REFINITIV STREETEVENTS

EDITED TRANSCRIPT

ORLY.OQ - Q3 2020 O'Reilly Automotive Inc Earnings Call

EVENT DATE/TIME: OCTOBER 29, 2020 / 3:00PM GMT

OVERVIEW:

ORLY reported 3Q20 results with sales increase of $541m YoverY and diluted EPS of $7.07.

©2020 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

CORPORATE PARTICIPANTS

Gregory D. Johnson *O'Reilly Automotive, Inc. - CEO & Co-President*

Jeff M. Shaw *O'Reilly Automotive, Inc. - COO & Co-President*

Thomas G. McFall *O'Reilly Automotive, Inc. - CFO & Executive VP*

CONFERENCE CALL PARTICIPANTS

Bret David Jordan *Jefferies LLC, Research Division - MD & Equity Analyst*

Brian William Nagel *Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst*

David Leonard Bellinger *Wolfe Research, LLC - Research Analyst*

Gregory Scott Melich *Evercore ISI Institutional Equities, Research Division - Senior MD*

Katharine Amanda McShane *Goldman Sachs Group, Inc., Research Division - Equity Analyst*

Michael Allen Baker *D.A. Davidson & Co., Research Division - MD & Senior Research Analyst*

Seth Ian Sigman *Crédit Suisse AG, Research Division - United States Hardline Retail Equity Research Analyst*

Zachary Robert Fadem *Wells Fargo Securities, LLC, Research Division - Senior Analyst*

PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the O'Reilly Automotive, Inc. Third Quarter 2020 Earnings Conference Call. My name is Howard, and I will be your operator for today's call. (Operator Instructions)

I will now turn the call over to Mr. Tom McFall. Mr. McFall, you may begin.

Thomas G. McFall - *O'Reilly Automotive, Inc. - CFO & Executive VP*

Thank you, Howard. Good morning, everyone, and thank you for joining us. During today's conference call, we will discuss our third quarter 2020 results. After our prepared comments, we'll host a question-and-answer period.

Before we begin this morning, I'd like to remind everyone that our comments today contain forward-looking statements, and we intend to be covered by and we claim the protection under the safe harbor provisions for forward-looking statements contained in 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.

The company's actual results could differ materially from any forward-looking statements due to several important factors described in the company's latest annual report on Form 10-K for the year ended December 31, 2019, and other recent SEC filings. The company assumes no obligation to update any forward-looking statements made during this call.

At this time, I'd like to introduce Greg Johnson.

©2020 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

Gregory D. Johnson - *O'Reilly Automotive, Inc. - CEO & Co-President*

Thanks, Tom. Good morning, everyone, and welcome to the O'Reilly Auto Parts third quarter conference call. Participating on the call with me this morning are Jeff Shaw, our Chief Operating Officer and Co-President; and Tom McFall, our Chief Financial Officer. David O'Reilly, our Executive Chairman; and Greg Henslee, our Executive Vice Chairman, are also present on the call.

We are pleased to announce record-breaking performance for our third quarter and are again amazed at the ability of Team O'Reilly to produce such excellent results in the midst of one of the most challenging periods in the history of our company. Our team remained dedicated to our customers and drove an outstanding 16.9% increase in comparable store sales in the third quarter, a 39% increase in diluted earnings per share to $7.07 while also consistently executing on our protocols to protect the health and safety of our team members and customers in the midst of the COVID-19 crisis.

While the challenges we face during 2020 are far from routine, our teams have done an exceptional job adjusting to the current environments and modifying the ways we conduct business during this pandemic. They've done so without sacrificing our focus on providing excellent customer service or any of the value our customers have come to expect. We continue to be diligent in our efforts to constantly evaluate and revise our safety protocols as recommended by public health and governmental agencies and are extremely focused on executing best practices across our company.

Before we continue with our prepared comments, I'd like to express our deep gratitude to our team for their hard work and commitment to our customers. There is absolutely no question about how important our business is in meeting our customers' critical needs, and I couldn't be prouder of Team O'Reilly for their contributions during this once in a lifetime challenge.

Now I'd like to provide some details on our robust performance in the third quarter. As we discussed on the second quarter conference call, we started off the third quarter with a continuation of the strong trends in top line sales volume we generated from mid-April through June. As we progress through the quarter, we continue to see resilient, robust sales performance on both sides of our business.

From a cadence perspective, comps were in the strong mid- to high teens throughout the quarter with the best performance at the beginning of the quarter in July. We had steady, consistent performance in the balance of the quarter in August and September after adjusting for Sunday comparison differences between these 2 months. As we indicated in our press release yesterday, our comparable store sales thus far in the fourth quarter remained strong and are trending slightly below our third quarter exit rate in the low double-digit range.

As we discussed on both our last 2 quarters' earnings calls, we have been very cautious on how we thought about our sales outlook as we progress through the unprecedented uncertainty in our markets and the broader economy. This includes a comment on last quarter's conference call that we expect that sales would moderate from the record-setting pace we were seeing at that time as we move through the back half of 2020. We've been somewhat surprised and definitely pleased at how steady our strong sales comps trends have been. And to the extent volumes did moderate in the third quarter and into the fourth quarter, that moderation has been much more gradual than the immediate acceleration we experienced when demand swung heavily in our direction in April.

Our sales trends are even more encouraging in light of the fading tailwinds to our business from the expiration of government stimulus payments and enhanced unemployment benefits under the CARES Act as we moved further past when those dollars were being injected into the economy.

Moving to the composition of our strong sales performance in the third quarter. Our DIY business was the stronger contributor during the quarter, but our professional business also performed very well, and the relative trends on both sides of our business tracked along with the cadence for total sales in the quarter I just discussed. From a ticket perspective, we continue to see robust increases in both ticket count comps and average ticket comps on both sides of our business, even though we saw a muted impact in average ticket from same SKU inflation, which is in line with our expectations.

As we saw in the second quarter, our category performance reflected strong performance across all of our product lines with some of the best performance in outfront categories in our DIY business as well as another extremely strong sales quarter for batteries. We believe these results indicate a continued ability and willingness of our DIY customers to work on larger projects. I want to be clear that even though these more discretionary categories have been our better performers for the last 2 quarters, we have still been very pleased with our sales volume across our

©2020 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

business. While demand in under car hard part categories is more failure related and did not perform quite as strong as the company average in the third quarter, sales for these traditional categories were still robust and significantly better than historical trends.

At this point, I'm sure the question everyone listening in on today's call would like to have answered is, what are the discrete factors that are driving this incredible surge in our sales and how long will they persist? Well, it's impossible to provide a definitive answer to that question, but we do expect demand to remain solid, and there are several potential tailwinds and headwinds we are watching as we look forward.

We certainly saw for at least the last portion of our quarter continued tailwinds from government stimulus under the CARES Act and likely saw some residual benefit as unemployment benefits were partially extended for a short period of time later in our quarter. Even as those payments have lapsed, the positive impact they have had to support the health of the consumer has mitigated the negative impact from economic pressure on the consumers we would normally expect in a period of such rapid increase in unemployment and significant economic stress.

We also have a long track record of experience from economic cycles in this industry, seeing consumers respond to economic uncertainty by deferring new vehicle purchases and investing more in maintaining their existing vehicles. The combination of this incentive to take care of an existing vehicle, coupled with the government stimulus, has likely driven a reduction in underperformed vehicle maintenance, and we expect our business will continue to benefit as economic conditions recover.

Aside for the macro benefits that have helped the automotive aftermarket, it's also clear to us that our strong sales performance is the result of significant share gains our team has delivered over the course of the past several months. We execute a high-touch, capital-intensive business model that requires a well-equipped, technically proficient team of professional parts people providing outstanding service. We have simply been blown away by the amazing commitment and resilience of our team.

In the face of extremely difficult circumstances, they haven't wavered in delivering the value propositions we promise to our customers. Our team's consistency in providing excellent customer service differentiates us and help us drive market-leading results in the stable economic conditions, and these advantages are even more pronounced when everyone in the automotive aftermarket is facing enormous external challenges. As pleased as we are with our team's great performance in the third quarter, we know the goodwill we've created from meeting customers' essential needs during this crisis will drive customer loyalty and even further business in the long term.

We remain optimistic about the health of the automotive aftermarket and believe we will continue to see strong demand in our industry but remain cautious in our immediate sales outlook given the uncertainties that still exist. As miles driven has remained under pressure at the same time the government stimulus has ceased, we've been encouraged to see continued strong demand, particularly on our professional business, where the demographics of the ultimate consumer is more likely toward jobs that have instituted work-from-home arrangements. We can't anticipate what risk we could face if macroeconomic conditions worsen and miles driven stays depressed nor do we make any assumption as to whether there will be additional government stimulus or to the degree of which our demand would benefit.

In the immediate short term, we would remind everyone on the call that our fourth quarter can be quite volatile given the variable impact of weather and consumer demand dynamics during the holiday season, which could be more pronounced this year as some consumers face economic challenges as a result of the pandemic. We can also see some volatility as a result of the election next week as we did in 2016. Ultimately, we'll have to wait and see where our sales level out. We have been very encouraged by the stability of sales trends during the 6-month period of record-setting comps and feel very confident our company continue to deliver solid sales growth even if the broader economic conditions deteriorate.

Moving on to gross margin for the quarter. Our gross margin of 52.4% was a 96 basis point reduction from the third quarter 2019 gross margin. The decrease from last year was driven by reduced LIFO benefit from the impact of merchandise purchased in 2019 before tariff-related cost increases, which Tom will discuss more fully in his comments, as well as the planned expected dilution from Mayasa.

For the third quarter, our team delivered an operating profit margin of 22.6%, an increase of 250 basis points over the third quarter of 2019. And for the first 9 months of 2020, we have generated over $1.8 billion of free cash flow. Jeff will discuss our outstanding operating performance in more details in his prepared comments.

©2020 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

Again, I want to offer my congratulations to Team O'Reilly for another quarter of record-breaking sales and profitability. Your willingness to go the extra mile to ensure everybody who enters our stores, DCs or corporate offices while also providing unwavering customer service is truly outstanding.

I'll now turn the call over to Jeff Shaw. Jeff?

Jeff M. Shaw - *O'Reilly Automotive, Inc. - COO & Co-President*

Thanks, Greg, and good morning, everyone. I want to start today by echoing Greg's comments and expressing my sincere thanks to Team O'Reilly for another incredible quarter. Our team's ability to diligently follow all of our pandemic protocols to protect the health and safety of our team members and customers while generating the best top line results we've ever seen is simply remarkable.

We operate a very stable business model that has been fine-tuned over many years to deliver an exceptional value to our customers while maximizing the productivity of our human capital and shareholder investment. However, we would have never expected our model to be tested in the way it has in 2020. We've never imagined a scenario where store volumes skyrocketed overnight and sustained such a high rate of productivity for 6 months. Simply put, delivering the results we announced yesterday requires a tremendous amount of hard work and ingenuity by the teams in our stores and DCs.

As Greg previously discussed, we generated an increase in operating margin of 250 basis points to 22.6% and operating profit dollar growth of 35%, both of which represent record third quarter operating profit results for our company. We drove this increased profitability by generating 16.9% comparable store sales, capitalizing both on the strong macroeconomic environment and taking market share while limiting our SG&A per store growth to 3.6% for the quarter.

As we discussed last quarter, the timing and unique circumstances of the changes we've seen in our business in 2020, starting with the significant headwinds at the onset of the COVID-19 crisis followed by the dramatic, immediate surge in business, have created a perfect opportunity for us to execute our model and drive record-breaking operating profits. As a result, we indicated on last quarter's call that we expected our SG&A expense would gravitate back towards historical levels as we refocused on important details in our business that can get deferred when we're focused solely on doing everything in our power to provide excellent customer service. In line with those expectations, we've seen incremental increases in our operating cost, but our sales have simply just continued to outrun the growth of our SG&A.

Looking forward, we've been encouraged by the steady sales trends we've seen. And as each week goes by and our team continues to adjust to the current environment, we've been better able to plan and manage our SG&A expenses, especially our store payroll. However, there is still a significant amount of uncertainty in how long and at what level the extremely strong sales will last. And we're remaining cautious in how we plan expenses, especially as we enter a more volatile sales season in the fourth quarter.

Since our biggest challenge remains providing excellent customer service in the heavy sales environment, we acknowledge that there are certain important tasks such as refocusing on the image and appearance of our stores and catching up on our team member training and development, which are still being deferred in some cases. As always, we will be extremely focused on controlling our expenses to match our service levels to customer demand and will leverage the lessons learned so far in 2020 as we respond to market conditions moving forward.

Next, I'd like to touch briefly on our capital expenditure and expansion plans. On last quarter's conference call, I discussed our reset and expectations for new store, DC and capital project development in light of the challenges we faced as a result of the pandemic. And my update today is that we've tracked along with those revised plans.

Through the first 9 months of 2020, we've opened 153 net new stores, which was within our expected range of 150 to 165 new stores, revised down from 180 new stores after we encountered delays for design and permitting approvals. We still have new stores on the schedule to open in the fourth quarter and expect our total count will ultimately fall towards the top end of that updated range.

Now even in the best conditions, opening a new store takes a tremendous amount of hard work. So we've been especially pleased with our ability to open great new store locations with solid teams this year, and our 2020 cohort of new stores are off to a very strong start. We typically announce

©2020 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

our new store target for next year on today's third quarter conference call. However, we're still fine-tuning our 2021 target based on our evaluation of how many stores we think we can get through the lengthy process of planning and permitting given continued expectations that the pandemic will slow these time lines.

After successfully opening our newest DC in Lebanon, Tennessee in the first quarter, we'd originally planned to open a second facility in Horn Lake, Mississippi, just south of Memphis this year as well but have shifted opening that DC to the first half of 2021 due to team member health concerns associated with the travel necessary to train new team members in preparation for opening the facility. Our distribution teams have a great track record of identifying strong DC leadership and running a smooth opening process, and this project is no exception.

Finally, we've also made good progress on our other planned 2020 CapEx projects in the third quarter, including work we've discussed before to update our store hardware, modernize our distribution vehicle fleet and other initiatives to enhance the service we provide to our customers and drive strong returns. We remain extremely excited about the opportunities presented by these projects, and we'll continue to move forward aggressively even though a significant amount of the CapEx plan for 2020 will fall into next year.

Before I turn the call over to Tom, I want to once again thank Team O'Reilly for their dedication and hard work in the third quarter. Hopefully, we will never see another year with the difficulties 2020 has posed, but I'm amazed at how our team has stepped up to meet the challenges, although I'm not surprised since Team O'Reilly has consistently proven to be the best in our industry.

While we've never had a crisis that's affected all of our company in such a profound way as COVID-19, our teams have encountered many difficult environments over the years, including the full spectrum of national disasters, and they always prove their ability to weather the storm.

To close, I'll repeat the same comment I made on our second quarter call. I'm especially proud of the commitment of our team has shown to our customers, their diligence in executing best practices to protect the health and safety of everyone in our stores, DCs and offices while keeping our business running efficiently to provide our customers with the essential parts they need is truly world class.

Now I'll turn the call over to Tom.

Thomas G. McFall - *O'Reilly Automotive, Inc. - CFO & Executive VP*

Thanks, Jeff. I'd also like to thank all of Team O'Reilly for their continued commitment to our customers, which drove our incredible performance in the third quarter.

Now we'll take a closer look at our quarterly results. For the quarter, sales increased $541 million, comprised of $441 million increase in comp store sales, a $71 million increase in noncomp store sales, a $32 million increase in noncomp nonstore sales and a $3 million decrease from closed stores. As a reminder, we previously withdrew our 2020 guidance. And given the ongoing uncertainty related to COVID-19, we are not resuming guidance at this time.

As Greg previously mentioned, gross margin for the third quarter decreased 96 basis points to 52.4%, which was driven by a year-over-year comparison to the significant gross margin benefits we captured in the third quarter of 2019 related to the sell-through of pre-tariff, on-hand inventory as well as dilution from the acquisition of Mayasa. As a reminder, throughout 2019, we received a gross margin benefit from the sell-through of on-hand inventory that was purchased prior to tariff-driven acquisition price increases in 2018 and 2019 and anticipated we would see a continued benefit that would taper off each quarter in 2020.

We did not receive a third quarter benefit in 2020 since we'd received the full benefit of pre-tariff inventory in the first half of 2020 due to acquisition cost decreases in the second quarter, which create a short-term headwind but benefits future POS. Looking at the third quarter stand-alone, we did not have a materially positive impact from LIFO. We expect to see year-over-year headwind again in the fourth quarter as we compare against the prior year pre-tariff inventory benefit.

©2020 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

We received a more muted benefit from same SKU inflation in line with our expectations as we began annualizing last year's tariff-driven price increases in the third quarter. The price environment remains rational in the industry, and we expect that to continue.

Our third quarter effective tax rate was 23.2% of pretax income comprised of a base rate of 24.4%, which was in line with our expectations, reduced by 1.2% benefit for share-based compensation. This compares to the third quarter of 2019 rate of 22% of pretax income, which was comprised of a tax rate of 22.5% reduced by a 0.5% benefit for share-based compensation. Changes in the tax benefit from share-based compensation can create fluctuations in our quarterly tax rate. And we continue to expect our rate for the fourth quarter to be lower as a result of the tolling of certain tax periods.

Now we'll move on to free cash flow and the components that drove our results for the quarter and year-to-date. Free cash flow for the first 9 months of 2020 was $1.9 billion versus $977 million in the first 9 months of 2019 with the increase driven by an increase in net income, a reduction in net inventory, an increase in taxes payable as a result of deferral of tax payments under the CARES Act and a reduction in CapEx, partially offset by the investment in solar projects.

Inventory per store at the end of the quarter was $628,000, which was down 0.7% from the beginning of the year but up 1.7% from this time last year. The inventory per store balance is below our expectations and reflects the strong sales volumes in the second and third quarter of 2020. Our AP to inventory ratio at the end of the second quarter was 116%, which is the highest ratio in our history and heavily influenced by the extremely strong sales volumes and inventory turns in the last 6 months. We still anticipate growth in per store inventory in the remainder of 2020 as we improve in-stock positions and resume our inventory enhancement initiatives, and this will also moderate the increase in AP percentage over time.

Finally, capital expenditures for the first 9 months of the year were $363 million, which was down $118 million from the same period of 2019, driven by lower new store project development spending and the prior year level of investment in new distribution projects, which exceeded distribution development in the first 9 months of 2020. As Jeff previously discussed, we have resumed certain deferred CapEx projects, which were on pause due to the impact of COVID-19, and we'll continue to adjust our CapEx plans as appropriate given the current environment.

Moving on to liquidity and capital structure. We were very pleased to execute our second successful bond issuance in 2020, with the issuance of $500 million of 10-year senior notes at a rate of 1.8% on September 23, by far, our best rate since we moved to an unsecured capital structure and began issuing public debt 10 years ago. These notes replace our first bond issuance from January 2011, which carried an interest rate of 4.9%. We paid out these senior notes when we reached our redemption call date in October, so the proceeds from the September issuance were still sitting in excess cash in our balance sheet at September 30.

We finished the third quarter with an adjusted debt-to-EBITDA ratio of 2.26x as compared to the second quarter ratio of 2.24x and our end of 2019 ratio of 2.34x. This calculation excludes the $1.6 billion of cash we held as of the end of the quarter but does include both the September bonds as well as the 2011 notes retired in October. We continue to be below our leverage target of 2.5x, and we'll approach that number when appropriate.

As we discussed on last quarter's call, we resumed our share repurchase program on May 29, 2020, after temporarily suspending buybacks in March to preserve liquidity at the onset of COVID-19. We continue to judiciously execute our program in the third quarter. And year-to-date, we have repurchased 2.6 million shares with an average share price of $415.28 for a total investment of $1.09 billion. Subsequent to the end of the third quarter and through the date of our press release, we repurchased 0.7 million shares at an average share price of $458.97.

As a result of our continued strong performance in the third quarter, we finished the quarter with $2.2 billion of total liquidity in cash and available borrowings under our $1.2 billion revolving credit facility, net of the cash held to retire the 2011 notes in October, and we feel we have ample liquidity under this existing facility. As we evaluate our liquidity, leverage, use of capital and share repurchase program moving forward, we will continue to prioritize maintaining our strong financial position, including the investment-grade ratings and our public debt. We have a long history of conservatively managing our balance sheet and we'll continue to take prudent steps to ensure the long-term health and stability of our company.

Before I open up our call to your questions, I'd like to thank the O'Reilly team for their hard work and continued dedication to our company and our customers.

©2020 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

This concludes our prepared comments. And at this time, I'd like to ask the operator, Howard, to return to the line, and we'll be happy to answer your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question or comment comes from the line of Greg Melich from Evercore.

Gregory Scott Melich - *Evercore ISI Institutional Equities, Research Division - Senior MD*

I wanted to follow up a bit more on the traffic and the share gains in the ticket. So if you think about it is that gap now between DIY and do-it-for-me, both are healthy, but it sounds like into this quarter, they're still narrowing a bit. Was that fair to interpret that?

And then second, when you say that you've been gaining share, do you think that's been bigger on the DIY side or the do-it-for-me side?

Gregory D. Johnson - *O'Reilly Automotive, Inc. - CEO & Co-President*

All right. Thanks, Greg, a lot of questions there. First, on the traffic and ticket question, I would tell you that if you divide that into the 4 quadrants, cash and charge for each, all 4 of those quadrants were positive. And we were pleased with both our ticket count and our average ticket.

The gap -- looking at the gap between our DIY and DIFM side of the business, it did narrow slightly this time. Our overall comp was less. So our DIFM side of the business performed well to our expectation, and our DIY traffic was off slightly from where we were last quarter.

Thomas G. McFall - *O'Reilly Automotive, Inc. - CFO & Executive VP*

What I would add to that is if we reflect back to the beginning of the second quarter, where we saw significant drop in business and then a spike in continued strong sales from the middle of April, that was primarily on the DIY side of the business. The professional side of the business was impacted longer due to the customer service nature at dropping off your car to have it worked on, so it took longer for the professional business to come back. So the narrowing of the gap in the third quarter, I think, is more of a reflection of the more significant challenges that the professional side of the business had in the second quarter.

Gregory Scott Melich - *Evercore ISI Institutional Equities, Research Division - Senior MD*

And do you think you gained more share in DIY or do-it-for-me?

Thomas G. McFall - *O'Reilly Automotive, Inc. - CFO & Executive VP*

That's a hard one to determine. We will see over time as others report and we look at industry data. What we would tell you is that we think we gained significant share on both sides of the business.

Operator

Our next question or comment comes from the line of Brian Nagel from Oppenheimer.

©2020 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

Brian William Nagel - *Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst*

Congratulations on a really nice performance here. So the first question I want to ask is with regard to sales trends, recognizing that the strength we've seen now for the last several quarters has persisted here into the fourth quarter. But as we particularly see what now -- maybe the Q3 to Q4 transition, are you seeing any significant difference...

Gregory D. Johnson - *O'Reilly Automotive, Inc. - CEO & Co-President*

Excuse me, Brian, we're having a little problem with your connection. (technical difficulty)

Brian William Nagel - *Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst*

I'll try again. If that's any better. I apologize, I'm just on the cellphone. So the question I have is whether -- it's particularly with regard to sales from Q3 to Q4. Has there been any significant change in the categories you're performing? Are you seeing a different way that customers are shopping at the stores as these COVID headwinds persist?

Gregory D. Johnson - *O'Reilly Automotive, Inc. - CEO & Co-President*

Brian, I would tell you that the trend we saw in the second quarter has carried over end of the third quarter. A lot of our traditional categories that performed well have continued to perform well in the fourth quarter. We called out batteries especially performing well -- I'm sorry, not fourth quarter, third quarter. I'm getting ahead of myself there. But we did see strong performance in a lot of DIY categories as we did in the second quarter.

A lot of categories that historically have not performed as well, meaning whether it's hot rod parts, performance parts, car detailing components, things like that, that we just think that a lot of that DIFM consumers have more time on their hands to perform some of those repairs. And frankly, we feel like some of the shift from DIFM to DIY for some of those easier repairs has been a result of that DIFM customer completing some of those repairs themselves as opposed to taking them into the shop for repair.

Jeff M. Shaw - *O'Reilly Automotive, Inc. - COO & Co-President*

Brian, what I would add to that is as our professional business strengthens as we work away from COVID and the restrictions on their business that, that drove, that business is much more focused on hard part repairs. So to the extent that those have done better, it's narrowed the gap but more about raising more of the traditional categories than weakness in others.

Operator

Our next question or comment comes from the line of Kate McShane from Goldman Sachs.

Katharine Amanda McShane - *Goldman Sachs Group, Inc., Research Division - Equity Analyst*

My first question was just with regards to the SG&A dollar growth. Tom, I know you went through that a little bit in your prepared comments. But can you remind us the areas where you're still being able to limit that spend?

©2020 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

Thomas G. McFall - *O'Reilly Automotive, Inc. - CFO & Executive VP*

Okay. Jeff covered those comments, but I'll go through it because it sounds like an accounting question. When we look at our SG&A, the biggest driver of our SG&A expense is store payroll. And when COVID hit and we had 4 weeks of horrible sales, we were planning for the worst and reduced our staff, and Jeff can speak to the specifics of how we went through staff evaluations and what that means to our long-term business. But we continue to be very conservative in our sales outlook and make sure that we're staffing to run the business and provide good -- great customer service but still be cognizant that sales trends could change.

When we look up and down our P&L, a lot of items -- some items have been deferred when you look at maintenance. When we look at anything fuel related, whether it's utilities or gas to run the delivery vehicles, those have been significantly less than we would have thought. Some of our CapEx projects where we deferred the CapEx, they have a great return over time but have some drag in the initial implementation. So some of those deferrals have caused a positive short-term P&L impact, but the main item and the main driver for our SG&A is store payroll.

I'll turn it over to Jeff to comment on that.

Jeff M. Shaw - *O'Reilly Automotive, Inc. - COO & Co-President*

Yes. I'd just add that as we talked about in the second quarter, the tail end of the second quarter, is we made headway, ramped up our staffing levels to try to meet the demand, and that trend continued into the third quarter. But we still remain very cautious in our staffing, just not knowing how long the sales demand will last.

The other thing I'd mention is we've had an ongoing focus on our company about increasing our full-time team member mix, and we've made a headway with that this year. There are several benefits that, obviously, the higher levels of service especially on nights and weekends from a more tenured full-time team member. But really just as important, it continues to build our bench for our future promotions from within. And obviously, there's a cost associated with that besides the wages, the additional health benefits and paid time off, but we believe it's the right thing to do to drive even higher levels of service. And over the long term, that will make for a more productive workforce.

Katharine Amanda McShane - *Goldman Sachs Group, Inc., Research Division - Equity Analyst*

And then my follow-up question was just on the very strong used car sales that we've been seeing. I wondered in the history of the company if you've seen probably not a similar level but just when there are higher used car sales, how it worked through your business and what kind of sales lift and timing could we expect from that over the long term.

Thomas G. McFall - *O'Reilly Automotive, Inc. - CFO & Executive VP*

Historically, when we've seen used car sales go up and the prices go up, that's a benefit to our business from 2 standpoints. One, the price increase is being driven by people who are seeking use cars as opposed to as many new cars, so more miles driven are on cars outside of warranties. That's a positive for us. The other big positive for us is it's a used car sale, but it's new to somebody else. So both on the seller side, people are making repairs to sell their vehicles. And as people acquire new vehicles, they're making repairs to those vehicles, both of which benefit us.

Operator

Our next question or comment comes from the line of Zach Fadem from Wells Fargo.

©2020 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

Zachary Robert Fadem - *Wells Fargo Securities, LLC, Research Division - Senior Analyst*

Could you talk about the impact of the discretionary or product -- project categories and how that lift is compared versus Q2? And then when thinking about this hobby customer, any indication that you're seeing a step-up in new customers relative to your typical run rate?

Gregory D. Johnson - *O'Reilly Automotive, Inc. - CEO & Co-President*

Well, Zach, it's hard to really determine. Some categories, it's obvious that it's "the hobby customer." Other categories, it's really hard to tell. When you sell spark plugs, is that a hobby customer? Or is that a maintenance need? Are they working on a project car that's had dust on it with a cover on it for 4 or 5 years that they just have time to work on all of a sudden because they've got more time from working from home? They don't have the daily commute, things like that.

So I would say those categories that we called out, performance, car care, things like that, they performed similarly to second quarter. But again, I don't want to send any impression to anybody that, that was the meat of our sales improvement because it's not. We did see -- that is an unusual trend for our industry to see sales in those categories. But really the meat and potatoes of our P&L were the traditional categories that we sell, that continue to sell throughout the quarter.

Zachary Robert Fadem - *Wells Fargo Securities, LLC, Research Division - Senior Analyst*

Got it. That makes sense. And for Tom, on the gross margin line, can you talk about how the LIFO dynamics have compared to your expectations at the beginning of the year? And when you think about the initial 52.5% to 53% gross margin guide, I know that's no longer on the table, but is the low end of that range the right way to think about the gross margin run rate going forward? Or are there any other one-off items around mix or the supply chain that we should keep in mind?

Thomas G. McFall - *O'Reilly Automotive, Inc. - CFO & Executive VP*

Well, Zach, I appreciate that you acknowledge that we've suspended guidance, and therefore, I can't make any comments in relation to past guidance because it's been suspended. But we'll talk about the gross margin for the quarter.

So as we talked about on our third quarter 2019 conference call, and we're very pointed in calling out as we were seeing a benefit and gross margin from items where tariffs have been imposed, prices on the Street, selling prices had increased, but we were able to sell-through the merchandise that we had on hand, and we were seeing a benefit from that. We expected that to benefit to continue although declining through the first and second quarter of this year.

In the second quarter of this year, we actually saw more price decreases, primarily as suppliers work to adjust their supply chains to limit the impacts of tariffs. So when we get to the third quarter, we've really annualized those items. And it's reflected in our LIFO charge or our LIFO benefit as the case may be. In this case, it's a benefit. So you'll see it in our Q last year, we had a LIFO benefit in the third quarter of $22 million. This year, it was $1 million.

Operator

Our next question or comment comes from the line of David Bellinger from Wolfe Research.

©2020 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

David Leonard Bellinger - *Wolfe Research, LLC - Research Analyst*

Can you talk a bit more about some of these better performing categories, particularly the battery category, where sales have been incredibly strong over the past few quarters? So how is supply shaping up at this point? And are you working through any constraints now? And what does that mean subsequently to gross margins?

Gregory D. Johnson - *O'Reilly Automotive, Inc. - CEO & Co-President*

Yes. I'll take the category question and see if Tom wants to comment on the margin component. As we said, all of our categories -- we're very pleased with how all of our categories have performed. The only surprises again will be the call out. But I talked about the last question about performance although not nearly as material as the traditional lines that sell very well for us.

If you talk specifically about batteries, yes, we've seen significant battery sales for the quarter, actually, the past 2 quarters. Why? There's probably several reasons why. I think some of it is related to maybe cars sitting at home because people are working from home. We had a mild winter last year, so there may be some pull forward. We'll have to see how that plays out in the fourth quarter.

But as far as supply, we've had some supply issues throughout the third quarter from some of our suppliers. It's probably a handful of suppliers that had significant supply issues. There's only a couple of major battery suppliers in the industry, and both of those suppliers have performed well. One of them better than the other, but both have performed well. Like other categories, our suppliers have faced challenges with COVID related to the number of shifts they can work, related to social distancing requirements, in one case related to wildfires out West. So it's been tough for our suppliers, just like it's been tough for us and our competitors to maintain staffing levels to keep up with demand. But overall, battery sales are great, as we called out, and our suppliers are doing a good job.

I think that if you look at the chart of fill rate from our suppliers over the past 6 months since the pandemic began, you see the hockey stick effect and those few that are still not feeling as well as we would like, we're starting to see an upturn in their fill rate.

Tom, do you want to talk about the margin impact?

Thomas G. McFall - *O'Reilly Automotive, Inc. - CFO & Executive VP*

Sure. So to reiterate what Greg said, we're happy with the performance of all our categories. We can't post a 16.9% comparable store increase unless all the categories are doing well. The items where we point out some of the discretionary items that DIY consumers are buying, which is really for 2 reasons. One, when we get into economic constrained conditions, those typically go the other direction. So that's abnormal.

The other item is just that consumers are looking at their vehicles, wanting to invest in their vehicles, wanting -- in the reduction of repair, underperformed or unperformed maintenance is going down, and that is helping our sales value. So all the categories are doing well. So the difference in gross margin between those categories and other categories is not significant enough and the performance difference is not significant enough to create a mix difference in our gross margin.

David Leonard Bellinger - *Wolfe Research, LLC - Research Analyst*

Understood. And maybe just another follow-up on a previous margin question. So you walked us through the mechanics post-tariffs and the flow-through there. But in the Q3 period, was there anything else out of the ordinary that you saw in terms of the year-over-year margin decline? Anything from a promotional perspective to keep some of these DIY customers in your ecosystem or higher freight transportation costs? And just anything out of the ordinary that further explains that the year-over-year 96 basis point decline?

©2020 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

Thomas G. McFall - *O'Reilly Automotive, Inc. - CFO & Executive VP*

So yes, I'd put it in 3 buckets. One is LIFO, we covered that. And then two is we have some dilution, as we talked about on our first quarter call from the Mayasa business in Mexico, where they run more independent chopper -- much more independent chopper business, and it's got a lower gross margin. You're not operating in the stores. You share the gross margin with the independent chopper's operating stores.

And we have -- normally, you would think in the distribution centers with high volume, we'd have leverage. But in this case, the volume is so high that we're having to do extraordinary things to get products shipped out. So we actually have some headwind there.

Jeff M. Shaw - *O'Reilly Automotive, Inc. - COO & Co-President*

It's -- what Tom is referring to is just the incredible volume stream that just created really inefficiencies and are really receiving and shipping areas in our DCs. And with that volume and trying to stack that volume, we've had to use overtime until we can catch up with headcount as well as temps to help us keep our shipping percentages where they need to be.

Operator

Our next question or comment comes from the line of Bret Jordan from Jefferies.

Bret David Jordan - *Jefferies LLC, Research Division - MD & Equity Analyst*

On the supply chain question, it sounds like a couple of suppliers, maybe one of the big battery guys has had some recent challenges. Could you give us color, sort of the cadence of supply chain stresses we heard back a quarter ago about some of the specialty performance parts being in short supply? Do you see your suppliers sort of having adjusted to the disruption in improving their in-stocks? Or I guess those weeks have the sustained period of above-average demand. Is the supply chain having a harder time keeping up?

Gregory D. Johnson - *O'Reilly Automotive, Inc. - CEO & Co-President*

Yes. Good question, Bret. What I would tell you is we've seen improvement. Like I said, there's really only a handful of suppliers that are -- well, let me break that out. There's a handful of suppliers that are having fill rate issues that they control. There's also a handful of smaller chemical suppliers that are having some issues just simply to get product for their product. In other words, there are so many containers that are going towards hand sanitizers. Some of these specialty vendors are still having trouble getting containers to ship their products in. But that too has started to shift back into a favorable position.

So what I would tell you from a supplier component of the supply chain, we're seeing continued improvement. And there's only really a handful of suppliers that are really continuing to not fill at a rate that we desire. Looking at the entire supply chain, as Jeff called out, as strong as our supply chain is and as strong as our DCs perform, they're just not equipped for the comparable store sales volume we've seen.

So to Jeff's earlier point, we've seen some pressures there in our DCs keeping up with the demand. We've done a good job of getting product out to our stores on a daily basis, but we've had some backlog on incoming freight. And we're working really hard to get that caught up.

So overall, we feel good. Suppliers are doing a good job. We're doing a good job of getting caught up. And I would say, within the next 30 to 45 days, we feel like our supply chain will be back to normal.

©2020 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

Bret David Jordan - *Jefferies LLC, Research Division - MD & Equity Analyst*

Okay. And then could you give us a quick update on regional performance, maybe the highs and the lows and what kind of spread you're seeing between those comps?

Gregory D. Johnson - *O'Reilly Automotive, Inc. - CEO & Co-President*

Yes. Jeff, do you want to take that?

Jeff M. Shaw - *O'Reilly Automotive, Inc. - COO & Co-President*

Sure. As we mentioned on our second quarter call, we were extremely pleased with the performance on both sides of the business across all of our markets, really exceeding our expectations. And really, that trend continued into the third quarter.

As you'd expect, our newer markets continue to outcomp our more mature markets. But overall, the outperformance in the third quarter was really across all of our divisions. All of our divisions performed very well exceeding our expectations.

Operator

Our next question or comment comes from the line of Mike Baker from Davidson.

Michael Allen Baker - *D.A. Davidson & Co., Research Division - MD & Senior Research Analyst*

A couple, let's say, I guess I'll ask on the gross margin. So the -- if the remaining -- you talked about -- so gross margin is down 95 basis points. I think if we do the math on the LIFO you talked about, maybe that looks like it's a 65 basis point headwind. So can we assume the remainder is Mexico?

And more importantly, how do we think about it in the fourth quarter? You said the dynamic will play out similarly or will play out -- the same factors will play out. But what about the magnitude? In other words, should we expect the same impact from that LIFO dynamic of roughly 65 basis points as we saw this quarter?

Thomas G. McFall - *O'Reilly Automotive, Inc. - CFO & Executive VP*

Well, what we would expect -- first item is there were some other factors in there. So I wouldn't necessarily assume that mass is all of those, and we're not -- we talked about we're not commenting specifically on their P&L. What I would tell you is that when we look at the fourth quarter, we would expect not to have a significant LIFO impact on our gross margin.

Michael Allen Baker - *D.A. Davidson & Co., Research Division - MD & Senior Research Analyst*

Not significant or not as significant? Sorry, I just didn't hear.

Thomas G. McFall - *O'Reilly Automotive, Inc. - CFO & Executive VP*

Not significant.

©2020 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

Michael Allen Baker - *D.A. Davidson & Co., Research Division - MD & Senior Research Analyst*

Not significant. Understood. Okay. And then, I guess...

Thomas G. McFall - *O'Reilly Automotive, Inc. - CFO & Executive VP*

Maybe to be more clear, you never know until the quarter is done and a lot of price changes happen during the quarter. But we were $1 million positive this year -- or this quarter, so pretty darn flat.

Michael Allen Baker - *D.A. Davidson & Co., Research Division - MD & Senior Research Analyst*

Right. But on a year-over-year basis, that's where the issue comes, right? So when you say not a significant LIFO in the fourth quarter, so let's say it's around that same level of $1 million but on a year-over-year impact -- year-over-year basis, that impacts the gross margin change or the gross margin rate year-over-year. Is that the right way to think about it?

Thomas G. McFall - *O'Reilly Automotive, Inc. - CFO & Executive VP*

Our fourth quarter 2019 impact is within our SEC filings.

Michael Allen Baker - *D.A. Davidson & Co., Research Division - MD & Senior Research Analyst*

Yes. Okay. No, I get that. Okay. Okay. By way, perhaps a follow-up, if it's still in the P&L, if that counts as the same general area. On the SG&A, my sense is after the second quarter, you were pretty insistent that you're going to ramp back up the SG&A because it was too low. And now it sounds like a little bit more cautious from the third quarter going into the fourth quarter. Is that because you've gotten the SG&A back to the level that you think is appropriate? Or is it more a commentary of where you think sales are going in the next 3 months?

Thomas G. McFall - *O'Reilly Automotive, Inc. - CFO & Executive VP*

Well, clearly, in the second quarter, the spike in volume caught us by surprise is we had to reduce our workforce based on the first onset of COVID and the results. So there are many different grades of leverage. The second quarter leverage was extreme, and that's something that is sustainable or good for our business in the long term. And the third quarter, as Jeff talked about, we increased our staffing to match the expected sales or closer to the expected sales.

We continue to see significant SG&A leverage in the third quarter. I think our comments around that are we're going to manage our SG&A and our spend per store prudently so that we can react to changes in sales volume to be the same and continue at this high-low double-digit rate or to the extent that we see fluctuations that we can actively manage our expenses.

Operator

Our next question or comment comes from the line of Seth Sigman from Crédit Suisse.

Seth Ian Sigman - *Crédit Suisse AG, Research Division - United States Hardline Retail Equity Research Analyst*

Nice quarter. I wanted to follow up on market share. Your results obviously outperforming the industry it seems like by a wider margin than we've seen in the past, and it does seem like a good portion of that is actual share gains perhaps from independents. How much of this is transitory benefits from perhaps being able to manage inventory more effectively than others versus something that maybe is more structural? How do you think about the drivers of what's driving that outperformance right now?

©2020 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

Gregory D. Johnson - *O'Reilly Automotive, Inc. - CEO & Co-President*

Yes. So I think it's several things. And if you look at market share gains, one thing I would tell you is I think the pie itself is bigger this year. I think there's more money being spent in the aftermarket as a whole because of the stimulus and some of the incentives that consumers have. But if you look at where those market share gains are coming from, you mentioned the smaller independents, I think that is a result of supply chain strength and our leverage and our ability to have inventory within our supply chain and have that inventory positioned in such a way in our supply chain that gives us a competitive benefit.

The other piece that I think to a much lesser degree would be from the mass retail side. I think we're taking some market share from the mass retail side although to a much lesser degree because it's a lot fewer categories. I think the consumer in that case is frequently concerned about walking into a big box store to buy a battery or set of wiper blades or some product, and there's been a shift to the smaller retail box like ours. And I think there's been a surprise and delight function that goes along with that. When that customer comes in into one of our stores, not only are they able to get that product with not having the degree of interaction that they would have in a big box store but we also install that product for them as well.

And I think that's evident. I get a lot of letters from customers over the years. And lately, a lot of those letters talking about the service level we provide have called out with a degree of surprise that we perform those functions. We install those batteries and wipers, and our traditional customer knows we do that. So I think we've brought some new customers under our stores. And I think one of the keys that market share that we've taken from both sides of the business is just the service level we provide and the stickiness and our focus on keeping those customers for the long term from both channels that I described.

Jeff M. Shaw - *O'Reilly Automotive, Inc. - COO & Co-President*

Just to expand on that, I mean, it's been incredibly disruptive the last 6 months to our business. And our corporate office has done a great job supporting our teams in the DCs and stores. And our DC teams have done a fantastic job with all the adversity they faced, shipping product to our stores and keeping them in an in-stock position. And then our stores have just -- in all the adversity and issues they face in all their markets with lockdowns and the regulations have just done an incredible job in execution, taking care of our customers day in and day out.

Seth Ian Sigman - *Crédit Suisse AG, Research Division - United States Hardline Retail Equity Research Analyst*

Okay. All right. And then just on one of the prior points around SG&A, it sounds like you'll continue to manage conservatively. Does that mean that if comps remain at this low double-digit rate, that SG&A growth may remain constrained in Q4 like we saw this quarter? Is that the way to think about it?

Thomas G. McFall - *O'Reilly Automotive, Inc. - CFO & Executive VP*

If we -- there's a lot of quarter left, and we'll see what happens with the sales volumes. What we would tell you is that we are going to be conservative. That means not staffing up to the current level of business because the current level of business has been heightened from historic norms to the extent that we can continue to drive those results, we will continue to see strong leverage.

Operator

Thank you. We have reached our allotted time for questions. I will now turn the call over to Mr. Greg Johnson for closing remarks.

©2020 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

Gregory D. Johnson - *O'Reilly Automotive, Inc. - CEO & Co-President*

Thank you, Howard. We'd like to conclude our call today by thanking the entire O'Reilly team for their continued selfless dedication to our customers. I'd also like to thank everyone for joining our call today, and we look forward to reporting our fourth quarter and full year 2020 results in February.

Operator

Ladies and gentlemen, thank you for participating in today's conference. This concludes the program. You may now disconnect.

DISCLAIMER

Refinitiv reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2020, Refinitiv. All Rights Reserved.

©2020 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV