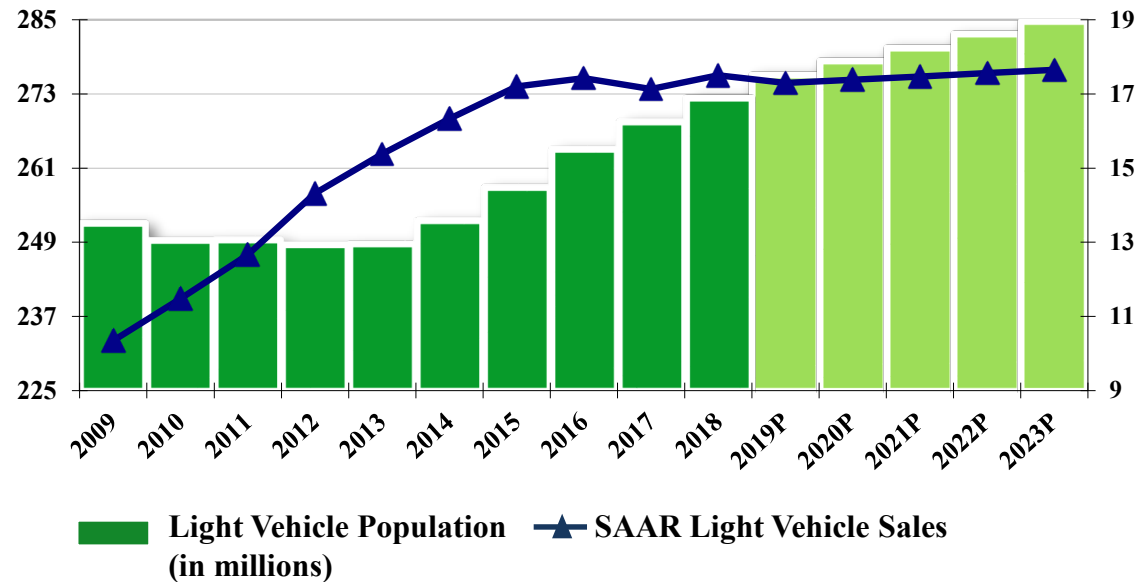
Historical U.S. Miles Driven & Gasoline Prices



Industry Drivers

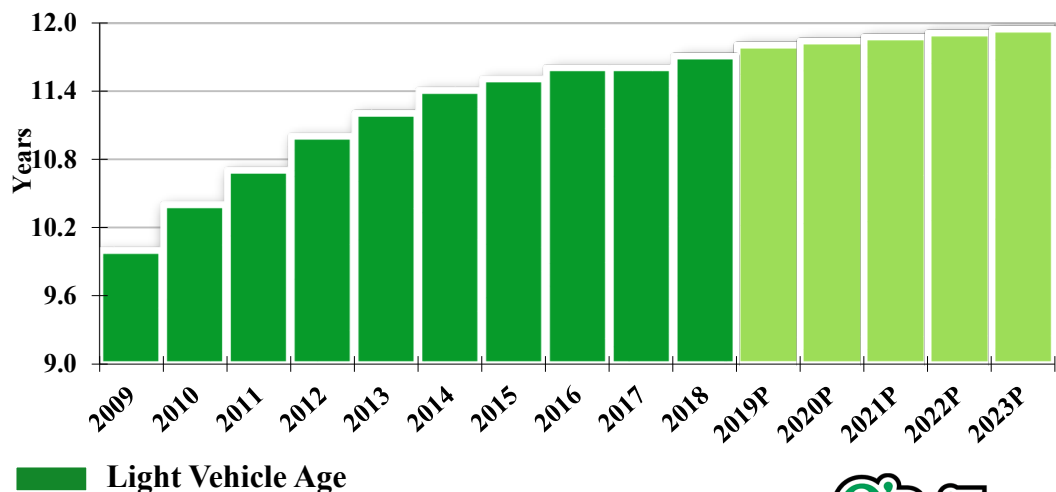
Growing U.S. Light Vehicle Population

- Growing SAAR reflects positive consumer confidence
- Increasing SAAR and stable scrappage rates return the population to historic growth trend



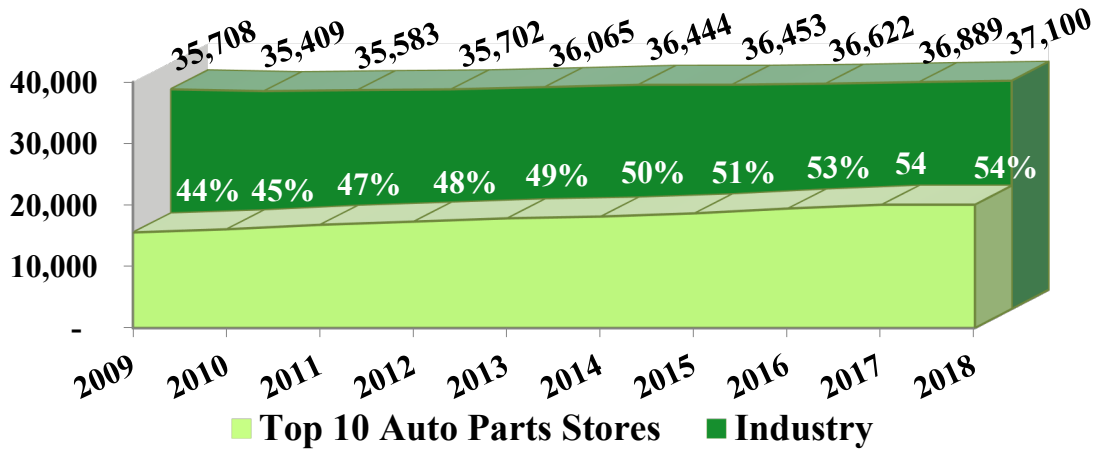
Continued Aging of U.S. Light Vehicle Population:

- Better engineered vehicles, which can be reliably driven at higher miles, results in an aging vehicle fleet
- 10 year CAGR of 1.8% exemplifies the gradual pace of change in the vehicle fleet
- Average light vehicle age not expected to decrease in the future



Source: 2019 ACA Factbook and Company Projections

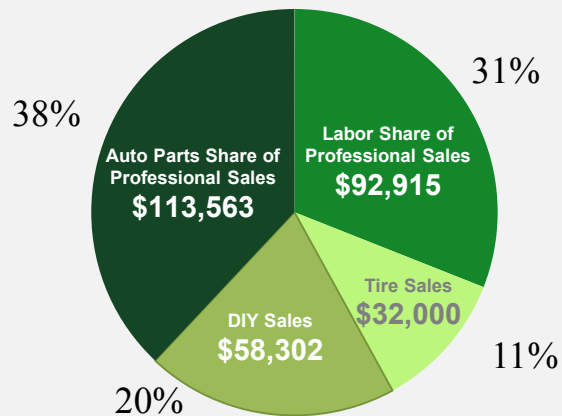
Industry Landscape



Source: 2020 ACA Factbook and Company estimates

Size of Automotive Aftermarket

Total Market: **\$297 Billion**



Source: 2020 ACA Factbook

Top Ten Auto Parts Chains

1. AutoZone Inc. (5,686) ¹
2. O'Reilly Auto Parts (5,344)
3. Advance Auto Parts (5,077) ²
4. Genuine Parts/NAPA (1,092) ^{1,2}
5. Pep Boys/Auto Plus (972) ²
6. Fisher Auto Parts (500) ²
7. Auto-Wares (300) ²
8. Replacement Parts (175)
9. Automotive Parts Headquarters (130) ²
10. Hahn Automotive (90)

¹ U.S. Domestic stores

² Company owned stores

Source: SEC filing or company data

O'Reilly Estimated Addressable Market:

\$90 - \$100 Billion

DIY is More Consolidated

Professional Continues to be Highly Fragmented

O'Reilly estimate of addressable market size assumes wholesale price for professional parts sales and excludes certain sales channels from DIY or professional sales, including vehicle collision/body and glass.



Branding Strategy

- **Increasing number and acceptance of lines in Proprietary Brands**
 - Value and Premium Proprietary Brands
 - O'Reilly Proprietary Brands are growing faster than National Brands
 - Import Direct is our fastest growing brand
- **Proprietary Brands make up over 45% of sales (LTM)**
- **Continue to broaden product line coverage**

Proprietary Brands



National Brands



Industry Leading Parts Availability

“Best In Class” Inventory Availability while Optimizing Inventory Investment

Inventory Life Cycle Management

- Continually Monitor Demand Curve and Adjust Inventory Position Throughout Tiered Supply Chain
- Ensure Coverage for New Vehicle Applications
- Inventories are Tailored to Stores Based on Each Individual Market’s Vehicles-In-Operation and Wear Cycles

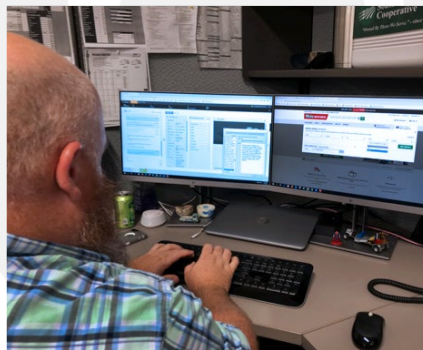
Maximize Inventory Investment

- Continual Evaluation of Customer Buying Preferences
 - “Good...Better...Best” Product Strategy
- Maintain Relationships with Multiple Suppliers
 - Ensures Product Availability and Risk Mitigation
- Continued Success of Vendor Financing Program
 - Current Level Sustainable – 107%

As customers continue to evolve, we are evolving the way that we engage them with our brand.

Brent Kirby

Senior Vice President of Omnichannel



Omnichannel Focus

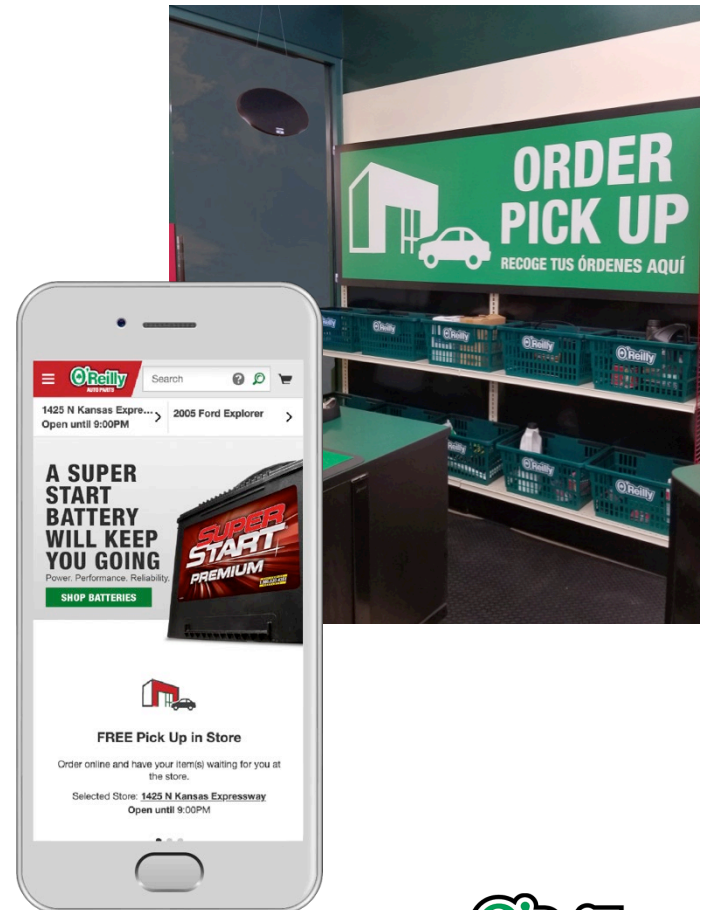
Evolving the O'Reilly brand to meet both Professional and Do-It-Yourself customers on their terms with solutions that meet their specific needs, whether they visit a store, call or click

Expanding Product Availability

- ① Improving Online Inventory Visibility
- ① Improving Buy Online Pick Up in Store (BOPIS) Process
- ① Time Definite Fulfillment Options

Improving Search & Content

- ① On-Site Search Enhancements
 - ① Relevancy / Machine Learning
- ① Improved Content, Images, and Video



Omnichannel Focus

FREE SHIPPING on most orders of \$35+ & FREE PICKUP IN STORE

Find a Repair ShopCurrent AdShopping List

Search by product, category, brand, or part # ?

My Account Cart 0

CATEGORIES ▾ DEALS ▾ STORE SERVICES ▾ HOW TO ▾ BRANDS ▾

Selected Store ▾
1015 West Kearney ...

Shop by Vehicle ▾
2013 Ford F-150

Home > Charging & Starting > Alternator > Ultima 220 Amp Alternator - Remanufactured

Ultima 220 Amp Alternator - Remanufactured

Part # R110519A Line: ULT

★★★★★ (0) [Write a review](#)

Part Fits 2013 F-150

\$289.99 Each

Plus Core: \$35.00

DOUBLE O'REWARDS POINTS with purchase [Show Details](#)

☐ Pick Up in Store **FREE**

In Stock

☐ Ship to Home

In Stock - **FREE** Next Day Delivery Eligible if ordered within 5 hrs 10 min ?

- 1 +

ADD TO CART

[Add to Shopping List](#)

Details ▲

Product Information

Warranty: **Limited Lifetime Warranty**

UPC: # 190037030597

Amperage (A): **220 Amp**

Pulley Included: **Yes**

Number Of Pulley Grooves: **6**

SEE MORE ▾

Unit of Measure: **Each**

New Or Remanufactured: **Remanufactured**

Pulley Belt Type: **Serpentine**

Pulley Type: **Conventional**

Voltage (V): **12 Volt**

Applications for your Vehicles

Alternator: **Remanufactured; 220 Amp; With Heated Only Driver Seat; With 110 Volt Power Converter**

Quantity Per Vehicle: **1**

Alternator: **Remanufactured; 220 Amp; With Heated And Cooled Front Seats**

Quantity Per Vehicle: **1**

Detailed Description

The alternator charges the battery and keeps the electrical accessories of the car working while it is running. When the alternator loses capacity or fails, the electrical systems will only stay on until the battery's reserve charge is depleted. Your car might die, but you may be able to restart it with a jump start. If you notice that your headlights dim or your battery won't stay fully charged, it may be time to replace your alternator or other related parts. This might include replacing the voltage regulator if it is separate from the alternator. Also, check the

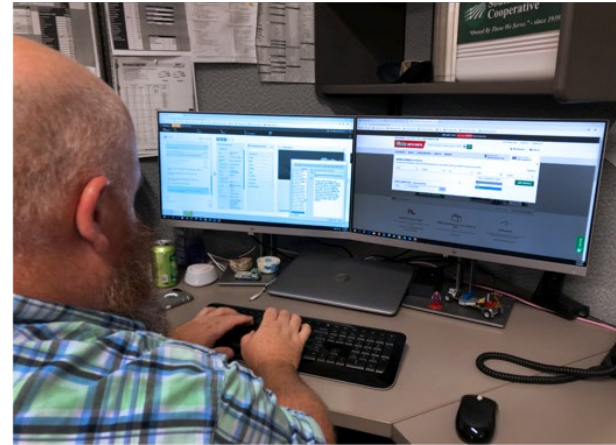
Live Chat

16

Omnichannel Focus

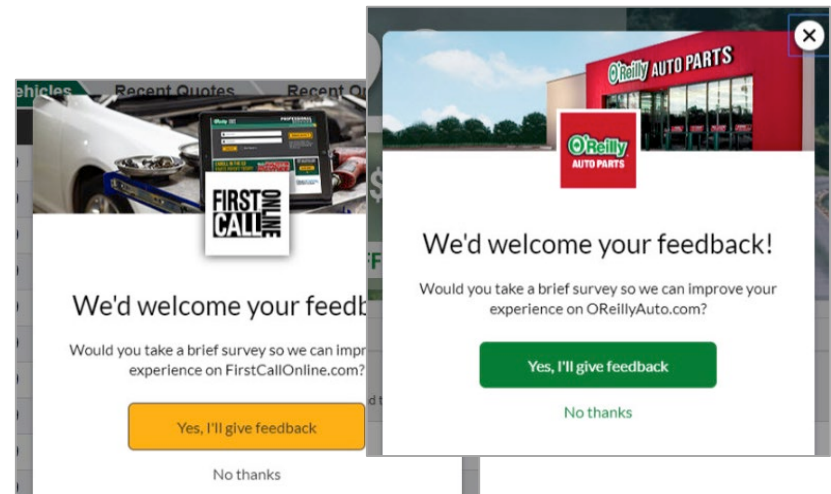
Improving Customer Support

- ① Voice
- ① Chat Messaging
- ① Machine Learning



Improving the Customer Experience

- ① Voice-of-Customer Framework to Capture and More Quickly Respond to Feedback



Omnichannel Focus

Meeting Professional and Do-It-Yourself customers at every touch point of their brand journey



Whether a customer visits a store, calls or clicks we are continuing to evolve our brand to meet the customer whenever and wherever they choose to engage

Jeff Shaw

Chief Operating Officer & Co-President



O'Reilly Business Model

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

Jeff Shaw

- ④ Dual Market Strategy
- ④ Industry-Leading Parts Availability
- ④ Growth Focus

Brad Beckham

- ④ “Culture-Driven” Leadership
- ④ “Top Notch” Customer Service
- ④ O'Reilly First Call



Dual Market Strategy



- ④ Proven track record of serving both Do-It-Yourself and Professional Customers for over 35 years
- ④ Allows us to profitably operate in large and small markets
- ④ Leverages our strategic distribution network across the country required for our professional customers
- ④ Store Managers “own” customer service levels and driving both sides of our business
- ④ Professional sales model supported by over 790 dedicated outside sales people and industry leading parts availability
- ④ Enhances service levels offered to our Do-It-Yourself customers

Industry Leading Parts Availability

Primary factor in making a buying decision for both Do-It-Yourself and Professional customers is **how fast the needed parts are available.**

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

27

Regionally deployed Distribution Centers (DCs) support our stores across the country

90%+

Of our stores receive multiple same day deliveries of hard to find parts from our DCs and Hub stores

156K

Average SKUs stocked at our DCs, which are linked to multiple other Master Inventory DCs stocking over 175K SKUs

90%+

Of our stores receive deliveries on weekends of hard to find parts from our DCs and Hub stores

5

Night-per-week deliveries to all our store in continental U.S. from our DCs' dedicated fleet

350

Hub stores, ranging 30K to +70K SKUs, provide multiple deliveries per day to Spoke stores



Distribution Network Expansion

Three Active Projects Currently Underway

Twinsburg, OH

- **Capacity for 300 stores** – expect to open with 175 stores
- Anticipate beginning store service in Q4 of 2019



Lebanon, TN

- **Capacity for 300 stores** – expect to open with 195 stores
- Anticipate beginning store service in first half of 2020



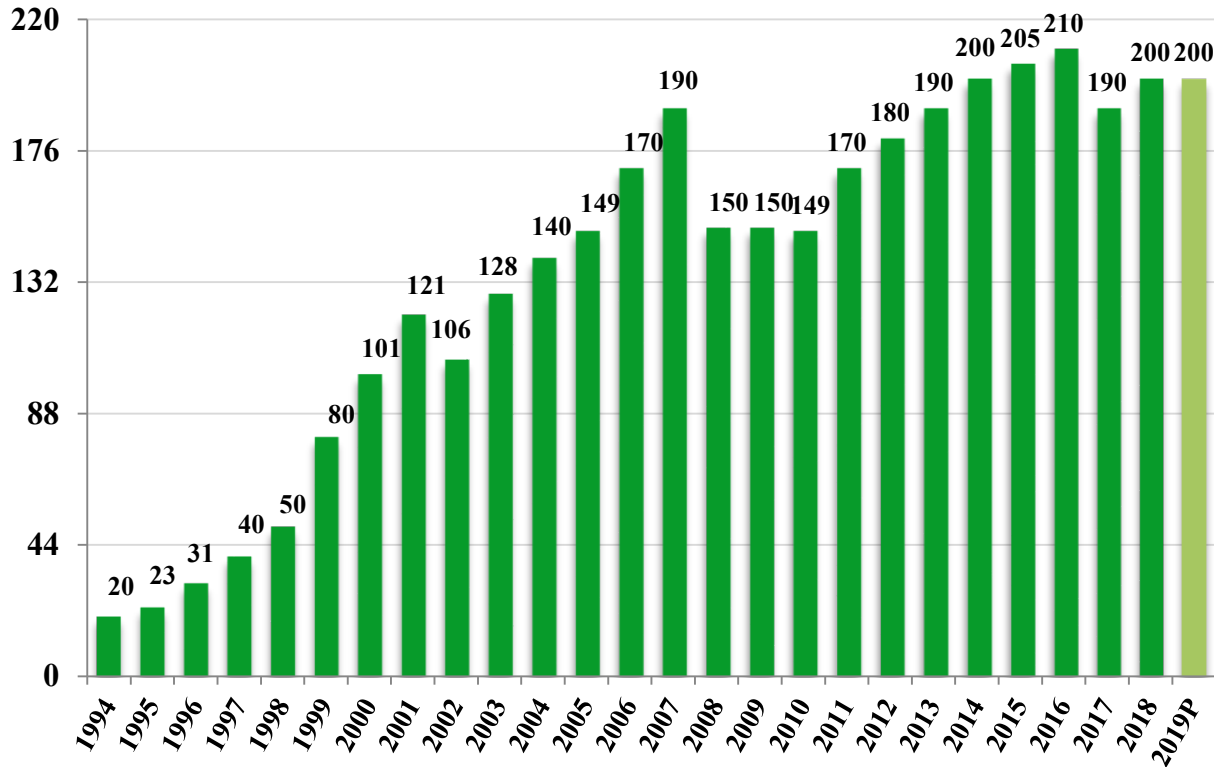
Horn Lake, MS

- **Capacity for 250 stores** – expect to open with 171 stores
- Anticipate beginning store service in second half of 2020



Store Growth

Profitable, Consistent Greenfield Growth:



Active, Opportunistic Industry Consolidators:

1998 Hi/LO – 182 stores	2012 VIP Auto – 56 stores
2001 Midstate – 82 stores	2016 Bond – 48 stores
2005 Midwest – 72 stores	2019 Bennett – 33 stores
2008 CSK – 1,342 stores	

Top Ten States

Texas (706)
 California (553)
 Georgia (205)
 Illinois (203)
 Missouri (201)
 Florida (200)
 Ohio (196)
 Tennessee (176)
 North Carolina (173)
 Michigan (168)

Untapped Markets

Delaware
 District of Columbia
 Maryland
 New Jersey
 New York
 Rhode Island
 South Florida
 International

Brad Beckham

EVP of Store Ops & Sales



“Culture Driven” Leadership



④ **Pride in our Culture**

④ **“Ownership”**

④ **Passion – Strong Desire to Win**

④ **Proven Leadership – Replicate Performance**

④ **Execution of Our Proven Business Model**

④ **Intense Focus on Our Fundamentals**



“Culture Driven” Leadership

Strong “promote from within” philosophy

Proven “Hands on” Leadership team

- **3 SVP’s of Ops & Sales – 75+ Years in Industry**
- **11 DVP’s of Ops & Sales – 275 Years in Industry**
- **Regional & District Management – Promote from Within – “O’Reilly Farm System”**
- **FastTrack – “Professional Parts People**
- **Build the Bench, our Future!**



“Top-Notch” Customer Service

We Sell Parts... But we’ve been in the “Customer Service” business since 1957



- 🍀 Market Entitlement (“Share”)
- 🍀 Store Leadership
- 🍀 “Professional Parts People”
- 🍀 “Friendliest Parts Store in Town”
- 🍀 “Out-Hustle and Out-Service the competition”
- 🍀 Store and Team Member Image
- 🍀 “Never Say No” Philosophy
- 🍀 DIY – Retail Commitment

44

**Technical Support
Team Members with**

748

**Years of Automotive
Experience**

O'Reilly First Call

Dedicated to the Professional Customer Since 1957

Professional is a **service** and **relationship** business

“people buy from people they know and trust”

- Most Experienced, Dedicated Sales Force in the Business
- Availability is KING! Industry Leading Parts Availability
- Strategically Located DC's in **Metro Markets** / Hub & Super Hub Network
- “Hot Shot” Store Delivery Service



Real World Training

- “Best in class” technical training for our professional customers
- 2018: Conducted **1,363 training classes / trained 33,640 techs**
- 2019: **1,392 training classes scheduled / train 35,000 techs**



Professional Programs

Decades of Building the Best Professional Programs in the Business

- First Call Online (Proprietary B2B Platform)
- Certified Auto Repair
- Worry Free Protection



O'Reilly Mission Statement

“ We will be the dominant auto parts supplier in all our market areas

By providing our Retail and Professional Customers the best combination of inventory, price and quality provided with the **HIGHEST** level of **SERVICE**.

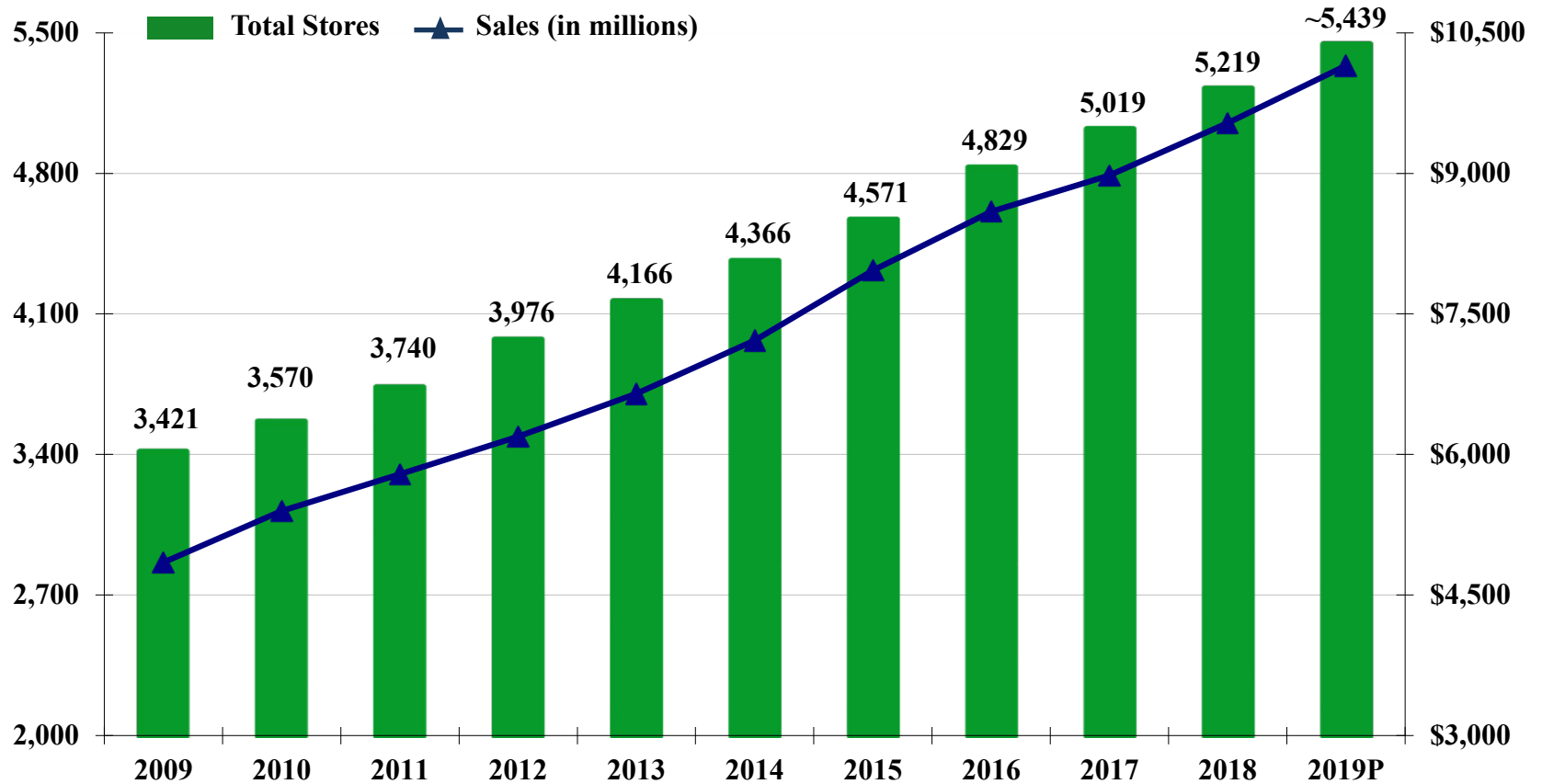
”

Tom McFall

Chief Financial Officer & Executive
Vice President



Store & Revenue Growth

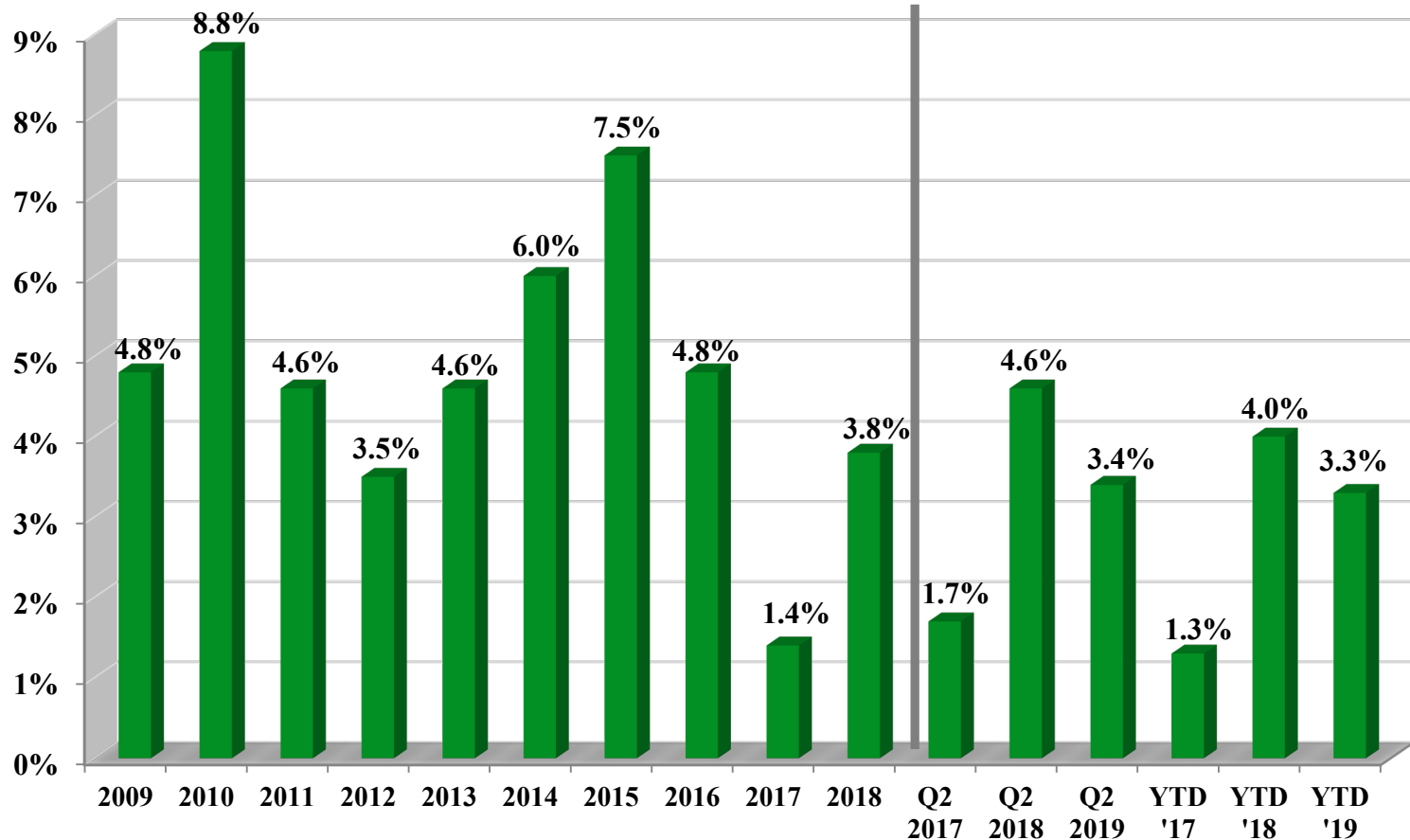


2019 Guidance

Full Year: \$10.0 - \$10.3 Billion in Sales
200 - 210 Net, New Stores



Comparable Store Sales

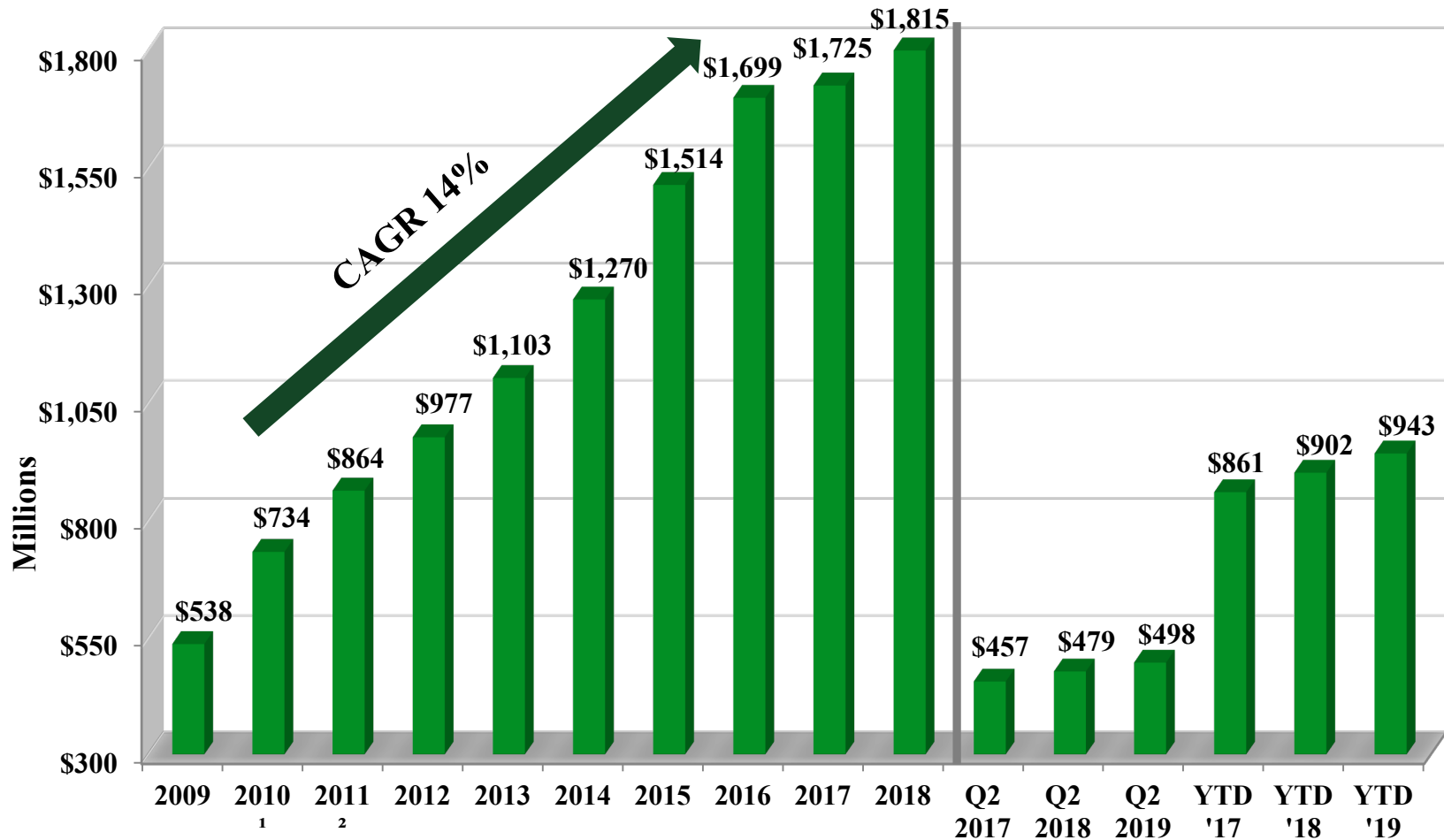


2019 Guidance

3rd Quarter: 3% - 5% (3Q 2018: 3.9%)

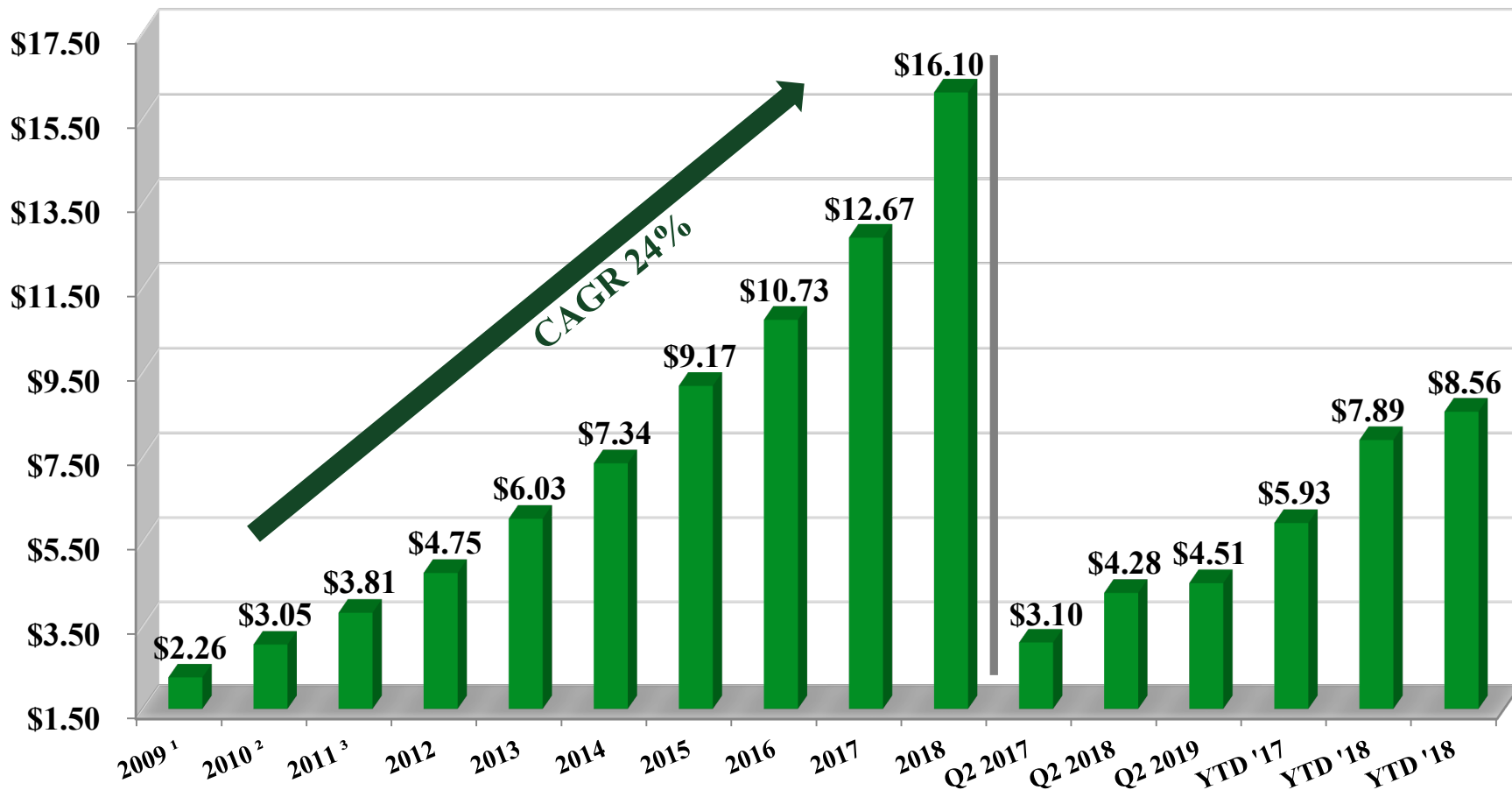
Full Year: 3% - 5%

Operating Profit \$ Growth



¹ Excludes the impact of CSK DOJ investigation charges ² Excludes impact of former CSK Officer clawback

EPS Growth



2019 Guidance

3rd Quarter: \$4.73 - \$4.83

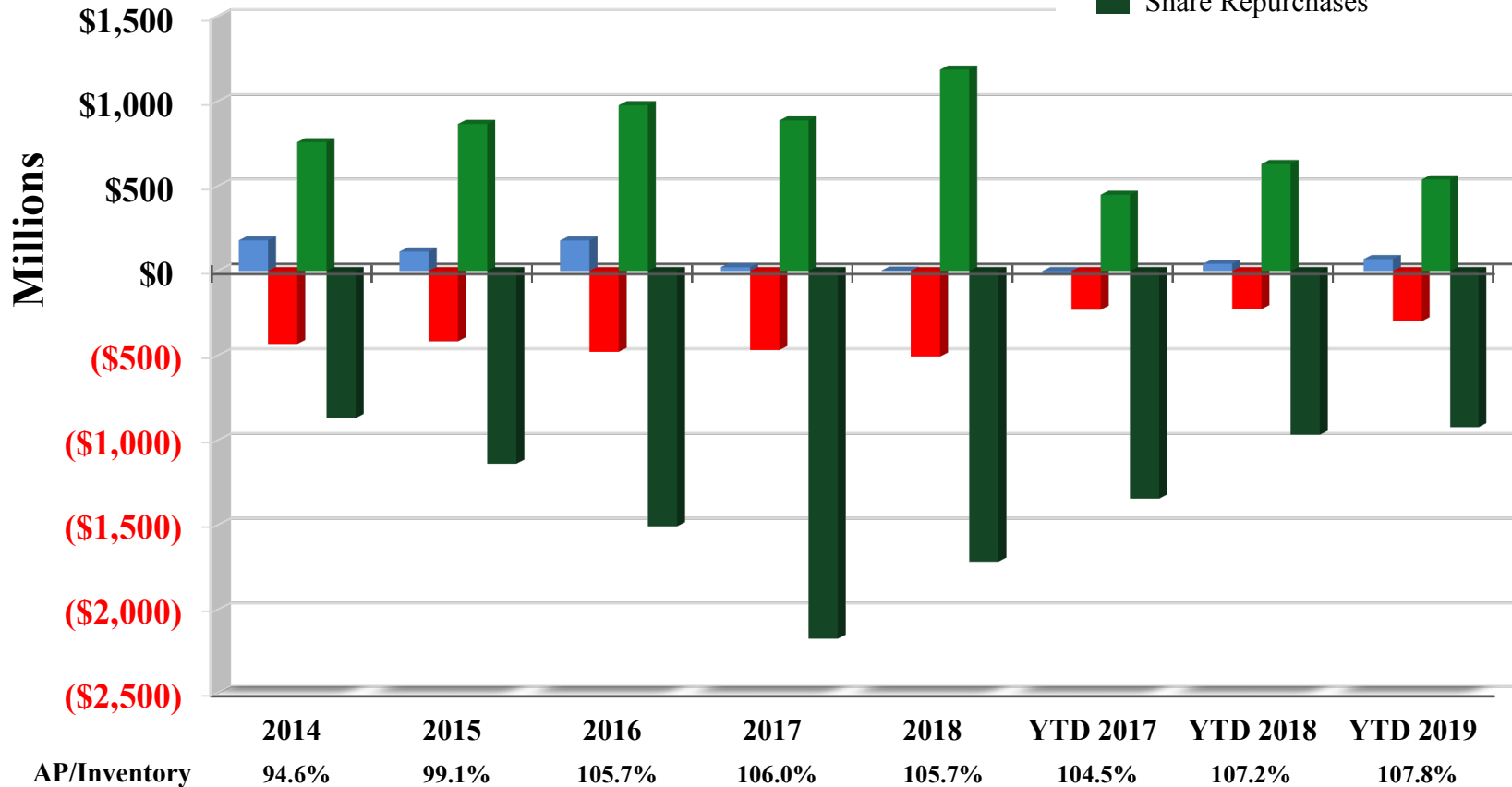
Full Year: \$17.37 - \$17.47

¹ Excluding the impact of CSK acquisition related charges ² Excluding the impact of CSK DOJ investigation charges and CSK notes receivable recovery

³ Excluding the impact of debt issuance and interest rate swap write off charges and former CSK officer clawback

Free Cash

- Change in Net Inventory Investment
- Capital Expenditures
- Free Cash Flow
- Share Repurchases



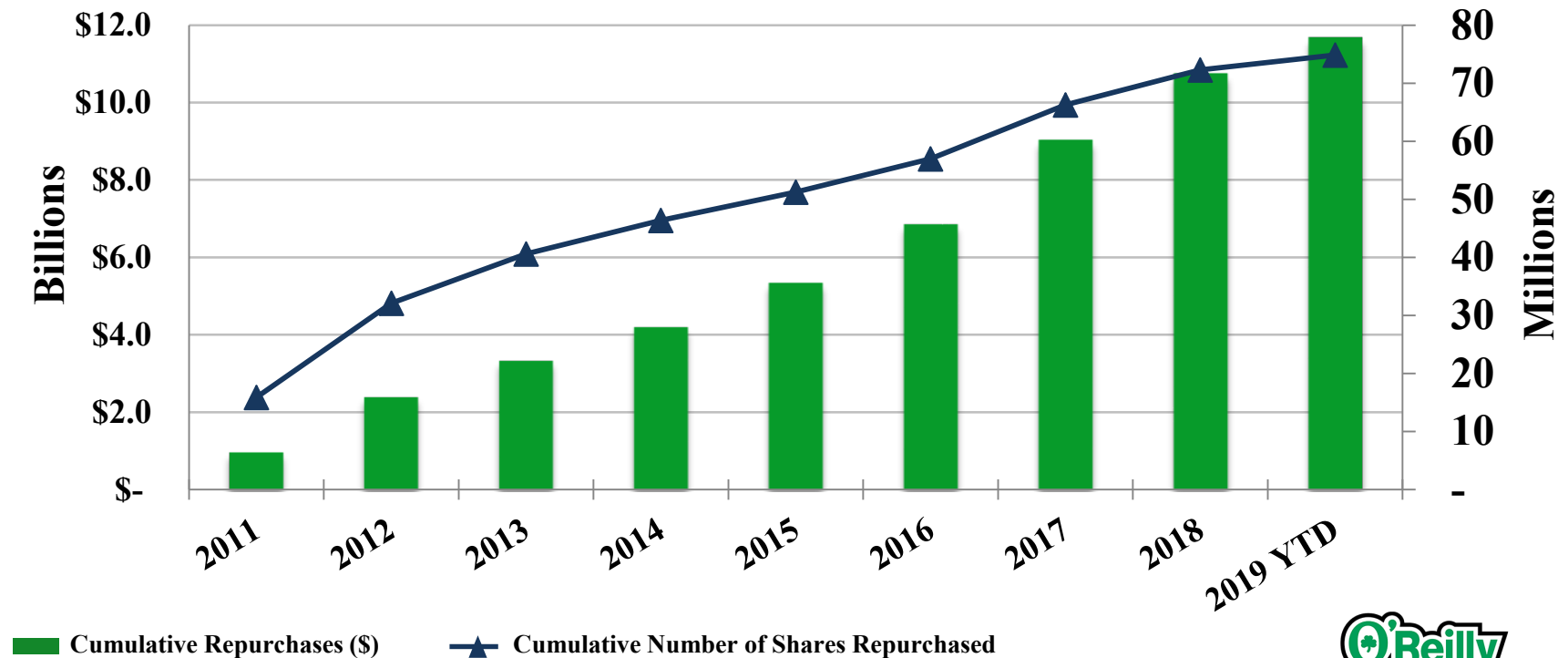
2019 Guidance
(in millions) Full Year

Cap Ex: \$625 - \$675
Free Cash Flow: \$1,000 - \$1,100



Use of Capital

- **Invest In Existing Store Base**
- **Greenfield Store Growth**
- **Consolidate the Industry**
- **Capital Structure**
 - Ensure Investment Grade Credit Ratings
 - Conservative Adjusted Debt to EBITDAR target ratio of 2.5 times (Currently 2.35 times)
 - Initial share repurchase authorization January 2011; Life-to-date authorization \$12.75 billion



Questions & Answer Session

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