

**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 **June 30, 2023**

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____



O'REILLY AUTOMOTIVE, INC.
(Exact name of registrant as specified in its charter)

Missouri
(State or other jurisdiction of
incorporation or organization)

000-21318
Commission file number

27-4358837
(I.R.S. Employer Identification No.)

233 South Patterson Avenue
Springfield, Missouri 65802
(Address of principal executive offices, Zip code)

(417) 862-6708
(Registrant's telephone number, including area code)

Not applicable
(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of Each Class</u>	<u>Trading Symbol(s)</u>	<u>Name of Each Exchange on which Registered</u>
Common Stock, \$0.01 par value	ORLY	The Nasdaq Stock Market LLC (Nasdaq Global Select Market)

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

Large accelerated filer Accelerated filer Emerging growth company
Non-accelerated filer Smaller reporting company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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: Common stock, \$0.01 par value - 60,258,342 shares outstanding as of July 31, 2023.

O'REILLY AUTOMOTIVE, INC. AND SUBSIDIARIES
FORM 10-Q
FOR THE QUARTER ENDED JUNE 30, 2023
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PART I. FINANCIAL INFORMATION
Item 1. Financial Statements

O'REILLY AUTOMOTIVE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

	<u>June 30, 2023</u>	<u>December 31, 2022</u>
	(Unaudited)	(Note)
Assets		
Current assets:		
Cash and cash equivalents	\$ 57,880	\$ 108,583
Accounts receivable, net	374,714	343,155
Amounts receivable from suppliers	138,666	127,019
Inventory	4,626,410	4,359,126
Other current assets	113,597	110,376
Total current assets	<u>5,311,267</u>	<u>5,048,259</u>
Property and equipment, at cost	7,872,672	7,438,065
Less: accumulated depreciation and amortization	3,170,474	3,014,024
Net property and equipment	<u>4,702,198</u>	<u>4,424,041</u>
Operating lease, right-of-use assets	2,185,196	2,112,267
Goodwill	897,128	884,445
Other assets, net	180,834	158,967
Total assets	<u>\$ 13,276,623</u>	<u>\$ 12,627,979</u>
Liabilities and shareholders' deficit		
Current liabilities:		
Accounts payable	\$ 6,219,838	\$ 5,881,157
Self-insurance reserves	131,781	138,926
Accrued payroll	127,333	126,888
Accrued benefits and withholdings	150,453	166,433
Income taxes payable	233,507	—
Current portion of operating lease liabilities	380,618	366,721
Other current liabilities	450,169	383,692
Total current liabilities	<u>7,693,699</u>	<u>7,063,817</u>
Long-term debt	4,873,702	4,371,653
Operating lease liabilities, less current portion	1,870,392	1,806,656
Deferred income taxes	260,642	245,347
Other liabilities	205,661	201,258
Shareholders' equity (deficit):		
Common stock, \$0.01 par value:		
Authorized shares – 245,000,000		
Issued and outstanding shares –		
60,402,359 as of June 30, 2023, and		
62,353,221 as of December 31, 2022	604	624
Additional paid-in capital	1,330,270	1,311,488
Retained deficit	(2,994,418)	(2,375,860)
Accumulated other comprehensive income	36,071	2,996
Total shareholders' deficit	<u>(1,627,473)</u>	<u>(1,060,752)</u>
Total liabilities and shareholders' deficit	<u>\$ 13,276,623</u>	<u>\$ 12,627,979</u>

Note: The balance sheet at December 31, 2022, has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by United States generally accepted accounting principles for complete financial statements.

See accompanying Notes to condensed consolidated financial statements.

O'REILLY AUTOMOTIVE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)
(In thousands, except per share data)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2023	2022	2023	2022
Sales	\$ 4,068,991	\$ 3,670,737	\$ 7,776,855	\$ 6,966,748
Cost of goods sold, including warehouse and distribution expenses	1,982,409	1,786,019	3,799,944	3,373,958
Gross profit	2,086,582	1,884,718	3,976,911	3,592,790
Selling, general and administrative expenses	1,232,809	1,086,168	2,406,493	2,124,710
Operating income	853,773	798,550	1,570,418	1,468,080
Other income (expense):				
Interest expense	(49,587)	(37,384)	(94,159)	(72,225)
Interest income	760	682	1,628	1,192
Other, net	4,186	(4,550)	8,665	(6,488)
Total other expense	(44,641)	(41,252)	(83,866)	(77,521)
Income before income taxes	809,132	757,298	1,486,552	1,390,559
Provision for income taxes	181,767	180,538	342,302	331,919
Net income	\$ 627,365	\$ 576,760	\$ 1,144,250	\$ 1,058,640
<i>Earnings per share-basic:</i>				
Earnings per share	\$ 10.32	\$ 8.86	\$ 18.66	\$ 16.08
Weighted-average common shares outstanding – basic	60,817	65,116	61,324	65,840
<i>Earnings per share-assuming dilution:</i>				
Earnings per share	\$ 10.22	\$ 8.78	\$ 18.49	\$ 15.94
Weighted-average common shares outstanding – assuming dilution	61,366	65,686	61,878	66,434

See accompanying Notes to condensed consolidated financial statements.

O'REILLY AUTOMOTIVE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)
(In thousands)

	For the Three Months Ended		For the Six Months Ended	
	June 30,		June 30,	
	2023	2022	2023	2022
Net income	\$ 627,365	\$ 576,760	\$ 1,144,250	\$ 1,058,640
Other comprehensive income (loss):				
Foreign currency translation adjustments	14,177	(1,875)	33,075	3,188
Total other comprehensive income (loss)	14,177	(1,875)	33,075	3,188
Comprehensive income	<u>\$ 641,542</u>	<u>\$ 574,885</u>	<u>\$ 1,177,325</u>	<u>\$ 1,061,828</u>

See accompanying Notes to condensed consolidated financial statements.

O'REILLY AUTOMOTIVE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIT)
(Unaudited)
(In thousands)

For the Three Months Ended June 30, 2023

	Common Stock		Additional Paid-In Capital	Retained Deficit	Accumulated Other Comprehensive Income	Total
	Shares	Par Value				
Balance at March 31, 2023	61,039	\$ 610	\$ 1,305,276	\$ (2,952,797)	\$ 21,894	\$ (1,625,017)
Net income	—	—	—	627,365	—	627,365
Total other comprehensive income	—	—	—	—	14,177	14,177
Issuance of common stock under employee benefit plans, net of forfeitures and shares withheld to cover taxes	7	—	6,117	—	—	6,117
Net issuance of common stock upon exercise of stock options	108	1	28,543	—	—	28,544
Share based compensation	—	—	6,675	—	—	6,675
Share repurchases, including fees	(752)	(7)	(16,341)	(663,642)	—	(679,990)
Excise tax on share repurchases	—	—	—	(5,344)	—	(5,344)
Balance at June 30, 2023	60,402	\$ 604	\$ 1,330,270	\$ (2,994,418)	\$ 36,071	\$ (1,627,473)

For the Six Months Ended June 30, 2023

	Common Stock		Additional Paid-In Capital	Retained Deficit	Accumulated Other Comprehensive Income	Total
	Shares	Par Value				
Balance at December 31, 2022	62,353	\$ 624	\$ 1,311,488	\$ (2,375,860)	\$ 2,996	\$ (1,060,752)
Net income	—	—	—	1,144,250	—	1,144,250
Total other comprehensive income	—	—	—	—	33,075	33,075
Issuance of common stock under employee benefit plans, net of forfeitures and shares withheld to cover taxes	15	—	11,410	—	—	11,410
Net issuance of common stock upon exercise of stock options	143	1	38,798	—	—	38,799
Share-based compensation	—	—	13,655	—	—	13,655
Share repurchases, including fees	(2,109)	(21)	(45,081)	(1,746,349)	—	(1,791,451)
Excise tax on share repurchases	—	—	—	(16,459)	—	(16,459)
Balance at June 30, 2023	60,402	\$ 604	\$ 1,330,270	\$ (2,994,418)	\$ 36,071	\$ (1,627,473)

For the Three Months Ended June 30, 2022

	Common Stock		Additional Paid-In Capital	Retained Deficit	Accumulated Other Comprehensive Loss	Total
	Shares	Par Value				
Balance at March 31, 2022	65,920	\$ 659	\$ 1,309,071	\$ (1,636,267)	\$ (1,736)	\$ (328,273)
Net income	—	—	—	576,760	—	576,760
Total other comprehensive loss	—	—	—	—	(1,875)	(1,875)
Issuance of common stock under employee benefit plans, net of forfeitures and shares withheld to cover taxes	11	—	5,692	—	—	5,692
Net issuance of common stock upon exercise of stock options	41	—	10,583	—	—	10,583
Share based compensation	—	—	5,717	—	—	5,717
Share repurchases, including fees	(2,219)	(21)	(44,412)	(1,331,601)	—	(1,376,034)
Balance at June 30, 2022	63,753	\$ 638	\$ 1,286,651	\$ (2,391,108)	\$ (3,611)	\$ (1,107,430)

For the Six Months Ended June 30, 2022

	Common Stock		Additional Paid-In Capital	Retained Deficit	Accumulated Other Comprehensive Loss	Total
	Shares	Par Value				
Balance at December 31, 2021	67,029	\$ 670	\$ 1,305,508	\$ (1,365,802)	\$ (6,799)	\$ (66,423)
Net income	—	—	—	1,058,640	—	1,058,640
Total other comprehensive income	—	—	—	—	3,188	3,188
Issuance of common stock under employee benefit plans, net of forfeitures and shares withheld to cover taxes	19	—	10,574	—	—	10,574
Net issuance of common stock upon exercise of stock options	91	1	26,021	—	—	26,022
Share-based compensation	—	—	11,811	—	—	11,811
Share repurchases, including fees	(3,386)	(33)	(67,263)	(2,083,946)	—	(2,151,242)
Balance at June 30, 2022	63,753	\$ 638	\$ 1,286,651	\$ (2,391,108)	\$ (3,611)	\$ (1,107,430)

See accompanying Notes to condensed consolidated financial statements.

O'REILLY AUTOMOTIVE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	For the Six Months Ended	
	June 30,	
	2023	2022
Operating activities:		
Net income	\$ 1,144,250	\$ 1,058,640
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of property, equipment and intangibles	191,673	168,045
Amortization of debt discount and issuance costs	2,431	2,242
Deferred income taxes	13,507	28,302
Share-based compensation programs	14,571	12,702
Other	75	283
Changes in operating assets and liabilities:		
Accounts receivable	(31,443)	(60,593)
Inventory	(257,337)	(318,756)
Accounts payable	335,299	563,012
Income taxes payable	261,208	12,013
Other	(22,865)	(73,917)
Net cash provided by operating activities	<u>1,651,369</u>	<u>1,391,973</u>
Investing activities:		
Purchases of property and equipment	(460,942)	(228,921)
Proceeds from sale of property and equipment	7,056	8,222
Investment in tax credit equity investments	(4,149)	(4,080)
Other	(1,971)	(86)
Net cash used in investing activities	<u>(460,006)</u>	<u>(224,865)</u>
Financing activities:		
Proceeds from borrowings on revolving credit facility	2,776,000	785,800
Payments on revolving credit facility	(1,976,000)	(785,800)
Proceeds from the issuance of long-term debt	—	847,314
Principal payments on long-term debt	(300,000)	—
Payment of debt issuance costs	(24)	(6,323)
Repurchases of common stock	(1,791,451)	(2,151,242)
Net proceeds from issuance of common stock	48,680	35,112
Other	(354)	(350)
Net cash used in financing activities	<u>(1,243,149)</u>	<u>(1,275,489)</u>
Effect of exchange rate changes on cash	1,083	172
Net decrease in cash and cash equivalents	<u>(50,703)</u>	<u>(108,209)</u>
Cash and cash equivalents at beginning of the period	108,583	362,113
Cash and cash equivalents at end of the period	<u>\$ 57,880</u>	<u>\$ 253,904</u>
Supplemental disclosures of cash flow information:		
Income taxes paid	\$ 65,361	\$ 291,695
Interest paid, net of capitalized interest	88,924	68,318

See accompanying Notes to condensed consolidated financial statements.

O'REILLY AUTOMOTIVE, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
June 30, 2023

NOTE 1 – BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements of O'Reilly Automotive, Inc. and its subsidiaries (the "Company" or "O'Reilly") have been prepared in accordance with United States generally accepted accounting principles ("U.S. GAAP") for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and six months ended June 30, 2023, are not necessarily indicative of the results that may be expected for the year ended December 31, 2023. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 2022.

Principles of consolidation:

The condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All inter-company balances and transactions have been eliminated in consolidation.

NOTE 2 – VARIABLE INTEREST ENTITIES

The Company invests in certain tax credit funds that promote renewable energy. These investments generate a return primarily through the realization of federal tax credits and other tax benefits. The Company accounts for the tax attributes of its renewable energy investments using the deferral method. Under this method, realized investment tax credits and other tax benefits are recognized as a reduction of the renewable energy tax credits.

The Company has determined its investment in these tax credit funds were investments in variable interest entities ("VIEs"). The Company analyzes any investments in VIEs at inception and again if certain triggering events are identified to determine if it is the primary beneficiary. The Company considers a variety of factors in identifying the entity that holds the power to direct matters that most significantly impact the VIEs' economic performance including, but not limited to, the ability to direct financing, leasing, construction, and other operating decisions and activities. As of June 30, 2023, the Company had invested in six unconsolidated tax credit fund entities that were considered to be VIEs and concluded it was not the primary beneficiary of any of the entities, as it did not have the power to control the activities that most significantly impact the entities, and has therefore accounted for these investments using the equity method.

The Company's maximum exposure to losses associated with these VIEs is generally limited to its net investment, which was \$39.6 million as of June 30, 2023, and was included in "Other assets, net" on the accompanying Condensed Consolidated Balance Sheets.

NOTE 3 – FAIR VALUE MEASUREMENTS

The Company uses the fair value hierarchy, which prioritizes the inputs used to measure the fair value of certain of its financial instruments. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The Company uses the income and market approaches to determine the fair value of its assets and liabilities. The three levels of the fair value hierarchy are set forth below:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the measurement date.
- Level 2 – Inputs other than quoted prices in active markets included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – Unobservable inputs for the asset or liability.

Financial assets and liabilities measured at fair value on a recurring basis:

The Company invests in various marketable securities with the intention of selling these securities to fulfill its future unsecured obligations under the Company's nonqualified deferred compensation plan. See Note 11 for further information concerning the Company's benefit plans.

The Company's marketable securities were accounted for as trading securities and the carrying amount of its marketable securities were included in "Other assets, net" on the accompanying Condensed Consolidated Balance Sheets as of June 30, 2023, and December 31, 2022. The Company recorded an increase in fair value related to its marketable securities in the amount of \$2.5 million and a decrease in fair value related to its marketable securities in the amount of \$6.4 million for the three months ended June 30, 2023 and 2022, respectively, which were included in "Other income (expense)" on the accompanying Condensed Consolidated Statements of Income. The Company recorded a increase in fair value related to its marketable securities in the amount of \$5.0 million and a decrease in fair value related to its marketable securities in the amount of \$9.2 million for the six months ended June 30, 2023 and 2022, respectively, which were included in "Other income (expense)" on the accompanying Condensed Consolidated Statements of Income.

The tables below identify the estimated fair value of the Company's marketable securities, determined by reference to quoted market prices (Level 1), as of June 30, 2023, and December 31, 2022 (in thousands):

	June 30, 2023			
	Quoted Priced in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Marketable securities	\$ 55,912	\$ —	\$ —	\$ 55,912

	December 31, 2022			
	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Marketable securities	\$ 49,371	\$ —	\$ —	\$ 49,371

Non-financial assets and liabilities measured at fair value on a nonrecurring basis:

Certain long-lived non-financial assets and liabilities may be required to be measured at fair value on a nonrecurring basis in certain circumstances, including when there is evidence of impairment. These non-financial assets and liabilities may include assets acquired in a business combination or property and equipment that are determined to be impaired. As of June 30, 2023, and December 31, 2022, the Company did not have any non-financial assets or liabilities that had been measured at fair value subsequent to initial recognition.

Fair value of financial instruments:

The carrying amounts of the Company's senior notes and unsecured revolving credit facility borrowings are included in "Long-term debt" on the accompanying Condensed Consolidated Balance Sheets as of June 30, 2023, and December 31, 2022.

The table below identifies the estimated fair value of the Company's senior notes, using the market approach. The fair value as of June 30, 2023, and December 31, 2022, was determined by reference to quoted market prices of the same or similar instruments (Level 2) (in thousands):

	June 30, 2023		December 31, 2022	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Senior Notes	\$ 4,073,702	\$ 3,822,651	\$ 4,371,653	\$ 4,119,777

The carrying amount of the Company's unsecured revolving credit facility approximates fair value (Level 2), as borrowings under the facility bear variable interest at current market rates. See Note 6 for further information concerning the Company's senior notes and unsecured revolving credit facility.

The accompanying Condensed Consolidated Balance Sheets include other financial instruments, including cash and cash equivalents, accounts receivable, amounts receivable from suppliers, and accounts payable. Due to the short-term nature of these financial instruments, the Company believes that the carrying values of these instruments approximate their fair values.

NOTE 4 – LEASES

The Company leases certain office space, retail stores, distribution centers, and equipment under long-term, non-cancelable operating leases. The following table summarizes Total lease cost for the three and six months ended June 30, 2023 and 2022, which were primarily included in “Selling, general and administrative expenses” on the accompanying Condensed Consolidated Statements of Income (in thousands):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2023	2022	2023	2022
Operating lease cost	\$ 99,547	\$ 91,089	\$ 196,065	\$ 180,798
Short-term operating lease cost	1,801	2,339	5,505	5,116
Variable operating lease cost	25,090	23,646	49,561	47,103
Sublease income	(1,275)	(1,277)	(2,489)	(2,422)
Total lease cost	\$ 125,163	\$ 115,797	\$ 248,642	\$ 230,595

The following table summarizes other lease-related information for the six months ended June 30, 2023 and 2022:

	For the Six Months Ended June 30,	
	2023	2022
Cash paid for amounts included in the measurement of operating lease liabilities:		
Operating cash flows from operating leases	\$ 192,444	\$ 180,558
Right-of-use assets obtained in exchange for new operating lease liabilities	219,849	125,559

NOTE 5 – SUPPLIER FINANCE PROGRAMS

The Company has established and maintains supplier finance programs with certain third-party financial institutions, which allow participating merchandise suppliers to voluntarily elect to assign the Company’s payment obligations due to these merchandise suppliers to one of the designated third-party institutions. Under these supplier finance programs, the Company has agreed to pay the third-party financial institutions the stated amount of confirmed merchandise supplier invoices on the original maturity dates of the invoices, which are generally for a term of one year. The Company does not have any assets pledged as security or other forms of guarantees for the committed payment to the third-party financial institutions. As of June 30, 2023, and December 31, 2022, the Company had obligations outstanding under these programs for invoices that were confirmed as valid to the third-party financial institutions in the amounts of \$4.4 billion and \$4.2 billion, respectively, which were included as a component of “Accounts payable” on the accompanying Condensed Consolidated Balance Sheets.

NOTE 6 – FINANCING

The following table identifies the amounts included in “Long-term debt” on the accompanying Condensed Consolidated Balance Sheets as of June 30, 2023, and December 31, 2022 (in thousands):

	June 30, 2023	December 31, 2022
Revolving Credit Facility, weighted-average variable interest rate of 6.390%	\$ 800,000	\$ —
3.850% Senior Notes due 2023, effective interest rate of 3.851%	—	300,000
3.550% Senior Notes due 2026, effective interest rate of 3.570%	500,000	500,000
3.600% Senior Notes due 2027, effective interest rate of 3.619%	750,000	750,000
4.350% Senior Notes due 2028, effective interest rate of 4.383%	500,000	500,000
3.900% Senior Notes due 2029, effective interest rate of 3.901%	500,000	500,000
4.200% Senior Notes due 2030, effective interest rate of 4.205%	500,000	500,000
1.750% Senior Notes due 2031, effective interest rate of 1.798%	500,000	500,000
4.700% Senior Notes due 2032, effective interest rate of 4.740%	850,000	850,000
Total principal amount of debt	4,900,000	4,400,000
Less: Unamortized discount and debt issuance costs	26,298	28,347
Total long-term debt	<u>\$ 4,873,702</u>	<u>\$ 4,371,653</u>

Unsecured revolving credit facility:

The Company is party to a credit agreement dated June 15, 2021, as amended as of March 6, 2023 (the “Credit Agreement”). The Credit Agreement provides for a five-year \$1.8 billion unsecured revolving credit facility (the “Revolving Credit Facility”) arranged by

JPMorgan Chase Bank, N.A., which is scheduled to mature in June of 2026. The Credit Agreement includes a \$200 million sub-limit for the issuance of letters of credit and a \$75 million sub-limit for swing line borrowings under the Revolving Credit Facility. As described in the Credit Agreement governing the Revolving Credit Facility, the Company may, from time to time, subject to certain conditions, increase the aggregate commitments under the Revolving Credit Facility by up to \$900 million, provided that the aggregate amount of the commitments does not exceed \$2.7 billion at any time.

On March 6, 2023, the Company entered into the First Amendment (the “Amendment”) to the credit agreement to convert the LIBOR based pricing to Secured Overnight Financing Rate (“SOFR”) based pricing. The Amendment replaces an Adjusted LIBO Rate with an Adjusted Term SOFR Rate, comprised of the Term SOFR Rate plus 0.100%. The Amendment made no other material changes to the terms of the credit agreement.

As of June 30, 2023, and December 31, 2022, the Company had outstanding letters of credit, primarily to support obligations related to workers’ compensation, general liability, and other insurance policies, under the Credit Agreement in the amounts of \$4.6 million and \$5.1 million, respectively, reducing the aggregate availability under the Credit Agreement by those amounts. Substantially all of these outstanding letters of credit have a one-year term from the date of issuance.

Borrowings under the Revolving Credit Facility (other than swing line loans) bear interest, at the Company’s option, at either an Alternate Base Rate or an Adjusted Term SOFR Rate (both as defined in the Credit Agreement) plus an applicable margin. Swing line loans made under the Revolving Credit Facility bear interest at an Alternate Base Rate plus the applicable margin for Alternate Base Rate loans. In addition, the Company pays a facility fee on the aggregate amount of the commitments under the Credit Agreement in an amount equal to a percentage of such commitments. The interest rate margins and facility fee are based upon the better of the ratings assigned to the Company’s debt by Moody’s Investor Service, Inc. and Standard & Poor’s Ratings Services, subject to limited exceptions. As of June 30, 2023, based upon the Company’s current credit ratings, its margin for Alternate Base Rate loans was 0.000%, its margin for Term Benchmark Revolving Loans was 0.900% and its facility fee was 0.100%.

The Credit Agreement contains certain covenants, including limitations on subsidiary indebtedness, a minimum consolidated fixed charge coverage ratio of 2.50:1.00 and a maximum consolidated leverage ratio of 3.50:1.00. The consolidated fixed charge coverage ratio includes a calculation of earnings before interest, taxes, depreciation, amortization, rent, and non-cash share-based compensation expense to fixed charges. Fixed charges include interest expense, capitalized interest, and rent expense. The consolidated leverage ratio includes a calculation of adjusted debt to earnings before interest, taxes, depreciation, amortization, rent, and non-cash share-based compensation expense. Adjusted debt includes outstanding debt, outstanding stand-by letters of credit, and similar instruments, five-times rent expense and excludes any premium or discount recorded in conjunction with the issuance of long-term debt. In the event that the Company should default on any covenant (subject to customary grace periods, cure rights, and materiality thresholds) contained in the Credit Agreement, certain actions may be taken, including, but not limited to, possible termination of commitments, immediate payment of outstanding principal amounts plus accrued interest and other amounts payable under the Credit Agreement, and litigation from lenders. As of June 30, 2023, the Company remained in compliance with all covenants under the Credit Agreement.

In addition to the letters of credit issued under the Credit Agreement described above, as of June 30, 2023, and December 31, 2022, respectively, the Company had additional outstanding letters of credit, primarily to support obligations under workers’ compensation, general liability, and other insurance policies, in the amount of \$106.8 million and \$96.6 million. Substantially all of these letters of credit have a one-year term from the date of issuance and were not issued under the Company’s Credit Agreement or another committed facility.

Senior notes:

On June 15, 2023, the Company’s \$300 million aggregate principal amount of unsecured 3.850% Senior Notes due 2023 matured, and the Company repaid these notes using borrowings under our Revolving Credit Facility.

As of June 30, 2023, the Company has issued and outstanding a cumulative \$4.1 billion aggregate principal amount of unsecured senior notes, which are due between 2026 and 2032, with UMB Bank, N.A. and U.S. Bank Trust Company, National Association as trustees. Interest on the senior notes, ranging from 1.750% to 4.700%, is payable semi-annually and is computed on the basis of a 360-day year. None of the Company’s subsidiaries is a guarantor under the senior notes. Each of the senior notes is subject to certain customary covenants, with which the Company complied as of June 30, 2023.

NOTE 7 – WARRANTIES

The Company provides warranties on certain merchandise it sells with warranty periods ranging from 30 days to limited lifetime warranties. The risk of loss arising from warranty claims is typically the obligation of the Company’s suppliers. Certain suppliers provide upfront allowances to the Company in lieu of accepting the obligation for warranty claims. For this merchandise, when sold, the Company bears the risk of loss associated with the cost of warranty claims. Differences between supplier allowances received by the

Company, in lieu of warranty obligations and estimated warranty expense, are recorded as an adjustment to cost of sales. Estimated warranty costs, which are recorded as obligations at the time of sale, are based on the historical failure rate of each individual product line. The Company's historical experience has been that failure rates are relatively consistent over time and that the ultimate cost of warranty claims to the Company has been driven by volume of units sold as opposed to fluctuations in failure rates or the variation of the cost of individual claims.

The Company's product warranty liabilities are included in "Other current liabilities" on the accompanying Condensed Consolidated Balance Sheets as of June 30, 2023, and December 31, 2022; the following table identifies the changes in the Company's aggregate product warranty liabilities for the six months ended June 30, 2023 (in thousands):

Warranty liabilities, balance at December 31, 2022	\$	98,564
Warranty claims		(83,108)
Warranty accruals		87,454
Foreign currency translation		69
Warranty liabilities, balance at June 30, 2023	\$	102,979

NOTE 8 – SHARE REPURCHASE PROGRAM

In January of 2011, the Company's Board of Directors approved a share repurchase program. Under the program, the Company may, from time to time, repurchase shares of its common stock, solely through open market purchases effected through a broker dealer at prevailing market prices, based on a variety of factors such as price, corporate trading policy requirements, and overall market conditions. The Company's Board of Directors may increase or otherwise modify, renew, suspend, or terminate the share repurchase program at any time, without prior notice. As announced on November 15, 2022, and May 23, 2023, the Company's Board of Directors approved a resolution to increase the authorization amount under the share repurchase program by an additional \$1.5 billion and \$2.0 billion, respectively, resulting in a cumulative authorization amount of \$23.8 billion. The additional authorizations are effective for three years, beginning on its respective announcement date.

The following table identifies shares of the Company's common stock that have been repurchased as part of the Company's publicly announced share repurchase program for the three and six months ended June 30, 2023 and 2022 (in thousands, except per share data):

	For the Three Months Ended		For the Six Months Ended	
	June 30,		June 30,	
	2023	2022	2023	2022
Shares repurchased	752	2,219	2,109	3,386
Average price per share	\$ 904.37	\$ 620.27	\$ 849.48	\$ 635.40
Total investment	\$ 679,983	\$ 1,376,013	\$ 1,791,430	\$ 2,151,209

As of June 30, 2023, the Company had \$1.9 billion remaining under its share repurchase authorization. Excise tax on shares repurchased, assessed at one percent of the fair market value of net shares repurchased, was \$16.5 million for the six months ended June 30, 2023.

Subsequent to the end of the second quarter and through August 8, 2023, the Company repurchased 0.3 million additional shares of its common stock under its share repurchase program, at an average price of \$941.45, for a total investment of \$247.1 million. The Company has repurchased a total of 92.9 million shares of its common stock under its share repurchase program since the inception of the program in January of 2011 and through August 8, 2023, at an average price of \$237.55, for a total aggregate investment of \$22.1 billion.

NOTE 9 – ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Accumulated other comprehensive income (loss) includes adjustments for foreign currency translations. The tables below summarize activity for changes in accumulated other comprehensive income (loss) for the three and six months ended June 30, 2023 and 2022 (in thousands):

	Foreign Currency ⁽¹⁾	Total Accumulated Other Comprehensive Income
Accumulated other comprehensive income, balance at March 31, 2023	\$ 21,894	\$ 21,894
Change in accumulated other comprehensive income	14,177	14,177
Accumulated other comprehensive income, balance at June 30, 2023	\$ 36,071	\$ 36,071

	Foreign Currency ⁽¹⁾	Total Accumulated Other Comprehensive Income
Accumulated other comprehensive income, balance at December 31, 2022	\$ 2,996	\$ 2,996
Change in accumulated other comprehensive income	33,075	33,075
Accumulated other comprehensive income, balance at June 30, 2023	\$ 36,071	\$ 36,071

	Foreign Currency ⁽¹⁾	Total Accumulated Other Comprehensive Loss
Accumulated other comprehensive loss, balance at March 31, 2022	\$ (1,736)	\$ (1,736)
Change in accumulated other comprehensive loss	(1,875)	(1,875)
Accumulated other comprehensive loss, balance at June 30, 2022	\$ (3,611)	\$ (3,611)

	Foreign Currency ⁽¹⁾	Total Accumulated Other Comprehensive Loss
Accumulated other comprehensive loss, balance at December 31, 2021	\$ (6,799)	\$ (6,799)
Change in accumulated other comprehensive income	3,188	3,188
Accumulated other comprehensive loss, balance at June 30, 2022	\$ (3,611)	\$ (3,611)

⁽¹⁾ Foreign currency translation is not shown net of additional U.S. tax, as other basis differences of non-U.S. subsidiaries are intended to be permanently reinvested.

NOTE 10 – REVENUE

The table below identifies the Company's revenues disaggregated by major customer type for the three and six months ended June 30, 2023 and 2022 (in thousands):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2023	2022	2023	2022
Sales to do-it-yourself customers	\$ 2,130,002	\$ 2,012,223	\$ 4,048,469	\$ 3,828,037
Sales to professional service provider customers	1,853,364	1,571,176	3,565,328	2,970,540
Other sales and sales adjustments	85,625	87,338	163,058	168,171
Total sales	<u>\$ 4,068,991</u>	<u>\$ 3,670,737</u>	<u>\$ 7,776,855</u>	<u>\$ 6,966,748</u>

See Note 7 for information concerning the expected costs associated with the Company's assurance warranty obligations.

NOTE 11 – SHARE-BASED COMPENSATION AND BENEFIT PLANS

The Company recognizes share-based compensation expense based on the fair value of the grants, awards, or shares at the time of the grant, award, or issuance. Share-based compensation includes stock option awards, restricted stock awards, and stock appreciation rights issued under the Company's incentive plans and stock issued through the Company's employee stock purchase plan.

Stock options:

The Company's incentive plans provide for the granting of stock options for the purchase of common stock of the Company to certain key employees of the Company. Employee stock options are granted at an exercise price that is equal to the closing market price of the Company's common stock on the date of the grant. Employee stock options granted under the plans expire after 10 years and typically

vest 25% per year, over four years. The Company records compensation expense for the grant date fair value of the option awards evenly over the vesting period or minimum required service period.

The table below identifies stock option activity under these plans during the six months ended June 30, 2023 (in thousands, except per share data):

	Shares (in thousands)	Weighted- Average Exercise Price
Outstanding at December 31, 2022	1,069	\$ 356.76
Granted	72	838.69
Exercised	(143)	271.57
Forfeited or expired	(10)	583.04
Outstanding at June 30, 2023	988	\$ 402.25
Exercisable at June 30, 2023	716	\$ 313.93

The fair value of each stock option award is estimated on the date of the grant using the Black-Scholes option pricing model. The Black-Scholes model requires the use of assumptions, including the risk-free rate, expected life, expected volatility, and expected dividend yield.

- *Risk-free interest rate* – The United States Treasury rates in effect at the time the options are granted for the options’ expected life.
- *Expected life* – Represents the period of time that options granted are expected to be outstanding. The Company uses historical experience to estimate the expected life of options granted.
- *Expected volatility* – Measure of the amount, by which the Company’s stock price is expected to fluctuate, based on a historical trend.
- *Expected dividend yield* – The Company has not paid, nor does it have plans in the foreseeable future to pay, any dividends.

The table below identifies the weighted-average assumptions used for grants awarded during the six months ended June 30, 2023 and 2022:

	June 30,	
	2023	2022
Risk free interest rate	3.87 %	1.81 %
Expected life	6.4 Years	6.4 Years
Expected volatility	29.1 %	28.7 %
Expected dividend yield	— %	— %

The following table summarizes activity related to stock options awarded by the Company for the three and six months ended June 30, 2023 and 2022 (in thousands, except per share data):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2023	2022	2023	2022
Compensation expense for stock options awarded	\$ 5,796	\$ 4,909	\$ 11,915	\$ 10,210
Income tax benefit from compensation expense related to stock options	1,447	1,214	2,975	2,525

The weighted-average grant-date fair value of options granted during the six months ended June 30, 2023, was \$316.45, compared to \$216.87 for the six months ended June 30, 2022. The remaining unrecognized compensation expense related to unvested stock option awards at June 30, 2023, was \$44.5 million, and the weighted-average period of time over which this cost will be recognized is 2.7 years.

Other share-based compensation plans:

The Company sponsors other share-based compensation plans: an employee stock purchase plan and incentive plans that provide for the awarding of shares of restricted stock to certain key employees and directors. The Company’s employee stock purchase plan (the “ESPP”) permits eligible employees to purchase shares of the Company’s common stock at 85% of the fair market value. The fair value of shares issued under the ESPP is based on the average of the high and low market prices of the Company’s common stock during the offering periods, and compensation expense is recognized based on the discount between the fair value and the employee purchase price for the shares sold to employees. Restricted stock awarded under the incentive plans to certain key employees and directors vests after one-year or evenly over a three-year period and is held in escrow until such vesting has occurred. The fair value of shares awarded

under the incentive plans is based on the closing market price of the Company's common stock on the date of the award, and compensation expense is recorded evenly over the vesting period or the minimum required service period.

The table below summarizes activity related to the Company's other share-based compensation plans for the three and six months ended June 30, 2023 and 2022 (in thousands):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2023	2022	2023	2022
Compensation expense for shares issued under the ESPP	\$ 879	\$ 808	\$ 1,740	\$ 1,601
Income tax benefit from compensation expense related to shares issued under the ESPP	219	200	435	396
Compensation expense for restricted shares awarded	461	452	916	891
Income tax benefit from compensation expense related to restricted awards	\$ 115	\$ 112	\$ 229	\$ 220

Profit sharing and savings plan:

The Company sponsors a contributory profit sharing and savings plan (the "401(k) Plan") that covers substantially all employees who are at least 21 years of age. The Company makes matching contributions equal to 100% of the first 2% of each employee's wages that are contributed and 25% of the next 4% of each employee's wages that are contributed. The Company may also make additional discretionary profit sharing contributions to the 401(k) Plan on an annual basis as determined by the Board of Directors. The Company did not make any discretionary contributions to the 401(k) Plan during the six months ended June 30, 2023 or 2022. The Company expensed matching contributions under the 401(k) Plan in the amount of \$12.9 million and \$9.2 million for the three months ended June 30, 2023 and 2022, respectively, which were primarily included in "Selling, general and administrative expenses" on the accompanying Condensed Consolidated Statements of Income. The Company expensed matching contributions under the 401(k) Plan in the amount of \$22.5 million and \$17.8 million for the six months ended June 30, 2023 and 2022, respectively, which were primarily included in "Selling, general and administrative expenses" on the accompanying Condensed Consolidated Statements of Income.

Nonqualified deferred compensation plan:

The Company sponsors a nonqualified deferred compensation plan (the "Deferred Compensation Plan") for highly compensated employees whose contributions to the 401(k) Plan are limited due to the application of the annual limitations under the Internal Revenue Code. The Company may make discretionary contributions to the Deferred Compensation Plan on an annual basis as determined by the Board of Directors. In the event of bankruptcy, the assets of this plan are available to satisfy the claims of general creditors. The Company has an unsecured obligation to pay, in the future, the value of the deferred compensation and Company match, if applicable, adjusted to reflect the performance, whether positive or negative, of selected investment measurement options chosen by each participant during the deferral period. See Note 3 for further information concerning the Company's marketable securities held to fulfill our future unsecured obligations under this plan.

The liability for compensation deferred under the Deferred Compensation Plan was \$55.9 million and \$49.4 million as of June 30, 2023, and December 31, 2022, respectively, which was included in "Other liabilities" on the accompanying Condensed Consolidated Balance Sheets. The Company did not make any discretionary contributions to the Deferred Compensation Plan during the six months ended June 30, 2023 or 2022. The Company expensed matching contributions under the Deferred Compensation Plan in the amount of less than \$0.1 million for each of the three months ended June 30, 2023 and 2022, which were included in "Selling, general and administrative expenses" on the accompanying Condensed Consolidated Statements of Income. The Company expensed matching contributions under the Deferred Compensation Plan in the amount of less than \$0.1 million and \$0.1 million for the six months ended June 30, 2023 and 2022, which were included in "Selling, general and administrative expenses" on the accompanying Condensed Consolidated Statements of Income.

Stock appreciation rights:

The Company's incentive plans provide for the granting of stock appreciation rights, which expire after 10 years and vest 25% per year, over four years, and are settled in cash. As of June 30, 2023, and December 31, 2022, there were 13,296 and 13,159 stock appreciation rights outstanding, respectively. During the six months ended June 30, 2023, there were 1,714 stock appreciation rights granted, 970 stock appreciation rights exercised, and 607 stock appreciation rights forfeited. The liability for compensation to be paid for redeemed stock appreciation rights was \$4.0 million and \$2.9 million as of June 30, 2023, and December 31, 2022, respectively, which were included in "Other liabilities" on the Condensed Consolidated Balance Sheets. The Company recorded compensation expense for stock appreciation rights in the amount of \$0.4 million and compensation benefit for stock appreciation rights in the amount of \$0.1 million for the three months ended June 30, 2023 and 2022, respectively, which were included in "Selling, general and administrative expenses" on the accompanying Condensed Consolidated Statements of Income. The Company recorded compensation expense for stock appreciation rights in the amount of \$0.7 million and compensation benefit for stock appreciation rights in the amount of \$0.1 million

for the six months ended June 30, 2023 and 2022, respectively, which were included in “Selling, general and administrative expenses” on the accompanying Condensed Consolidated Statements of Income.

NOTE 12 – COMMITMENTS

Renewable energy tax credits:

The Company has entered into an agreement to purchase federal renewable energy tax credits (“RETC”). As of June 30, 2023, the Company has committed to purchase approximately \$300 million RETCs upon the credit transfer date, which is anticipated to occur by September of 2024.

NOTE 13 – EARNINGS PER SHARE

The following table illustrates the computation of basic and diluted earnings per share for the three and six months ended June 30, 2023 and 2022 (in thousands, except per share data):

	For the Three Months Ended		For the Six Months Ended	
	June 30,		June 30,	
	2023	2022	2023	2022
Numerator (basic and diluted):				
Net income	\$ 627,365	\$ 576,760	\$ 1,144,250	\$ 1,058,640
Denominator:				
Weighted-average common shares outstanding – basic	60,817	65,116	61,324	65,840
Effect of stock options ⁽¹⁾	549	570	554	594
Weighted-average common shares outstanding – assuming dilution	61,366	65,686	61,878	66,434
Earnings per share:				
Earnings per share-basic	\$ 10.32	\$ 8.86	\$ 18.66	\$ 16.08
Earnings per share-assuming dilution	\$ 10.22	\$ 8.78	\$ 18.49	\$ 15.94
Antidilutive potential common shares not included in the calculation of diluted earnings per share:				
Stock options ⁽¹⁾	79	135	88	133
Weighted-average exercise price per share of antidilutive stock options ⁽¹⁾	\$ 825.99	\$ 656.05	\$ 808.19	\$ 656.62

⁽¹⁾ See Note 11 for further information concerning the terms of the Company’s share-based compensation plans.

For the three and six months ended June 30, 2023 and 2022, the computation of diluted earnings per share did not include certain securities. These securities represent underlying stock options not included in the computation of diluted earnings per share, because the inclusion of such equity awards would have been antidilutive.

See Note 8 for information concerning the Company’s subsequent share repurchases.

NOTE 14 – LEGAL MATTERS

The Company is currently involved in litigation incidental to the ordinary conduct of the Company’s business. Based on existing facts and historical patterns, the Company accrues for litigation losses in instances where an adverse outcome is probable and the Company is able to reasonably estimate the probable loss in accordance with Accounting Standard Codification 450-20. The Company also accrues for an estimate of legal costs to be incurred for litigation matters. Although the Company cannot ascertain the amount of liability that it may incur from legal matters, it does not currently believe that, in the aggregate, these matters, taking into account applicable insurance and accruals, will have a material adverse effect on its consolidated financial position, results of operations or cash flows in a particular quarter or annual period.

NOTE 15 – RECENT ACCOUNTING PRONOUNCEMENTS

In September of 2022, the Financial Accounting Standards Board (the “FASB”) issued Accounting Standard Update (“ASU”) No. 2022-04, “Liabilities – Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations” (“ASU 2022-04”). ASU 2022-04 enhances the transparency of supplier finance programs. Under ASU 2022-04, a buyer in a supplier finance program

would be required to disclose sufficient information about the program to allow a user of financial statements to understand the program's nature, activity during the period, changes from period to period, and potential magnitude. ASU 2022-04 is effective for annual reporting periods beginning after December 15, 2022, including interim periods within that reporting period, except for the amendment on rollforward information, which is effective for fiscal years beginning after December 15, 2023. ASU 2022-04 allows for early adoption and requires retrospective adoption, except on rollforward information, which should be applied prospectively. The Company adopted this guidance, using the retrospective adoption method, beginning with its first quarter ending March 31, 2023, with the exception, as stated in the guidance, of the rollforward information, which will be adopted prospectively, disclosure for which will be effective with the Company's fiscal year beginning after December 15, 2023. The application of this new guidance did not have a material impact on the Company's consolidated financial condition, results of operations or cash flows, as the guidance requires disclosure only. See Note 5 for further information concerning the Company's supplier finance programs.

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

Unless otherwise indicated, “we,” “us,” “our,” and similar terms, as well as references to the “Company” or “O’Reilly,” refer to O’Reilly Automotive, Inc. and its subsidiaries.

In Management’s Discussion and Analysis, we provide a historical and prospective narrative of our general financial condition, results of operations, liquidity, and certain other factors that may affect our future results, including

- an overview of the key drivers and other influences on the automotive aftermarket industry;
- our results of operations for the three and six months ended June 30, 2023 and 2022;
- our liquidity and capital resources;
- our critical accounting estimates; and
- recent accounting pronouncements that may affect our Company.

The review of Management’s Discussion and Analysis should be made in conjunction with our condensed consolidated financial statements, related notes and other financial information, forward-looking statements, and other risk factors included elsewhere in this quarterly report.

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 quarterly report 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; consumer debt levels; product demand; a public health crisis; the market for auto parts; competition; weather; tariffs; availability of key products and supply chain disruptions; business interruptions, including terrorist activities, war and the threat of war; failure to protect our brand and reputation; challenges in international markets; volatility of the market price of our common stock; our increased debt levels; credit ratings on public debt; historical growth rate sustainability; our ability to hire and retain qualified employees; risks associated with the performance of acquired businesses; damage, failure or interruption of information technology systems, including information security and cyber-attacks; and governmental regulations. 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, 2022, and subsequent Securities and Exchange Commission 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.

OVERVIEW

We are a specialty retailer of automotive aftermarket parts, tools, supplies, equipment, and accessories in the United States, Puerto Rico, and Mexico. We are one of the largest U.S. automotive aftermarket specialty retailers, selling our products to both DIY customers and professional service providers – our “dual market strategy.” Our goal is to achieve growth in sales and profitability by capitalizing on our competitive advantages, such as our dual market strategy, superior customer service provided by well-trained and technically proficient Team Members, and strategic distribution and hub store network that provides same day and over-night inventory access for our stores to offer a broad selection of product offerings. The successful execution of our growth strategy includes aggressively opening new stores, growing sales in existing stores, continually enhancing merchandising and store layouts, and implementing our Omnichannel initiatives. As of June 30, 2023, we operated 6,027 stores in 48 U.S. states and Puerto Rico and 44 stores in Mexico.

The extensive product line offered in our stores consists of new and remanufactured automotive hard parts, maintenance items, accessories, a complete line of auto body paint and related materials, automotive tools, and professional service provider service equipment. Our extensive product line includes an assortment of products that are differentiated by quality and price for most of the product lines we offer. For many of our product offerings, this quality differentiation reflects “good,” “better,” and “best” alternatives. Our sales and total gross profit dollars are, generally, highest for the “best” quality category of products. Consumers’ willingness to select products at a higher point on the value spectrum is a driver of enhanced sales and profitability in our industry. We have ongoing initiatives focused on marketing and training to educate customers on the advantages of ongoing vehicle maintenance, as well as “purchasing up” on the value spectrum.

Our stores also offer enhanced services and programs to our customers, including used oil, oil filter, and battery recycling; battery, wiper, and bulb replacement; battery diagnostic testing; electrical and module testing; check engine light code extraction; loaner tool program; drum and rotor resurfacing; custom hydraulic hoses; professional paint shop mixing and related materials; and machine shops.

Our business is influenced by a number of general macroeconomic factors that impact both our industry and consumers, including, but not limited to, inflation, including rising consumer staples; fuel and energy costs; unemployment trends; interest rates; and other economic factors. Future changes, such as continued broad-based inflation and rapid fuel cost increases that exceed wage growth, may negatively impact our consumers' level of disposable income, and we cannot predict the degree these changes, or other future changes, may have on our business or industry.

We believe the key drivers of demand over the long-term for the products sold within the automotive aftermarket include the number of U.S. miles driven, number of U.S. registered vehicles, annual rate of light vehicle sales, and average vehicle age.

Number of Miles Driven

The number of total miles driven in the U.S. influences the demand for repair and maintenance products sold within the automotive aftermarket. In total, vehicles in the U.S. are driven approximately three trillion miles per year, resulting in ongoing wear and tear and a corresponding continued demand for the repair and maintenance products necessary to keep these vehicles in operation. According to the U.S. Department of Transportation, the number of total miles driven in the U.S. decreased 13.2% in 2020, as a result of responses to the coronavirus pandemic, including work from home arrangements and reduced travel. Miles driven improved and increased 11.2% in 2021, and continued to improve and increased 0.9% in 2022, and year-to-date through May of 2023, miles driven have increased 2.1%. Total miles driven can be impacted by macroeconomic factors, including rapid increases in fuel cost, but we are unable to predict the degree of impact these factors may have on miles driven in the future.

Size and Age of the Vehicle Fleet

The total number of vehicles on the road and the average age of the vehicle population heavily influence the demand for products sold within the automotive aftermarket industry. As reported by the Auto Care Association, the total number of registered vehicles increased 13.9% from 2012 to 2022, bringing the number of light vehicles on the road to 283 million by the end of 2022. In 2022, the rate of new vehicle sales was pressured due to supply chain constraints experienced by manufacturers, and the seasonally adjusted annual rate of light vehicle sales in the U.S. ("SAAR") was below the historical average at approximately 13.3 million vehicles for the year ended December 31, 2022. The degree to which potential supply chain constraints may affect new vehicle production capacity in 2023 is difficult to determine, with the current 2023 outlook for the SAAR estimated to be approximately 15.7 million vehicles, which again remains below the historical average. From 2012 to 2022, vehicle scrappage rates have remained relatively stable, ranging from 4.1% to 5.7% annually. As a result, over the past decade, the average age of the U.S. vehicle population has increased, growing 9.9%, from 11.1 years in 2012 to 12.2 years in 2022. While the annual changes to the vehicle population resulting from new vehicle sales and the fluctuation in vehicle scrappage rates in any given year represent a small percentage of the total light vehicle population and have a muted impact on the total number and average age of vehicles on the road over the short term, we believe our business benefits from the current environment of elevated new and used vehicle prices, as consumers are more willing to continue to invest in their current vehicle.

We believe the increase in average vehicle age over the long term can be attributed to better engineered and manufactured vehicles, which can be reliably driven at higher mileages due to better quality power trains, interiors and exteriors, coupled with consumers' willingness to invest in maintaining these higher-mileage, better built vehicles. As the average age of vehicles on the road increases, a larger percentage of miles are being driven by vehicles that are outside of a manufacturer warranty. These out-of-warranty, older vehicles generate strong demand for automotive aftermarket products as they go through more routine maintenance cycles, have more frequent mechanical failures, and generally require more maintenance than newer vehicles. We believe consumers will continue to invest in these reliable, higher-quality, higher-mileage vehicles, and these investments, along with an increasing total light vehicle fleet, will support continued demand for automotive aftermarket products.

Inflationary cost pressures impact our business; however, historically we have been successful, in many cases, in reducing the effects of merchandise cost increases, principally by taking advantage of supplier incentive programs, economies of scale resulting from increased volume of purchases and selective forward buying. To the extent our acquisition costs increase due to base commodity price increases or other input cost increases affecting the entire industry, we have typically been able to pass along these cost increases through higher selling prices for the affected products. As a result, we do not believe inflation has had a material adverse effect on our operations.

To some extent, our business is seasonal, primarily as a result of the impact of weather conditions on customer buying patterns. While we have historically realized operating profits in each quarter of the year, our store sales and profits have historically been higher in the second and third quarters (April through September) than in the first and fourth quarters (October through March) of the year.

We remain confident in our ability to gain market share in our existing markets and grow our business in new markets by focusing on our dual market strategy and the core O'Reilly values of hard work and excellent customer service.

RESULTS OF OPERATIONS

Sales:

Sales for the three months ended June 30, 2023, increased \$398 million, or 11%, to \$4.07 billion from \$3.67 billion for the same period one year ago. Sales for the six months ended June 30, 2023, increased \$810 million or 12% to \$7.78 billion from \$6.97 billion for the same period one year ago. Comparable store sales for stores open at least one year increased 9.0% and 4.3% for the three months ended June 30, 2023 and 2022, respectively. Comparable store sales for stores open at least one year increased 9.8% and 4.5% for the six months ended June 30, 2023 and 2022, respectively. Comparable store sales are calculated based on the change in sales for U.S. stores open at least one year and exclude sales of specialty machinery, sales to independent parts stores, and sales to Team Members. Online sales for ship-to-home orders and pickup in-store orders for U.S. stores open at least one year are included in the comparable store sales calculation. We opened 42 and 100 net, new stores during the three and six months ended June 30, 2023, respectively, compared to opening 62 and 116 net, new stores during the three and six months ended June 30, 2022, respectively. We anticipate total new store growth to be 180 to 190 net, new store openings in 2023.

The increase in sales for the three months ended June 30, 2023, was primarily the result of the 9.0% increase in domestic comparable store sales and a \$75 million increase in sales from new stores opened in 2022 and 2023 that are not considered comparable stores. The increase in sales for the six months ended June 30, 2023, was primarily the result of 9.8% increase in domestic comparable store sales and a \$143 million increase in sales from new stores opened in 2022 and 2023 that are not considered comparable stores. Our comparable store sales increases for the three and six months ended June 30, 2023, were driven by increases in average ticket values for both professional service provider and DIY customers and positive transaction counts from professional service provider customers, partially offset by negative transaction counts from DIY customers for the six months ended June 30, 2023. Transaction counts for DIY customers for the three months ended June 30, 2023, were flat. Average ticket values benefited from increases in average selling prices, on a same-SKU basis, as compared to the same period in 2022, driven by increases in acquisition costs of inventory, which were passed on in selling prices. Average ticket values also continue to be positively impacted by the increasing complexity and cost of replacement parts necessary to maintain the current population of better-engineered and more technically advanced vehicles. These better-engineered, more technically advanced vehicles require less frequent repairs, as the component parts are more durable and last for longer periods of time. The resulting decrease in repair frequency creates pressure on customer transaction counts; however, when repairs are needed, the cost of replacement parts is, on average, greater, which is a benefit to average ticket values. The increase in professional service provider customer transaction counts was driven by consistently exceptional execution of our strategies surrounding superior service, inventory availability, and competitive pricing. The decrease in DIY customer transaction counts for the six months ended was driven by broader industry dynamics on reduced repair frequency.

See Note 10 "Revenue" to the Condensed Consolidated Financial Statements for further information concerning the Company's sales.

Gross profit:

Gross profit for the three months ended June 30, 2023, increased 11% to \$2.09 billion (or 51.3% of sales) from \$1.88 billion (or 51.3% of sales) for the same period one year ago. Gross profit for the six months ended June 30, 2023, increased 11% to \$3.98 billion (or 51.1% of sales) from \$3.59 billion (or 51.6% of sales) for the same period one year ago. The increases in gross profit dollars for the three and six months ended June 30, 2023, were primarily the result of the increase in comparable store sales at existing stores and sales from new stores. Gross profit as a percentage of sales for the three months ended June 30, 2023, was flat, as compared to the same period one year ago. The decrease in gross profit as a percentage of sales for the six months ended June 30, 2023, was primarily due to the impact of the rollout of our professional pricing initiative in the first quarter of 2022, which was a strategic investment aimed at ensuring we are more competitively priced on the professional side of our business, a greater percentage of our total sales mix being generated from professional service provider customers, which carry a lower gross margin than DIY sales, and a benefit in the prior year from selling through inventory purchased prior to recent acquisition cost increases and corresponding selling price increases.

Selling, general and administrative expenses:

Selling, general and administrative expenses ("SG&A") for the three months ended June 30, 2023, increased 14% to \$1.23 billion (or 30.3% of sales) from \$1.09 billion (or 29.6% of sales) for the same period one year ago. SG&A for the six months ended June 30, 2023, increased 13% to \$2.41 billion (or 30.9% of sales) from \$2.12 billion (or 30.5% of sales) for the same period one year ago. The increases in total SG&A dollars for the three and six months ended June 30, 2023, were primarily the result of additional Team Members, facilities, and vehicles to support our increased sales and store count. The increase in SG&A as a percentage of sales for the three months ended June 30, 2023, was principally due to increased store staffing to support superior service levels, increased expense for the market value performance of the Company's Deferred Compensation Plan, depreciation costs on accelerated refreshment of store delivery fleet, investment initiatives aimed at refreshing the image and appearance of our stores, increased cost for self-insured auto liability exposure,

which was driven by inflation in claim costs, and our transition to enhanced benefit programs for our Team Members. The increase in SG&A as a percentage of sales for the six months ended June 30, 2023, was primarily the result of the items discussed above, as well as the costs associated with the resumption of our annual in-person leadership conference. See Note 11 “Share-Based Compensation and Benefit Plans” to the Condensed Consolidated Financial Statements for further information concerning the Company’s Deferred Compensation Plan.

Operating income:

As a result of the impacts discussed above, operating income for the three months ended June 30, 2023, increased 7% to \$854 million (or 21.0% of sales) from \$799 million (or 21.8% of sales) for the same period one year ago. As a result of the impacts discussed above, operating income for the six months ended June 30, 2023, increased 7% to \$1.57 billion (or 20.2% of sales) from \$1.47 billion (or 21.1% of sales) for the same period one year ago.

Other income and expense:

Total other expense for the three months ended June 30, 2023, increased 8% to \$45 million (or 1.1% of sales) from \$41 million (or 1.1% of sales) for the same period one year ago. Total other expense for the six months ended June 30, 2023, increased 8% to \$84 million (or 1.1% of sales) from \$78 million (or 1.1% of sales) for the same period one year ago. The increases in total other expense for the three and six months ended June 30, 2023, were the result of increased interest expense on higher average outstanding borrowings, partially offset by an increase in the value of our trading securities, as compared to a decrease in the same period one year ago. See Note 6 “Financing” to the Condensed Consolidated Financial Statements for further information concerning the Company’s borrowings. See Note 3 “Fair Value Measurements” to the Condensed Consolidated Financial Statements for further information concerning the Company’s trading securities.

Income taxes:

Our provision for income taxes for the three months ended June 30, 2023, increased 1% to \$182 million (22.5% effective tax rate) from \$181 million (23.8% effective tax rate) for the same period one year ago. Our provision for income taxes for the six months ended June 30, 2023, increased 3% to \$342 million (23.0% effective tax rate) from \$332 million (23.9% effective tax rate) for the same period one year ago. The increases in our provision for income taxes for the three and six months ended June 30, 2023, were the result of higher taxable income, partially offset by higher excess tax benefits from share-based compensation in the current periods, as compared to the same period one year ago. The decreases in our effective tax rate for the three and six months ended June 30, 2023, were the result of higher excess tax benefits from share-based compensation in the current periods, as compared to the same period one year ago.

Net income:

As a result of the impacts discussed above, net income for the three months ended June 30, 2023, increased 9% to \$627 million (or 15.4% of sales) from \$577 million (or 15.7% of sales) for the same period one year ago. As a result of the impacts discussed above, net income for the six months ended June 30, 2023, increased 8% to \$1.14 billion (or 14.7% of sales) from \$1.06 billion (or 15.2% of sales) for the same period one year ago.

Earnings per share:

Our diluted earnings per common share for the three months ended June 30, 2023, increased 16% to \$10.22 on 61 million shares from \$8.78 on 66 million shares for the same period one year ago. Our diluted earnings per common share for the six months ended June 30, 2023, increased 16% to \$18.49 on 62 million shares from \$15.94 on 66 million shares for the same period one year ago.

LIQUIDITY AND CAPITAL RESOURCES

Our long-term business strategy requires capital to open new stores, fund strategic acquisitions, expand distribution infrastructure, operate and maintain our existing stores, develop enhanced information technology systems and tools, and may include the opportunistic repurchase of shares of our common stock through our Board-approved share repurchase program. Our material cash requirements necessary to maintain the current operations of our long-term business strategy include, but are not limited to, inventory purchases; human capital obligations, including payroll and benefits; contractual obligations, including debt and interest obligations; capital expenditures; payment of income taxes; and other operational priorities. We expect to fund our short- and long-term cash and capital requirements with our primary sources of liquidity, which include funds generated from the normal course of our business operations, borrowings under our unsecured revolving credit facility, and senior note offerings. However, there can be no assurance that we will continue to generate cash flows or maintain liquidity at or above recent levels, as we are unable to predict decreased demand for our products or changes in customer buying patterns. Additionally, these factors could also impact our ability to meet the debt covenants of our credit agreement and, therefore, negatively impact the funds available under our unsecured revolving credit facility.

Other than the commitment discussed in Note 12 “Commitments” to the Condensed Consolidated Financial Statements, there have been no material changes to the contractual obligations, to which we are committed, since those discussed in our annual report on Form 10-K for the year ended December 31, 2022.

The following table identifies cash provided by/(used in) our operating, investing and financing activities for the six months ended June 30, 2023 and 2022 (in thousands):

	For the Six Months Ended	
	June 30,	
Liquidity:	2023	2022
Total cash provided by/(used in):		
Operating activities	\$ 1,651,369	\$ 1,391,973
Investing activities	(460,006)	(224,865)
Financing activities	(1,243,149)	(1,275,489)
Effect of exchange rate changes on cash	1,083	172
Net decrease in cash and cash equivalents	<u>\$ (50,703)</u>	<u>\$ (108,209)</u>
Capital expenditures	\$ 460,942	\$ 228,921
Free cash flow ⁽¹⁾	1,167,288	1,153,153

⁽¹⁾ Calculated as net cash provided by operating activities, less capital expenditures, excess tax benefit from share-based compensation payments, and investment in tax credit equity investments for the period. See page 23 for the reconciliation of the calculation of free cash flow.

Operating activities:

The increase in net cash provided by operating activities during the six months ended June 30, 2023, compared to the same period in 2022, was primarily due to an increase in income taxes payable, an increase in net income, a smaller decrease in accrued benefits and withholdings, partially offset by a smaller decrease in net inventory investment, as compared to the same period in 2022. The increase in income taxes payable was primarily attributable to the timing of tax payments in anticipation of benefits from the expected purchase of federal renewable energy tax credits. The decrease in accrued benefits and withholdings was due to lower accrued incentive compensation payments in 2023, versus the same period in 2022.

Investing activities:

The increase in net cash used in investing activities during the six months ended June 30, 2023, compared to the same period in 2022, was the result of an increase in capital expenditures. The increase in capital expenditures was primarily due to an increase in store and distribution enhancement and expansion projects, as well as an increase in vehicle fleet upgrade investments, in the current period, as compared to the same period in the prior year.

Financing activities:

The decrease in net cash used in financing activities during the six months ended June 30, 2023, compared to the same period in 2022, was attributable to net borrowings on our revolving credit facility in 2023 and a lower level of repurchases of our common stock in the current period, as compared to the same period in the prior year, partially offset by the issuance of \$850 million aggregate principal amount of senior notes in the prior year and the redemption of \$300 million aggregate principal amount of senior notes in the current period.

Debt instruments:

See Note 6 “Financing” to the Condensed Consolidated Financial Statements for information concerning the Company’s credit agreement, unsecured revolving credit facility, outstanding letters of credit and unsecured senior notes.

Debt covenants:

The indentures governing our senior notes contain covenants that limit our ability and the ability of certain of our subsidiaries to, among other things, create certain liens on assets to secure certain debt and enter into certain sale and leaseback transactions, and limit our ability to merge or consolidate with another company or transfer all or substantially all of our property, in each case as set forth in the indentures. These covenants are, however, subject to a number of important limitations and exceptions. As of June 30, 2023, we were in compliance with the covenants applicable to our senior notes.

The Credit Agreement contains certain covenants, including limitations on indebtedness, a minimum consolidated fixed charge coverage ratio of 2.50:1.00 and a maximum consolidated leverage ratio of 3.50:1.00. The consolidated fixed charge coverage ratio includes a calculation of earnings before interest, taxes, depreciation, amortization, rent, and non-cash share-based compensation expense to fixed charges. Fixed charges include interest expense, capitalized interest, and rent expense. The consolidated leverage ratio includes a

calculation of adjusted debt to earnings before interest, taxes, depreciation, amortization, rent, and non-cash share-based compensation expense. Adjusted debt includes outstanding debt, outstanding stand-by letters of credit, and similar instruments, five-times rent expense and excludes any premium or discount recorded in conjunction with the issuance of long-term debt. In the event that we should default on any covenant contained within the Credit Agreement, certain actions may be taken, including, but not limited to, possible termination of commitments, immediate payment of outstanding principal amounts plus accrued interest and other amounts payable under the Credit Agreement, and litigation from our lenders.

We had a consolidated fixed charge coverage ratio of 6.55 times and 6.89 times as of June 30, 2023 and 2022, respectively, and a consolidated leverage ratio of 1.81 times and 1.84 times as of June 30, 2023 and 2022, respectively, remaining in compliance with all covenants related to the borrowing arrangements.

The table below outlines the calculations of the consolidated fixed charge coverage ratio and consolidated leverage ratio covenants, as defined in the Credit Agreement governing the Revolving Credit Facility, for the twelve months ended June 30, 2023 and 2022 (dollars in thousands):

	For the Twelve Months Ended	
	June 30,	
	2023	2022
GAAP net income	\$ 2,258,260	\$ 2,136,265
Add: Interest expense	179,654	141,830
Rent expense ⁽¹⁾	409,323	380,417
Provision for income taxes	636,388	619,047
Depreciation expense	377,089	329,420
Amortization expense	4,472	7,925
Non-cash share-based compensation	28,327	24,783
Non-GAAP EBITDAR	<u>\$ 3,893,513</u>	<u>\$ 3,639,687</u>
Interest expense	\$ 179,654	\$ 141,830
Capitalized interest	5,262	6,194
Rent expense ⁽¹⁾	409,323	380,417
Total fixed charges	<u>\$ 594,239</u>	<u>\$ 528,441</u>
Consolidated fixed charge coverage ratio	6.55	6.89
GAAP debt	\$ 4,873,702	\$ 4,669,833
Add: Stand-by letters of credit	111,428	108,891
Discount on senior notes	5,888	6,692
Debt issuance costs	20,410	23,475
Five-times rent expense	2,046,615	1,902,085
Non-GAAP adjusted debt	<u>\$ 7,058,043</u>	<u>\$ 6,710,976</u>
Consolidated leverage ratio	1.81	1.84

⁽¹⁾ The table below outlines the calculation of Rent expense and reconciles Rent expense to Total lease cost, per Accounting Standard Codification 842 (“ASC 842”) the most directly comparable GAAP financial measure, for the twelve months ended June 30, 2023 and 2022 (in thousands):

	For the Twelve Months Ended	
	June 30,	
	2023	2022
Total lease cost, per ASC 842	\$ 485,805	\$ 453,697
Less: Variable non-contract operating lease components, related to property taxes and insurance	76,482	73,280
Rent expense	<u>\$ 409,323</u>	<u>\$ 380,417</u>

The table below outlines the calculation of Free cash flow and reconciles Free cash flow to Net cash provided by operating activities, the most directly comparable GAAP financial measure, for the six months ended June 30, 2023 and 2022 (in thousands):

	For the Six Months Ended	
	June 30,	
	2023	2022
Cash provided by operating activities	\$ 1,651,369	\$ 1,391,973
Less: Capital expenditures	460,942	228,921
Excess tax benefit from share-based compensation payments	18,990	5,819
Investment in tax credit equity investments	4,149	4,080
Free cash flow	<u>\$ 1,167,288</u>	<u>\$ 1,153,153</u>

Free cash flow, the consolidated fixed charge coverage ratio, and the consolidated leverage ratio discussed and presented in the tables above are not derived in accordance with United States generally accepted accounting principles (“GAAP”). We do not, nor do we suggest investors should, consider such non-GAAP financial measures in isolation from, or as a substitute for, GAAP financial information. We believe that the presentation of our free cash flow, consolidated fixed charge coverage ratio, and consolidated leverage ratio provides meaningful supplemental information to both management and investors and reflects the required covenants under the Credit Agreement. We include these items in judging our performance and believe this non-GAAP information is useful to investors as well. Material limitations of these non-GAAP measures are that such measures do not reflect actual GAAP amounts. We compensate for such limitations by presenting, in the tables above, a reconciliation to the most directly comparable GAAP measures.

Share repurchase program:

See Note 8 “Share Repurchase Program” to the Consolidated Financial Statements for information on our share repurchase program.

CRITICAL ACCOUNTING ESTIMATES

The preparation of our financial statements in accordance with GAAP requires the application of certain estimates and judgments by management. Management bases its assumptions, estimates, and adjustments on historical experience, current trends and other factors believed to be relevant at the time the condensed consolidated financial statements are prepared. There have been no material changes in the critical accounting estimates since those discussed in our annual report on Form 10-K for the year ended December 31, 2022.

RECENT ACCOUNTING PRONOUNCEMENTS

See Note 15 “Recent Accounting Pronouncements” to the Condensed Consolidated Financial Statements for information about recent accounting pronouncements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Interest rate risk:

We are subject to interest rate risk to the extent we borrow against our unsecured revolving credit facility (the “Revolving Credit Facility”) with variable interest rates based on either an Alternative Base Rate or Adjusted Term SOFR Rate, as defined in the credit agreement governing the Revolving Credit Facility. As of June 30, 2023, we had outstanding borrowings under our Revolving Credit Facility in the amount of \$800.0 million, at the weighted-average variable interest rate of 6.390%. At this borrowing level, a 10% increase in interest rates would have had an unfavorable annual impact on our pre-tax earnings and cash flows in the amount of \$6.0 million.

Cash equivalents risk:

We invest certain of our excess cash balances in short-term, highly-liquid instruments with maturities of 90 days or less. We do not expect any material losses from our invested cash balances and we believe that our interest rate exposure is minimal. As of June 30, 2023, our cash and cash equivalents totaled \$57.9 million.

Foreign currency risk:

Foreign currency exposures arising from transactions include firm commitments and anticipated transactions denominated in a currency other than our entities’ functional currencies. To minimize our risk, we generally enter into transactions denominated in the respective functional currencies. Our foreign currency exposure arises from Mexican peso-denominated revenues and profits and their translation into U.S. dollars.

We view our investments in Mexican subsidiaries as long-term. The net asset exposure in the Mexican subsidiaries translated into U.S. dollars using the period-end exchange rates was \$294.7 million at June 30, 2023. The period-end exchange rate of the Mexican peso, relative to the U.S. dollar, strengthened by approximately 13.8% from December 31, 2022. The potential loss in value of our net assets in the Mexican subsidiaries resulting from a 10% change in quoted foreign currency exchange rates at June 30, 2023, would be approximately \$26.8 million. Any changes in our net assets in the Mexican subsidiaries relating to foreign currency exchange rates would be reflected in the financial statements through the foreign currency translation component of accumulated other comprehensive income, unless the Mexican subsidiaries are sold or otherwise disposed. A 10% change in average exchange rates would not have had a material impact on our results of operations.

Our market risks have not materially changed since those discussed in our annual report on Form 10-K for the year ended December 31, 2022.

Item 4. Controls and Procedures

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

As of the end of the period covered by this report, the management of the Company, under the supervision and with the participation of its Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Rule 13a-15(b) and as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended ("the Exchange Act"). Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the Company's disclosure controls and procedures as of the end of the period covered by this report are functioning effectively to provide reasonable assurance that the information required to be disclosed by the Company, including its consolidated subsidiaries, in reports filed under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and is accumulated and communicated to management, including the Company's Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

CHANGES IN INTERNAL CONTROLS

There were no changes in the Company's internal control over financial reporting during the fiscal quarter ended June 30, 2023, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The Company is currently involved in litigation incidental to the ordinary conduct of the Company's business. Based on existing facts and historical patterns, the Company accrues for litigation losses in instances where an adverse outcome is probable and the Company is able to reasonably estimate the probable loss in accordance with Accounting Standard Codification 450-20. The Company also accrues for an estimate of legal costs to be incurred for litigation matters. Although the Company cannot ascertain the amount of liability that it may incur from legal matters, it does not currently believe that, in the aggregate, these matters, taking into account applicable insurance and accruals, will have a material adverse effect on its consolidated financial position, results of operations or cash flows in a particular quarter or annual period.

Item 1A. Risk Factors

As of June 30, 2023, there have been no material changes to the risk factors set forth in our annual report on Form 10-K for the year ended December 31, 2022.

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

The Company had no sales of unregistered securities during the six months ended June 30, 2023. The following table identifies all repurchases during the three months ended June 30, 2023, of any of the Company's securities registered under Section 12 of the Securities Exchange Act of 1934, as amended, by or on behalf of the Company or any affiliated purchaser (in thousands, except per share data):

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Programs ⁽¹⁾
April 1, 2023, to April 30, 2023	170	\$ 866.61	170	\$ 464,678
May 1, 2023, to May 31, 2023	132	932.08	132	2,341,640
June 1, 2023, to June 30, 2023	450	910.49	450	\$ 1,931,890
Total as of June 30, 2023	752	\$ 904.37	752	

⁽¹⁾ The authorization under the share repurchase program that currently has capacity is scheduled to expire on May 23, 2026. No other share repurchase programs existed during the six months ended June 30, 2023. See Note 8 "Share Repurchase Program" to the Condensed Consolidated Financial Statements for further information on our share repurchases.

Item 5. Other Information

(c) Rule 10b5-1 Trading Plan Elections:

None of the Company's Directors or Officers adopted, modified, or terminated a Rule 10b5-1 trading arrangement or a non-Rule 10b5-1 trading arrangement, as defined in Item 408(c) of Regulation S-K, during the Company's fiscal quarter ended June 30, 2023.

Item 6. Exhibits

Exhibit No.	Description
3.1	Second Amended and Restated Articles of Incorporation of the Registrant, filed as Exhibit 3.1 to the Registrant's Current Report on Form 8-K dated May 19, 2020, is incorporated herein by this reference.
3.2	Fourth Amended and Restated Bylaws of the Registrant, filed as Exhibit 3.3 to the Registrant's Current Report on Form 8-K dated May 19, 2020, is incorporated herein by this reference.
10.1 *	First Amendment to the Credit Agreement, dated as of March 6, 2023, among O'Reilly Automotive, Inc., JPMorgan Chase Bank, N.A., as Administrative Agent, and the lenders party thereto, filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q dated May 9, 2023, is incorporated herein by this reference.
10.2 (a)	O'Reilly Automotive, Inc. 2009 Stock Purchase Plan, as Amended and Restated May 4, 2016, and further Amended and Restated May 18, 2023, filed herewith.
31.1	Certificate of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.
31.2	Certificate of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.
32.1 **	Certificate of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, furnished herewith.
32.2 **	Certificate of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, furnished herewith.
101.INS	iXBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	iXBRL Taxonomy Extension Schema.
101.CAL	iXBRL Taxonomy Extension Calculation Linkbase.
101.DEF	iXBRL Taxonomy Extension Definition Linkbase.
101.LAB	iXBRL Taxonomy Extension Label Linkbase.
101.PRE	iXBRL Taxonomy Extension Presentation Linkbase.
104	Cover Page Interactive Data File, formatted as Inline XBRL, contained in Exhibit 101 attachments.
(a)	Management contract or compensatory plan or arrangement
*	Certain schedules and exhibits to this agreement have been omitted pursuant to Item 601(a)(5) of Regulation S-K.
**	Furnished (and not filed) herewith pursuant to Item 601(b)(32)(ii) of Regulation S-K.

SIGNATURES

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

O'REILLY AUTOMOTIVE, INC.

August 8, 2023

Date

/s/ Gregory D. Johnson

Gregory D. Johnson
Chief Executive Officer
(Principal Executive Officer)

August 8, 2023

Date

/s/ Jeremy A. Fletcher

Jeremy A. Fletcher
Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

**O'REILLY AUTOMOTIVE, INC.
2009 STOCK PURCHASE PLAN**

As Amended and Restated May 18, 2023

1. ESTABLISHMENT OF PLAN.

(a) Introduction. O'Reilly Automotive, Inc., a Missouri corporation (the "Company"), hereby establishes the O'Reilly Automotive, Inc. 2009 Stock Purchase Plan, as amended and restated May 4, 2016 and further amended and restated on May 18, 2023 (the "Plan") upon the terms and conditions set forth herein, in order to encourage and assist employees and officers of the Company and its subsidiaries in making regular purchases of the Company's common stock, par value \$.01 per share (the "Common Stock"). The Plan is not intended to qualify as an "Employee Stock Purchase Plan" under Section 423 of the Internal Revenue Code of 1986, as amended (the "Code").

(b) Definitions.

(1) "Closed Window" shall have the meaning ascribed to it in Section 12 of this Plan.

(2) "Committee" shall mean a committee of members of the Board of Directors appointed by the Board of Directors of the Company to administer the Plan, which shall initially be the Compensation Committee of the Board of Directors, and if no committee is appointed, the full Board of Directors of the Company.

(3) "Custodian" shall be a bank or other financial institution designated by the Committee to act on behalf of the Participating Employees as custodian of the securities issued pursuant hereto.

(4) "Custodian Account" shall mean the separate account maintained by the Custodian for the benefit of the Participating Employees and bearing the Plan's name.

(5) "Election Amount" shall mean that portion of a Participating Employee's wages which he or she authorizes the Company or its subsidiaries to withhold and use to purchase Common Stock in accordance with the terms of the Plan.

(6) "Employee Deduction Authorization" shall mean the electronic form submitted by all Participating Employees in the manner specified herein upon their entry into, or voluntary termination of their participation in, the Plan.

(7) "Fair Market Value" means, on any given date with respect to Common Stock, (A) if the Common Stock is not publicly traded, the amount determined by the Committee on such date; (B) if the Common Stock is traded only otherwise than on a securities exchange and is not quoted on the NASDAQ, the closing quoted selling price of the Common Stock on such date as quoted in "pink sheets" published by the National Daily Quotation Bureau; (C) if the Common Stock is traded only otherwise than on a securities exchange and is quoted on NASDAQ, the closing quoted selling price of the Stock on such date as reported by the Wall Street Journal; or (D) if the Common Stock is admitted to trading on a securities exchange, the closing quoted selling price of the Common Stock on such date as reported in the Wall Street Journal.

(8) "Insider" means any person identified as an insider within the "Insider Trading" provisions of the Company's Code of Business Conduct and Ethics, as may be amended from time to time.

(9) "Participating Employee(s)" shall mean all eligible employees of the Company who are participating in the Plan.

(10) "Participation Date(s)" shall mean the first day of the month following the date on which an employee becomes eligible to participate in the Plan in accordance with the provisions of Section 3.

(11) “Participating Employee Account” shall mean the separate account maintained by the Company for each Participating Employee.

(12) “Remittance(s)” shall mean the total of all Election Amounts withheld by the Company to purchase shares of Common Stock hereunder.

2. ADMINISTRATION OF THE PLAN.

(a) The Committee. The Plan shall be administered by the Committee, whose interpretation and construction of any of its provisions, unless otherwise determined by the Board of Directors of the Company, shall be final and conclusive on all persons having any interest hereunder. Members of the Committee shall continue to serve in such capacity from year to year at the will of the Board of Directors of the Company unless sooner removed or replaced by the Board of Directors of the Company in its absolute discretion. The Committee shall make such rules and regulations for the conduct of its business as it shall deem appropriate. The Committee shall hold its meetings on such dates and at such times and places as it shall deem advisable.

(b) The Custodian. The Custodian shall perform such duties on behalf of the Participating Employees as are specifically set forth in the Plan subject to the terms and conditions set forth in the remaining provisions of the Plan. The Committee shall have the right to change the designated Custodian at such times as in its discretion it deems advisable.

3. ELIGIBILITY. Subject to the provisions of Section 8 of this Plan, all employees of the Company or a U.S. subsidiary (excluding Puerto Rico) of the Company (whether officers, salaried, clerical, office, supervisory or otherwise) who are classified as full-time employees by the Company or any of its subsidiaries, excluding employees, if any, who are covered by a binding and effective collective bargaining agreement if such collective bargaining agreement prohibits their participation in this Plan, shall be eligible to participate in the Plan. For purposes of this Plan, any employee that is customarily scheduled to work (i) at least [thirty (30)] hours per week or (ii) at least [one hundred thirty (130)] hours each month shall be deemed to be a “full-time” employee. The Company shall have the discretion to determine if an employee meets the eligibility requirements set forth in this Plan.

4. EMPLOYEE PARTICIPATION.

(a) Offering Periods. The Plan shall be administered by consecutive offering periods with a new offering period commencing on the first day of each month and ending on the last day of each month. The Committee shall have the power to change the duration and frequency of offering periods with respect to future offerings without stockholder approval.

(b) Employee Deduction Authorization. Each eligible employee who wishes to participate in the Plan shall enroll in the Plan via an Employee Deduction Authorization, authorizing and instructing the Company or the appropriate subsidiary (i) to withhold and credit to his Participating Employee Account an Election Amount and (ii) to use the Election Amount to purchase Common Stock in accordance with the procedure hereinafter set forth. The Election Amount, which shall be stated in terms of a percentage of gross salary, shall not be greater than five percent (5%) nor less than one percent (1%) of the Participating Employee’s gross salary per payroll period.

(c) Participation Dates. Each eligible employee who (i) submits an Employee Deduction Authorization (whether or not eligible to participate in the Plan at the time of submission) and (ii) satisfies the eligibility requirements set forth in Section 3 of this Plan, shall commence participation on the first applicable Participation Date in the offering period immediately following such time. Provided, however, that any Employee Deduction Authorization submitted by any Insider during a Closed Window shall be null and void *ab initio*.

(d) Modification of Participation. Subject to Section 4(c) of this Plan, participation shall be on the basis of the Employee Deduction Authorization most recently submitted to the Company, and each such Employee Deduction Authorization may be modified, effective the next practicable succeeding Participation Date, by a subsequently submitted Employee Deduction Authorization.

5. PURCHASE OF COMMON STOCK; DELIVERY OF STOCK TO CUSTODIAN. On or as soon as practicable following the first business day of each month (the "Purchase Date"), the Company shall issue that number of whole shares of Common Stock obtained by dividing the Remittance for the preceding calendar month (the "Subject Month") by 85% of the average of the highest and lowest per share price of the Common Stock during the Subject Month and rounding upward (the "Purchase Price") if necessary so that only whole shares are issued. The Company reserves the right to adjust from time to time the Purchase Date to a different date and the Purchase Price to any percentage greater than 85% of the Fair Value per share of the Common Stock (up to 100% of the Fair Market Value per share of Common Stock) and each Participating Employee will receive notification of any such adjustment. Such shares shall be issued in the name of the Custodian, or its nominee, for and on behalf of the Participating Employees, and a certificate or certificates evidencing such shares shall be delivered promptly to the Custodian to be held by the Custodian in the Custodian Account under the terms of this Plan. Such shares may consist of authorized but unissued shares of Common Stock or previously issued shares of Common Stock reacquired by the Company. The Company may also deliver to the Custodian a certificate or certificates evidencing any shares of stock or other securities issued pursuant to stock dividends or other non-cash distributions made in respect of the Common Stock.

Purchase rights shall not be transferable by a Participating Employee otherwise than by will or the laws of descent and distribution. During a Participating Employee's lifetime, purchase rights shall be exercisable only by such Participating Employee.

6. PARTICIPATING EMPLOYEE ACCOUNTS; DISTRIBUTIONS. Concurrently with the submission to the Custodian of shares of Common Stock issued hereunder, the Company shall advise the Custodian of the portion of the Remittance withheld on behalf of each Participating Employee and such other information required by the Custodian in order to perform all bookkeeping required in connection with the Participating Employee Accounts. In addition to reflecting the number of shares to be credited to each Participating Employee's Account each month, the Custodian shall reflect in such bookkeeping any stock dividends or other securities distributed as a result of stock splits or other non-cash distributions in respect of issued shares of Common Stock and delivered to the Custodian. Cash dividends or other cash distributions payable in respect of the Common Stock shall be paid by the Company directly to each Participating Employee at his or her address of record based upon the number of shares held for such Participating Employee in the Custodian Account as of the record date of such cash dividend or other cash distribution.

Within a reasonable time after the end of each calendar quarter, each Participating Employee who shall have participated in the Plan during such quarter shall be given a statement of his Participating Employee Account as of the end of such quarter showing, at a minimum, all Remittances credited to such Participating Employee's Account, all transactions therein, the dates thereof, the cost of all shares purchased and any balance of shares remaining therein.

7. CUSTODY AND RECEIPT OF SHARES. All shares of Common Stock received by the Custodian on behalf of Participating Employees pursuant to the provisions of this Plan shall be held by the Custodian (however, a Participating Employee shall retain all rights in respect of such shares during the time that his or her shares are so held by the Custodian) until certificates evidencing the ownership of such shares are issued to Participating Employees. Each certificate shall evidence the ownership by a Participating Employee of the whole shares of Common Stock then credited to his Participating Employee Account, together with the number of whole shares or other securities equal to the proportionate share of such distributions theretofore received in respect of whole and fractional shares of Common Stock then credited to the Participating Employee's Account. The Custodian may, at its sole discretion, distribute any such shares by (i) issuing a certificate evidencing the ownership of such shares or (ii) issuing such shares in electronic book entry form to an account specified in writing by the Participating Employee making such request.

8. TERMINATION OF PARTICIPATION.

(a) Termination of a Participating Employee's employment for any reason, including retirement, death, disability, or the failure of a Participating Employee to remain an eligible employee of the Company or a U.S. subsidiary (excluding Puerto Rico) of the Company as set forth in Section 3 of this Plan, immediately terminates his or her participation in the Plan. The Company will have sole discretion to determine whether a Participating Employee has terminated employment and the effective date on which the Participating Employee terminated such employment.

(b) In the event a Participating Employee's interest in this Plan is terminated by withdrawal, termination of employment or otherwise, or in the event this Plan is terminated by the Board of Directors of the Company, the Company shall deliver as soon as practicable, to the Participating Employee all accumulated Election Amounts credited to such employee's Participating Employee Account.

(c) In the event of the death of any Participating Employee prior to any distribution called for hereunder, such distribution shall be made to the executors or administrators of the estate of such Participating Employee.

9. RIGHTS OF PARTICIPATING EMPLOYEES.

(a) Election Amount. All Election Amount funds shall remain the absolute property of the respective Participating Employees until such funds are invested in the Common Stock as herein provided and during such preinvestment period shall constitute an indebtedness of the Company to each Participating Employee. All Election Amounts received shall be included in the general funds of the Company free of any trust or other restriction and may be used for any corporate purpose. No interest shall be paid on any amount credited to a Participating Employee's Account.

(b) Withdrawal of Funds and Alienation of Accounts. No Participating Employee is entitled to any funds or investments credited to his Participating Employee Account except in accordance with the provisions of the Plan. No shares of Common Stock or amount of money credited to a Participating Employee Account shall be subject in any manner, either by voluntary or involuntary acts, to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, garnishment, attachment, execution, sequestration or charge, and any attempt, to, anticipate, alienate, sell, transfer, assign, pledge, encumber or charge the same shall be void, nor shall any shares of Common Stock or amount of money credited to a Participating Employee Account be in any manner liable for his debts, contracts, liabilities, engagements or torts, or be subject to any legal processes, attachment, execution, garnishment, sequestration or levy by creditors or in any suit for alimony or child support.

(c) Transferability of Stock Upon Distribution. All shares of Common Stock shall be freely transferable by a Participating Employee upon the distribution of such shares to such Participating Employee, subject to such restrictions on their sale as may be imposed upon the holder thereof under federal or state securities laws.

10. COST OF ADMINISTRATION. The Company shall pay all costs regarding administration of the Plan and no part of such costs shall be charged against any Participating Employee's Account.

11. TERMINATION AND AMENDMENT OF PLAN. The Board of Directors of the Company may amend, alter, suspend, discontinue or terminate the Plan at any time; provided, however, that, notwithstanding any other provision of the Plan, without the approval of the shareholders of the Company, no such amendment, alteration, suspension, discontinuation or termination shall be made that, absent such approval: (a) violates the rules or regulations of the NASDAQ or any other securities exchanges that are applicable to the Company; or (b) materially increases the number of shares authorized under the Plan. The Committee may correct any defect, supply any omission or reconcile any inconsistency in the Plan in the manner and to the extent it shall deem desirable to carry the Plan into effect.

12. SHARES SUBJECT TO PLAN; DURATION. The aggregate number of shares which may be issued under the Plan shall not exceed 1,500,000, subject to adjustment for changes in capitalization of the Company as described in the following paragraph, consisting of newly issued shares and/or shares reacquired by the Company. The Plan shall remain in effect until terminated by the Board of Directors of the Company in accordance with the provisions of Section 11 hereof; provided, however, that the Committee or the Board of Directors of the Company may suspend the operation of the Plan from time to time for any interim period as shall be deemed necessary by either of them, including any period during which it shall be necessary to assure compliance with any applicable federal or state securities law (each, a "Closed Window").

In the event of any merger, consolidation, spin-off, reorganization, recapitalization, dividend in property other than cash, stock split, reverse stock split, stock dividend, liquidating dividend, combination or reclassification of Common Stock or similar transaction, the Committee shall take any actions or make any adjustments which, in the exercise of its discretion, it deems to be necessary or appropriate under the circumstances. The Committee's determinations under this Section 12 shall be conclusive and binding on all parties.

13. CONSTRUCTION AND APPLICABLE LAW.

(a) Construction. When used herein the male, female and neuter gender shall include the other and the singular shall include the plural as the context or facts so admit.

(b) Applicable Law. This Plan shall be governed by and construed in accordance with the internal laws of the State of Missouri.

14. NO RIGHT TO EMPLOYMENT. Nothing in the Plan shall be construed to give any person (including any Participating Employee) the right to remain in the employ of the Company or a subsidiary, or to affect the right of the Company or any subsidiary to terminate the employment of any person (including any Participating Employee) at any time, with or without cause, which right is expressly reserved.

15. TAX WITHHOLDING. The Company or any subsidiary shall be entitled to require payment in cash or deduction from other compensation payable to each Participating Employee of any sums required by federal, state or local tax law to be withheld with respect to any purchase of shares of Common Stock under the Plan or any sale of such shares.

16. SECTION 409A. Purchase rights granted under this Plan are intended to be exempt from the application of Section 409A of the Internal Revenue Code (the "Code") as purchase rights granted are intended to constitute "short term deferrals" and any ambiguities herein shall be interpreted such that those purchase rights shall be so exempt from Section 409A of the Code. In furtherance of the foregoing and notwithstanding any provision in this Plan to the contrary, if the Committee determines that a purchase right granted under the Plan may be subject to Section 409A of the Code or that any provision in the Plan would cause a purchase right under the Plan to be subject to Section 409A of the Code, the Committee may amend the terms of the Plan, or take such other action the Committee determines is necessary or appropriate, in each case, without the Participating Employee's consent, to exempt any outstanding or future purchase right that may be granted under the Plan from or to allow any such purchase right to comply with Section 409A of the Code, but only to the extent any such amendments or action by the Committee would not violate Section 409A of the Code. Notwithstanding the foregoing, the Company shall have no liability to a Participating Employee or any other party if the right to purchase Common Stock under the Plan that is intended to be exempt from or compliant with Section 409A of the Code is not so exempt or compliant or for any action taken by the Committee with respect thereto. The Company makes no representation that the right to purchase Common Stock under this Plan is compliant with Section 409A of the Code.

O'REILLY AUTOMOTIVE, INC. AND SUBSIDIARIES

CERTIFICATIONS

I, Gregory D. Johnson, certify that:

1. I have reviewed this report on Form 10-Q of O'Reilly Automotive, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2023

/s/ Gregory D. Johnson

Gregory D. Johnson
Chief Executive Officer
(Principal Executive Officer)

O'REILLY AUTOMOTIVE, INC. AND SUBSIDIARIES

CERTIFICATIONS

I, Jeremy A. Fletcher, certify that:

1. I have reviewed this report on Form 10-Q of O'Reilly Automotive, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that was materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2023

/s/ Jeremy A. Fletcher

Jeremy A. Fletcher
Executive Vice President and
Chief Financial Officer
(Principal Financial and Accounting Officer)

O'REILLY AUTOMOTIVE, INC. AND SUBSIDIARIES

O'REILLY AUTOMOTIVE, INC.
CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Report of O'Reilly Automotive, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Gregory D. Johnson, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Gregory D. Johnson

Gregory D. Johnson
Chief Executive Officer

August 8, 2023

This certification is made solely for purposes of 18 U.S.C. Section 1350, and not for any other purpose. This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

O'REILLY AUTOMOTIVE, INC. AND SUBSIDIARIES

O'REILLY AUTOMOTIVE, INC.
CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Report of O'Reilly Automotive, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jeremy A. Fletcher, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Jeremy A. Fletcher

Jeremy A. Fletcher
Chief Financial Officer

August 8, 2023

This certification is made solely for purposes of 18 U.S.C. Section 1350, and not for any other purpose. This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.