



FOR IMMEDIATE RELEASE

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## O'REILLY AUTOMOTIVE, INC. REPORTS FIRST QUARTER 2018 RESULTS

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- *First quarter comparable store sales increase of 3.4%*
- *28% increase in first quarter diluted earnings per share to \$3.61*

Springfield, MO, April 25, 2018 – O'Reilly Automotive, Inc. (the "Company" or "O'Reilly") (*Nasdaq*: ORLY), a leading retailer in the automotive aftermarket industry, today announced record revenues and earnings for its first quarter ended March 31, 2018.

### *1<sup>st</sup> Quarter Financial Results*

Greg Henslee, O'Reilly's CEO commented, "Our Team's dedication to excellent customer service drove a 3.4% increase in comparable store sales, which was above the mid-point of our guidance for the first quarter, and our relentless focus on profitable growth translated this top-line performance into a 5% increase in operating profit dollars and a 28% increase in diluted earnings per share for the first quarter. I would like to thank Team O'Reilly for their hard work and unwavering commitment to providing unsurpassed levels of service to our customers every day and for their contributions to our ongoing success."

Sales for the first quarter ended March 31, 2018, increased \$126 million, or 6%, to \$2.28 billion from \$2.16 billion for the same period one year ago. Gross profit for the first quarter increased to \$1.20 billion (or 52.6% of sales) from \$1.13 billion (or 52.5% of sales) for the same period one year ago, representing an increase of 6%. Selling, general and administrative expenses for the first quarter increased to \$778 million (or 34.1% of sales) from \$728 million (or 33.8% of sales) for the same period one year ago, representing an increase of 7%. Operating income for the first quarter increased to \$423 million (or 18.5% of sales) from \$403 million (or 18.7% of sales) for the same period one year ago, representing an increase of 5%.

Net income for the first quarter ended March 31, 2018, increased \$40 million, or 15%, to \$305 million (or 13.4% of sales) from \$265 million (or 12.3% of sales) for the same period one year ago. Diluted earnings per common share for the first quarter increased 28% to \$3.61 on 85 million shares versus \$2.83 on 93 million shares for the same period one year ago.

Mr. Henslee concluded, "We believe the long-term drivers for demand in our industry remain intact, including a growing and aging vehicle fleet that is driven over three trillion miles each year; but more importantly, we are very confident in our ability to continue to gain market share by providing consistently high levels of service to our customers, and we are well positioned to build on the improved trends we drove in the first quarter."

### *Share Repurchase Program*

During the first quarter ended March 31, 2018, the Company repurchased 2.2 million shares of its common stock, at an average price per share of \$251.08, for a total investment of \$549 million. Subsequent to the end of the first quarter and through the date of this release, the Company repurchased an additional 0.4 million shares of its common stock, at an average price per share of \$235.25, for a total investment of \$87 million. The Company has repurchased a total of 68.8 million shares of its common stock under its share repurchase program since the inception of the program in January of 2011 and through the date of this release, at an average price of \$140.55, for a total aggregate investment of \$9.67 billion. As of the date of this release, the Company had approximately \$1.08 billion remaining under its current share repurchase authorizations.

### ***1<sup>st</sup> Quarter Comparable Store Sales Results***

Comparable store sales are calculated based on the change in sales for stores open at least one year and exclude sales of specialty machinery, sales to independent parts stores and sales to Team Members. Comparable store sales increased 3.4% for the first quarter ended March 31, 2018, on top of 0.8% for the same period one year ago.

### ***2<sup>nd</sup> Quarter and Updated Full-Year 2018 Guidance***

The table below outlines the Company's guidance for selected second quarter and updated full-year 2018 financial data:

|   | <b>For the Three Months Ending<br/>June 30, 2018</b> | <b>For the Year Ending<br/>December 31, 2018</b> |
|---|--|--|
| Comparable store sales                    | 2% to 4%   | 2% to 4%   |
| Total revenue                             |  | \$9.4 billion to \$9.6 billion                   |
| Gross profit as a percentage of sales     |  | 52.5% to 53.0%                                   |
| Operating income as a percentage of sales |  | 18.5% to 19.0%                                   |
| Effective income tax rate                 |  | 23% to 24%                                       |
| Diluted earnings per share <sup>(1)</sup> | \$3.95 to \$4.05                                     | \$15.30 to \$15.40                               |
| Capital expenditures                      |  | \$490 million to \$520 million                   |
| Free cash flow <sup>(2)</sup>             |  | \$1.1 billion to \$1.2 billion                   |

<sup>(1)</sup> Weighted-average shares outstanding, assuming dilution, used in the denominator of this calculation, includes share repurchases made by the Company through the date of this release.

<sup>(2)</sup> Calculated as net cash provided by operating activities, less capital expenditures and excess tax benefit from share-based compensation payments for the period.

### ***Non-GAAP Information***

This release contains certain financial information not derived in accordance with United States generally accepted accounting principles ("GAAP"). These items include adjusted debt to earnings before interest, taxes, depreciation, amortization, share-based compensation and rent ("EBITDAR") and free cash flow. The Company does not, nor does it suggest investors should, consider such non-GAAP financial measures in isolation from, or as a substitute for, GAAP financial information. The Company believes that the presentation of adjusted debt to EBITDAR and free cash flow provide meaningful supplemental information to both management and investors that is indicative of the Company's core operations. The Company has included a reconciliation of this additional information to the most comparable GAAP measure in the selected financial information below.

### ***Earnings Conference Call Information***

The Company will host a conference call on Thursday, April 26, 2018, at 10:00 a.m. Central Time to discuss its results as well as future expectations. Investors may listen to the conference call live on the Company's website at [www.oreillyauto.com](http://www.oreillyauto.com) by clicking on "Investor Relations" and then "News Room." Interested analysts are invited to join the call. The dial-in number for the call is (847) 619-6397; the conference call identification number is 46648810. A replay of the conference call will be available on the Company's website through Thursday, April 25, 2019.

### ***About O'Reilly Automotive, Inc.***

O'Reilly Automotive, Inc. was founded in 1957 by the O'Reilly family and is one of the largest specialty retailers of automotive aftermarket parts, tools, supplies, equipment and accessories in the United States, serving both the do-it-yourself and professional service provider markets. Visit the Company's website at [www.oreillyauto.com](http://www.oreillyauto.com) for additional information about O'Reilly, including access to online shopping and current promotions, store locations, hours and services, employment opportunities and other programs. As of March 31, 2018, the Company operated 5,097 stores in 47 states.

### ***Forward-Looking Statements***

The Company claims 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 press release that are not historical facts are forward-looking statements, such as statements discussing, among other things, expected growth, store development, integration and expansion strategy,

business strategies, the impact of the U.S. Tax Cuts and Jobs Act, future revenues and future performance. These forward-looking statements are based on estimates, projections, beliefs and assumptions and are not guarantees of future events and results. Such statements are subject to risks, uncertainties and assumptions, including, but not limited to, the economy in general, inflation, product demand, the market for auto parts, competition, weather, risks associated with the performance of acquired businesses, our ability to hire and retain qualified employees, consumer debt levels, our increased debt levels, credit ratings on public debt, governmental regulations, terrorist activities, war and the threat of war. Actual results may materially differ from anticipated results described or implied in these forward-looking statements. Please refer to the “Risk Factors” section of the annual report on Form 10-K for the year ended December 31, 2017, for additional factors that could materially affect the Company’s financial performance. Forward-looking statements speak only as of the date they were made and the Company undertakes 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.

**For further information contact:**

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

|   | <u>March 31, 2018</u><br>(Unaudited) | March 31, 2017<br>(Unaudited) | December 31, 2017<br>(Note) |
|---|--------------------------------------|-------------------------------|-----------------------------|
| <b>Assets</b>                                   |                                      |                               |                             |
| Current assets:                                 |                                      |                               |                             |
| Cash and cash equivalents                       | \$ 38,525                            | \$ 27,539                     | \$ 46,348                   |
| Accounts receivable, net                        | 224,386                              | 195,651                       | 216,251                     |
| Amounts receivable from suppliers               | 78,232                               | 71,157                        | 76,236                      |
| Inventory                                       | 3,052,748                            | 2,872,646                     | 3,009,800                   |
| Other current assets                            | 52,520                               | 38,540                        | 49,037                      |
| Total current assets                            | <u>3,446,411</u>                     | <u>3,205,533</u>              | <u>3,397,672</u>            |
| Property and equipment, at cost                 | 5,292,431                            | 4,935,126                     | 5,191,135                   |
| Less: accumulated depreciation and amortization | 1,902,668                            | 1,760,476                     | 1,847,329                   |
| Net property and equipment                      | <u>3,389,763</u>                     | <u>3,174,650</u>              | <u>3,343,806</u>            |
| Goodwill  | 789,104                              | 785,568                       | 789,058                     |
| Other assets, net                               | 41,379                               | 37,973                        | 41,349                      |
| Total assets                                    | <u>\$ 7,666,657</u>                  | <u>\$ 7,203,724</u>           | <u>\$ 7,571,885</u>         |
| <b>Liabilities and shareholders' equity</b>     |                                      |                               |                             |
| Current liabilities:                            |                                      |                               |                             |
| Accounts payable                                | \$ 3,222,785                         | \$ 2,987,996                  | \$ 3,190,029                |
| Self-insurance reserves                         | 74,826                               | 70,479                        | 71,695                      |
| Accrued payroll                                 | 84,579                               | 75,762                        | 77,147                      |
| Accrued benefits and withholdings               | 62,435                               | 49,081                        | 69,308                      |
| Income taxes payable                            | 66,618                               | 89,640                        | —                           |
| Other current liabilities                       | 236,938                              | 232,805                       | 239,187                     |
| Total current liabilities                       | <u>3,748,181</u>                     | <u>3,505,763</u>              | <u>3,647,366</u>            |
| Long-term debt                                  | 3,193,066                            | 1,977,539                     | 2,978,390                   |
| Deferred income taxes                           | 89,776                               | 92,610                        | 85,406                      |
| Other liabilities                               | 211,806                              | 205,216                       | 207,677                     |
| Shareholders' equity:                           |                                      |                               |                             |
| Common stock, \$0.01 par value:                 |                                      |                               |                             |
| Authorized shares – 245,000,000                 |                                      |                               |                             |
| Issued and outstanding shares –                 |                                      |                               |                             |
| 82,267,885 as of March 31, 2018,                |                                      |                               |                             |
| 91,320,866 as of March 31, 2017, and            |                                      |                               |                             |
| 84,302,187 as of December 31, 2017              | 823                                  | 913                           | 843                         |
| Additional paid-in capital                      | 1,247,366                            | 1,331,416                     | 1,265,043                   |
| Retained (deficit) earnings                     | (824,361)                            | 90,267                        | (612,840)                   |
| Total shareholders' equity                      | <u>423,828</u>                       | <u>1,422,596</u>              | <u>653,046</u>              |
| Total liabilities and shareholders' equity      | <u>\$ 7,666,657</u>                  | <u>\$ 7,203,724</u>           | <u>\$ 7,571,885</u>         |

Note: The balance sheet at December 31, 2017, 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.

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

|   | <b>For the Three Months Ended<br/>March 31,</b> |              |
|---|---|--------------|
|   | <b>2018</b>                                     | <b>2017</b>  |
| Sales   | \$ 2,282,681                                    | \$ 2,156,259 |
| Cost of goods sold, including warehouse and distribution expenses | 1,081,423                                       | 1,025,112    |
| Gross profit  | 1,201,258                                       | 1,131,147    |
| Selling, general and administrative expenses                      | 778,412   | 727,990      |
| Operating income  | 422,846   | 403,157      |
| Other income (expense):   |   |              |
| Interest expense  | (28,217)  | (19,404)     |
| Interest income   | 572   | 706          |
| Other, net  | 205   | 765          |
| Total other expense   | (27,440)  | (17,933)     |
| Income before income taxes  | 395,406   | 385,224      |
| Provision for income taxes  | 90,500  | 120,290      |
| Net income  | \$ 304,906                                      | \$ 264,934   |
| <i>Earnings per share-basic:</i>                                  |   |              |
| Earnings per share  | \$ 3.65   | \$ 2.88      |
| Weighted-average common shares outstanding – basic                | 83,530  | 92,001       |
| <i>Earnings per share-assuming dilution:</i>                      |   |              |
| Earnings per share  | \$ 3.61   | \$ 2.83      |
| Weighted-average common shares outstanding – assuming dilution    | 84,523  | 93,495       |

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

|   | <b>For the Three Months Ended<br/>March 31,</b> |             |
|---|---|-------------|
|   | <b>2018</b>                                     | <b>2017</b> |
| <b>Operating activities:</b>  |   |             |
| Net income  | \$ 304,906                                      | \$ 264,934  |
| Adjustments to reconcile net income to net cash provided by operating activities: |   |             |
| Depreciation and amortization of property, equipment and intangibles              | 69,920  | 57,008      |
| Amortization of debt discount and issuance costs                                  | 795   | 642         |
| Deferred income taxes   | 4,370   | 2,611       |
| Share-based compensation programs   | 5,176   | 5,428       |
| Other   | 2,244   | 1,810       |
| Changes in operating assets and liabilities:                                      |   |             |
| Accounts receivable   | (10,421)  | 219         |
| Inventory   | (42,643)  | (93,167)    |
| Accounts payable  | 32,756  | 51,230      |
| Income taxes payable  | 79,380  | 116,009     |
| Other   | (14,206)  | (30,024)    |
| Net cash provided by operating activities   | 432,277   | 376,700     |
| <b>Investing activities:</b>  |   |             |
| Purchases of property and equipment   | (114,843)                                       | (110,632)   |
| Proceeds from sale of property and equipment                                      | 752   | 245         |
| Other   | (375)   | (636)       |
| Net cash used in investing activities   | (114,466)                                       | (111,023)   |
| <b>Financing activities:</b>  |   |             |
| Proceeds from borrowings on revolving credit facility                             | 755,000   | 482,000     |
| Payments on revolving credit facility   | (541,000)                                       | (392,000)   |
| Repurchases of common stock   | (549,450)                                       | (490,330)   |
| Net proceeds from issuance of common stock  | 11,972  | 15,750      |
| Other   | (2,156)   | (156)       |
| Net cash used in financing activities   | (325,634)                                       | (384,736)   |
| Net decrease in cash and cash equivalents   | (7,823)   | (119,059)   |
| Cash and cash equivalents at beginning of the period                              | 46,348  | 146,598     |
| Cash and cash equivalents at end of the period                                    | \$ 38,525                                       | \$ 27,539   |
| <b>Supplemental disclosures of cash flow information:</b>                         |   |             |
| Income taxes paid   | \$ 7,939  | \$ —        |
| Interest paid, net of capitalized interest  | 48,763  | 31,954      |

**O'REILLY AUTOMOTIVE, INC. AND SUBSIDIARIES**  
**SELECTED FINANCIAL INFORMATION**  
(Unaudited)

|   | <b>For the Twelve Months Ended<br/>March 31,</b> |              |
|---|--|--------------|
|   | <b>2018</b>                                      | 2017         |
| <b><u>Adjusted Debt to EBITDAR:</u></b>               |  |              |
| (In thousands, except adjusted debt to EBITDAR ratio) |  |              |
| GAAP debt   | \$ 3,193,066                                     | \$ 1,977,539 |
| Add: Letters of credit                                | 36,943   | 41,196       |
| Discount on senior notes                              | 3,548  | 3,002        |
| Debt issuance costs                                   | 13,386   | 9,459        |
| Six-times rent expense                                | 1,810,932  | 1,729,020    |
| Adjusted debt   | \$ 5,057,875                                     | \$ 3,760,216 |
| GAAP net income                                       | \$ 1,173,776                                     | \$ 1,047,251 |
| Add: Interest expense                                 | 100,162  | 75,514       |
| Provision for income taxes                            | 474,210  | 569,590      |
| Depreciation and amortization                         | 246,757  | 222,096      |
| Share-based compensation expense                      | 19,149   | 19,109       |
| Rent expense  | 301,822  | 288,170      |
| EBITDAR   | \$ 2,315,876                                     | \$ 2,221,730 |
| Adjusted debt to EBITDAR                              | 2.18   | 1.69         |

|   | <b>March 31,</b> |        |
|---|------------------|--------|
|   | <b>2018</b>      | 2017   |
| <b><u>Selected Balance Sheet Ratios:</u></b>              |                  |        |
| Inventory turnover <sup>(1)</sup>                         | 1.4              | 1.5    |
| Average inventory per store (in thousands) <sup>(2)</sup> | \$ 599           | \$ 588 |
| Accounts payable to inventory <sup>(3)</sup>              | 105.6%           | 104.0% |
| Return on assets <sup>(4)</sup>                           | 15.6%            | 14.4%  |

|  | <b>For the Three Months Ended<br/>March 31,</b> |            |
|--|---|------------|
|  | <b>2018</b>                                     | 2017       |
| <b><u>Reconciliation of Free Cash Flow (in thousands):</u></b> |   |            |
| Cash provided by operating activities                          | \$ 432,277                                      | \$ 376,700 |
| Less: Capital expenditures                                     | 114,843   | 110,632    |
| Excess tax benefit from share-based compensation payments      | 6,318   | 23,314     |
| Free cash flow   | \$ 311,116                                      | \$ 242,754 |

**Store and Team Member Information:**

|                       | For the Three Months Ended<br>March 31, |       | For the Twelve Months Ended<br>March 31, |       |
|-----------------------|---|-------|--|-------|
|                       | 2018                                    | 2017  | 2018                                     | 2017  |
| Beginning store count | 5,019                                   | 4,829 | 4,888                                    | 4,623 |
| New stores opened     | 78                                      | 60    | 216                                      | 220   |
| Stores acquired       | —                                       | —     | —  | 48    |
| Stores closed         | —                                       | (1)   | (7)                                      | (3)   |
| Ending store count    | 5,097                                   | 4,888 | 5,097                                    | 4,888 |

|  | For the Three Months Ended<br>March 31, |          | For the Twelve Months Ended<br>March 31, |           |
|--|---|----------|--|-----------|
|  | 2018                                    | 2017     | 2018                                     | 2017      |
| Total employment   | 76,946                                  | 75,108   |  |           |
| Square footage (in thousands)                                  | 37,339                                  | 35,573   |  |           |
| Sales per weighted-average square foot <sup>(5)</sup>          | \$ 61.15                                | \$ 60.53 | \$ 248.58                                | \$ 249.47 |
| Sales per weighted-average store (in thousands) <sup>(6)</sup> | \$ 447                                  | \$ 440   | \$ 1,814                                 | \$ 1,813  |

<sup>(1)</sup> Calculated as cost of goods sold for the last 12 months divided by average inventory. Average inventory is calculated as the average of inventory for the trailing four quarters used in determining the denominator.

<sup>(2)</sup> Calculated as inventory divided by store count at the end of the reported period.

<sup>(3)</sup> Calculated as accounts payable divided by inventory.

<sup>(4)</sup> Calculated as net income for the last 12 months divided by average total assets. Average total assets is calculated as the average of total assets for the trailing four quarters used in determining the denominator.

<sup>(5)</sup> Calculated as sales less jobber sales, divided by weighted-average square footage. Weighted-average square footage is determined by weighting store square footage based on the approximate dates of store openings, acquisitions, expansions or closures.

<sup>(6)</sup> Calculated as sales less jobber sales, divided by weighted-average stores. Weighted-average stores is determined by weighting stores based on their approximate dates of openings, acquisitions or closures.