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ORLY.OQ - O'Reilly Automotive Inc Annual Shareholders Meeting

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CORPORATE PARTICIPANTS

David E. O'Reilly *O'Reilly Automotive, Inc. - Executive Chairman*

Gregory L. Henslee *O'Reilly Automotive, Inc. - Executive Vice Chairman*

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

CONFERENCE CALL PARTICIPANTS

John Chevedden

PRESENTATION

David E. O'Reilly - *O'Reilly Automotive, Inc. - Executive Chairman*

Good morning. My name is David O'Reilly, and I am the Chairman of the Board of Directors for -- to welcome you, and thank you for joining us today. On behalf of the Board of Directors, I want to express our appreciation with your flexibility and understanding with our decision to have this meeting in a virtual-only format once again.

Historically, as you all know, our in-person Annual Shareholders' Meetings have proven to be an excellent opportunity for our loyal shareholders to personally interact with our Board members and others at the meeting. However, in light of the ongoing public health concerns related to the pandemic, our Board determined that this format was the correct decision to ensure the safety and wellness of our Board, our executive team, team members and, of course, our shareholders.

So due to the virtual format, we will not be hosting a management presentation following the business portion of today's meeting. However, our Investor Relations team is very ready and willing to field any questions that you might have about the company, and they can be contacted through our website by clicking on Investor Relations. I'll also refer you to the shareholder letter in our report. It does an excellent job of reviewing our 2020 performance.

And in a nutshell, I'd just say that we know that the single most important benchmark for our shareholders is, certainly, the share price. And after posting sales of \$11.6 billion in 2020 and an operating income of \$2.4 billion, the company invested \$466 million in our new stores, DCs, technology and other capital products -- projects to continue growing the business. And an additional, we were able to return \$2.1 billion to you, our shareholders, through prudent execution of our share repurchase program. So that, together with the record-setting first quarter results, which were recently announced just 2 weeks ago, has resulted in the O'Reilly share price. Even after taking a pretty good hit the last day or 2, we're up 39% today over the last 12-month period.

So in recognition of the tremendous effort this past year of approximately our 80,000 team members, the O'Reilly team has met an unprecedented challenge to our business that we faced last year and, certainly, 2021 to date and continues on. We're extremely proud and we're very gratified to report to you that the company continues to be very well positioned to continue our long record of profitable growth.

So in addition, on behalf of the O'Reilly team, we'd like to, again, express our appreciation to all the health care providers in the area and throughout the country and all essential workers that are serving in our communities. The Board would also like to recognize the dedication and the incredible hard work of our O'Reilly team members during this challenging time.

So I would now like to introduce to you the members of our Board of Directors who are present telephonically this morning, first of all, Larry O'Reilly, our Vice Chairman of the Board, has been a Director since 1969. Greg Henslee, our Executive Vice Chairman of the Board, has been a Director since 2017 and, of course, our past CEO. And as I'm sure you've seen, he's going to be our new Executive Chairman. Jay Burchfield is our independent lead Director. He's been a Director since 1997. Tom Hendrickson, who's independent Director and Audit Committee Chair since 2010. John Murphy, also an independent Director and Compensation Committee Chair, has been a Director since 2003. Dana Perlman is independent Director and

Corporate Governance and Nominating Committee Chair and has been a Director since 2017. Maria Sastre, who's an independent Director and has been onboard since 2020. And then Andrea Weiss. He's also an independent Director and has been with us since 2019.

So assisting me today during the meeting are Tom McFall, our Chief Financial Officer and Executive Vice President; and also Tricia Headley, our Vice President and Corporate Secretary. Representatives from our independent public accountants, Ernst & Young, LLP, are also present telephonically and are available to respond to questions. Present are Scott McVicker, our coordinating partner; and Colby Clifton, our engagement partner.

We will now transition to the business portion of the annual meeting. And this morning, I will preside as Chairman of this meeting. Posted on the web portal for this meeting is the meeting agenda and the rules of conduct. We ask that you abide by these rules to be fair to other shareholders and so that we can conduct an orderly meeting.

Any shareholder logged in to the web portal with their 16-digit control number may ask a question or provide a comment through the web portal. All submitted questions will be addressed if they are pertinent to the company and to the business agenda of the Annual Meeting.

As stated in the rules of conduct, we kindly request that you limit your questions or comments to a maximum of 3 and they pertain to the item under discussion on the agenda. Thank you for your cooperation with these rules.

Please note that this meeting is being recorded, and a replay will be available to the public following the conclusion of the meeting. However, no one attending the meeting is permitted to use any recording device.

So the Chair now officially call this meeting to order. Tom McFall will act as secretary of the meeting and will now present proof of the due calling of the meeting.

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

Mr. Chairman, I present the following: a copy of the printed notice of the meeting dated March 26, 2021, stating the time, place and purpose of the meeting; a complete list certified by Computershare Trust Company, the transfer agent of the company, of the holders of the common stock of the company as of the close of business on March 4, 2021, the record date fixed by the Board of Directors for shareholders entitled to notice of, and to vote at, this meeting arranged in an alphabetical order with the address of the number of shares held by each such holder.

This list, which has been opened in inspection of the shareholders for the past 10 days of the company's headquarters and will remain open to the inspection of shareholders via the web portal throughout the course of this meeting for any purpose germane to the meeting, shows that at the close of business on March 4, 2021, there were 69,907,922 shares of common stock of the company issued and outstanding.

The affidavit of Tricia Headley, our esteemed Corporate Secretary, stating the notice of the Annual Meeting of Shareholders, the proxy statement and proxy card, together with the annual report of the company for the year ended December 31, 2020, began mailing on March 26, 2021, to each of the shareholders of record as of March 4, 2021.

David E. O'Reilly - *O'Reilly Automotive, Inc. - Executive Chairman*

The secretary is directed to incorporate a copy of the notices of meeting together with the affidavit of mailing of the notices in the main book of the company as part of the minutes of this meeting.

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

Mr. Chairman, there are present in person or by proxy at this meeting the holders of record at the close of business on March 4, 2021, of over 59 million shares of common stock of the company, which is a majority of the shares of common stock then outstanding.

David E. O'Reilly - *O'Reilly Automotive, Inc. - Executive Chairman*

By reason of the fact that the holders of record of a majority of the outstanding shares of common stock of the company entitled to vote at this meeting are present in person or by proxy, a quorum is present for all purposes. The meeting is declared lawfully and properly convened and now confident to proceed to the transaction of the business for which it has been called, as stated in the notice of the meeting and in accordance with the bylaws of the company.

I present to the meeting the annual report for the year ended December 31, 2020, which was mailed to -- or e-mailed to the shareholders of record as of March 4, 2021.

As stated in the notice of annual meeting, there are 4 proposals before the meeting today: first, to elect as Directors the 9 nominees named in the proxy statement to hold office until 2022 Annual Shareholders' Meeting at that time and until his or her successor is duly elected and qualified; second, to conduct a nonbinding advisory vote on the 2020 compensation of our named executive officers; third, to ratify the appointment of Ernst & Young LLP as independent auditors for the fiscal year ending December 31, 2021; and fourth, to consider and act upon a shareholder proposal entitled, Improve our Catch-22 Proxy Access, if properly presented at the annual meeting today.

To expedite the progress of the meeting, we would like to handle proposals 1 through 3 together followed by relevant questions and answers and comments. And then we will handle those -- or excuse me, we will handle proposal 4, followed by relevant questions and answers and comments.

The polls for voting are now open and will close shortly following the last question or comment regarding proposal 4. If you have already voted and do not wish to change your vote, you do not need to vote again on the web portal. Voting on the web portal will revoke your prior proxy.

Unidentified Participant

On behalf of the Board of Directors of the company, I nominate David O'Reilly, Larry O'Reilly, Greg Henslee, J. D. Burchfield, Thomas T. Hendrickson, John R. Murphy, Dana M. Perlman, Maria A. Sastre and Andrea M. Weiss to serve as Directors of the company to hold office until the 2022 Annual Shareholders' Meeting and to serve until his or her successor has been duly elected and qualified. The description of this proposal is set forth in the proxy statement.

David E. O'Reilly - *O'Reilly Automotive, Inc. - Executive Chairman*

Do we have a second?

Unidentified Participant

I second the nomination.

Unidentified Participant

On behalf of the Board of Directors of the company, I move that the 2020 compensation of the company's named executive officers be approved. The description of this proposal is set forth in the proxy statement.

David E. O'Reilly - *O'Reilly Automotive, Inc. - Executive Chairman*

Do we have a second?

Unidentified Participant

I second the motion.

Unidentified Participant

And on behalf of the Board of Directors of the company, I move that the appointment of Ernst & Young as the company's independent auditors for the fiscal year ending December 31, 2021, be ratified.

David E. O'Reilly - *O'Reilly Automotive, Inc. - Executive Chairman*

Do we have a second?

Unidentified Participant

I second the motion.

David E. O'Reilly - *O'Reilly Automotive, Inc. - Executive Chairman*

Are there any questions or comments with regard to the motions related to proposals 1 through 3 before this meeting?

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

Mr. Chairman, the Carpenter Pension Fund holds a total of 188,400 shares of the company's stock. As long-term investors, we strongly believe that the company's executive compensation plan should be designed primarily to drive the successful execution of the Board's long-term strategic business plan.

Today's public company executive compensation plans are largely formulaic peer-related plans with simplistic annual say-on-pay voting reinforcing plan homogeneity who would you or the Chair of the Compensation Committee speak to whether O'Reilly Automotive might be better served by an executive compensation plan tailored specifically to the company's particular circumstances and its unique long-term strategic business plan.

David E. O'Reilly - *O'Reilly Automotive, Inc. - Executive Chairman*

Well, we appreciate that question. And quite honestly, nothing is more important to the company and always has been to align our compensation plan for our executives and all our team members with the performance of the company, both short term and long term. And our compensation plan is designed today, particularly for our executive team, to do just that with the combination of shorter to midterm goals and objectives, specific benchmarks of achievable by the company in each of 5 categories, together with the stock option plan that we have, which we feel like aligns executives with -- directly with shareholders' interest in the mid- to longer term. So we appreciate that.

And as a matter of fact, we continue to work on aligning our plan with the company's performance, both short and long term. We've approved a new compensation consultant just this morning to work with going forward, which we think will help us to even better on our plan with the market and with the interest of our shareholders. So thank you for the question.

So if no other questions, we will now handle proposal 4, the shareholder proposal entitled, Improve our Catch-22 Proxy Access. So Mr. John Chevedden will present the proposal at this Annual Meeting. Mr. Chevedden, you have 3 minutes to present your proposal. Operator, can you please open Mr. Chevedden's line?

John Chevedden

This is John Chevedden. Can you hear me okay?

David E. O'Reilly - *O'Reilly Automotive, Inc. - Executive Chairman*

Yes, John, go ahead.

John Chevedden

Proposal 4, Improve our Catch-22 Proxy Access shows request that our Board of Directors take the steps necessary to enable as many shareholders as may be needed to combine their shares to equal 3% of our stock owned continuously for 3 years in order to enable shareholder proxy access.

Proxy access allows a group of shareholders to nominate a Director who will compete with management-nominated Directors to see who gets the most votes. Competition is good for our Board of Directors. Currently, a strict limit of 20 shareholders must have owned \$1 billion of O'Reilly stock for a nonbroker 3 years in order to nominate 1 candidate for the Board under our proxy access rules. A strict limit of 20 deep pocket shareholders does not allow for a diverse group of shareholders.

It is disappointing that management does not support the diversity that this proposal calls for. As a practical matter, it is unlikely that more than 50 shareholders would participate in nominating a Director using proxy access with this proposal. There is hardly any administrative difference in 20 shareholders to being proof of owning \$1 billion of O'Reilly stock compared to 50 shareholders submitting proof of owning the same \$1 billion of O'Reilly stock. And adopting this proposal would show management's commitment to diversity. This proposal is asking for so little.

Our current proxy access is way out of balance and too difficult for shareholders to make use of. The evidence is that there's not been one proxy access candidate placed on the ballot of any company during the past 5 years. There have been 500 companies with a shareholder right for proxy access during these 5 years. 500 companies times 5 years equals 2,500 company years without one proxy access candidate. This means that under current rules of companies such as O'Reilly would not expect one proxy access Director candidate during the next 2,500 years. This is way out of balance as far as shareholders are concerned.

Proxy access Director candidate then has a formidable chance of getting more votes than at least one established director. This would require impressive shareholder support over an incumbent Director and would be a clear indication that an incumbent Director needed to be replaced.

Management promotes the fallacy that shareholders should be distracted from improving our corporate governance with this proposal simply because we have the average governance practices that a lot of other companies have. The management attitude is that since we are average, we do not need a change. Please vote yes, improve our Catch-22 proxy access, proposal 4.

David E. O'Reilly - *O'Reilly Automotive, Inc. - Executive Chairman*

Thank you for your comments. Are there any questions or comments with regard to the shareholder proposal relating to proxy access?

No questions have been submitted. And the company's response to Mr. Chevedden's proposal is in detail outlined in our proxy contained with your annual report.

Again, any shareholder who has not yet voted or wishes to change their vote may do so by clicking on the voting button on the web portal and follow the instructions there. Shareholders who have sent in proxies or voted via telephone or the Internet and do not want to change their vote do not need to take any further action. We will pause at this point for any final voting on these items.

(Voting)

David E. O'Reilly - *O'Reilly Automotive, Inc. - Executive Chairman*

Thank you. I hereby declare the polls now closed. The secretary will now tally the votes and announce the preliminary results of the voting.

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

Mr. Chairman, the preliminary voting results indicate that the holders of a majority of shares of common stock represented at this meeting in person or by proxy and entitled to vote have voted for the election of David O'Reilly, Larry O'Reilly, Greg Henslee, J.D. Burchfield, Thomas T. Hendrickson, John R. Murphy; Dana M. Perlman, Maria A. Sastre and Andrea M. Weiss as Directors of the company; for the approval by a nonbinding advisory vote of the 2020 compensation of the company's named executive officers; for the ratification and appointment of Ernst & Young LLP as independent auditors for the fiscal year ended December 31, 2021; and against the shareholder proposal entitled, Improve our Catch 22 Proxy Access.

David E. O'Reilly - *O'Reilly Automotive, Inc. - Executive Chairman*

David O'Reilly, Larry O'Reilly, Greg Henslee, Jay Burchfield, Thomas Hendrickson, John Murphy, Dana Perlman, Maria Sastre and Andrea Weiss are hereby declared elected to serve as Directors of the company until 2022 Annual Shareholders' Meeting and until his or her respective successor is duly elected and qualified.

The company's Board of Directors and the Compensation Committee will strongly consider the results of the nonbinding advisory vote of the 2020 compensation of the company's named executive officers in the formation and structure of future executive compensation plans.

And the appointment of Ernst & Young LLP as independent auditors, that's considered ratified.

Proposal 4, the shareholders proposal entitled, Improve our Catch-22 Proxy Access, has been voted against, and no further action related to this shareholder proposal is necessary.

The final vote totals for each of these proposals will be filed with the United States Securities and Exchange Commission in a current report on Form 8-K within 4 business days and can be accessed through our website at that time. There being no further business to properly come before this meeting, the Chair will entertain a motion to adjourn. Do I have such a motion?

Unidentified Participant

I move that the meeting be adjourned.

David E. O'Reilly - *O'Reilly Automotive, Inc. - Executive Chairman*

Is there a second?

Unidentified Participant

I second the motion.

David E. O'Reilly - *O'Reilly Automotive, Inc. - Executive Chairman*

There being no objection, the Chair hereby declares this meeting adjourned. Before we conclude the presentation today, I would like to make a few comments related to the structure of your Board.

As stated in the proxy, your Board continues to place a significant focus on its structure, skills, experience, tenure, leadership and succession planning. In consideration of these factors and after considerable consultation with the full Board, I've made the decision to transition into a different role on your Board beginning with my current Director term. With your Board's approval, I will transition into the role of Executive Vice Chairman of the Board.

As most of you are aware, I've served as a member of O'Reilly's executive management team and Board since our public offering at the IPO in 1993, and it's been a great honor to serve as your Executive Chairman since 2005. We, as your Board, regards succession planning as a vital component of our company's long-term success and heavily focused on the evaluation and development of my successor. And after careful consideration and discussion, the Corporate Governance Nominating Committee has recommended, and the Board has approved, the appointment of our current Executive Vice Chairman, Greg Henslee, to the position of Executive Chairman effective upon my transition to Executive Vice Chairman.

So Greg has over 39 years of automotive experience, including 36 years with the company. He's also been a member of various automotive aftermarket association Boards and a real leader in the industry. In addition, Greg's knowledge, experience and leadership abilities make him the ideal candidate to serve as your Board's Executive Chairman. I will continue to serve you and your Board in my new role and will be available to Greg for any advice that he may need to accept this larger role in leading and directing the Board and the company going forward.

I'm extremely confident that the Board you have chosen will lead our company to continued success long into the future. And I feel great about being able to introduce you to Greg this morning. You all know him, and he's done such a wonderful job in his previous role. So I'm excited to say that he's going to be succeeding me as Chairman. Greg, would you like to say a few words and then close the meeting?

Gregory L. Henslee - *O'Reilly Automotive, Inc. - Executive Vice Chairman*

Thanks, David. I will. I have just a couple of brief comments. I just want to thank our leadership team and all of Team O'Reilly for the incredible work they've done this past year. When this pandemic first started last spring, we were very concerned with the potential negative impact it could have on our business, and we made the financial preparations we needed to make to ensure we were in a good position to weather a significant downturn.

However, that proved somewhat unnecessary, as exhibited by our performance throughout 2020 with a 10.9% increase in same-store sales, operating income of 20.8% of sales, an incredible 32% increase in earnings per share to \$23.53 and the generation of \$2.19 billion in free cash flow. Just an outstanding annual performance while dealing with all the unprecedented challenges brought on by the COVID-19 pandemic.

Second, I just want to recognize David O'Reilly for the incredible job he's done for our company as our Board Chairman. David is an absolutely outstanding business leader. He has a deep understanding of our business and our culture, places a high value on the importance of outstanding customer service in our business and, most importantly, recognizes that success here at O'Reilly is driven by the quality and commitment of our dedicated team members.

I'm very much honored to once again be asked to be David's successor. Back in 2005, when David asked me to take over as CEO, my first thought was how could I ever do as good a job as David has done. What I found out, over time, is that David was always here to help. If I had a question or needed input, he was always just a phone call, an e-mail, a text or an office visit away. And with David continuing on as Executive Vice Chairman, I know we'll continue to have his support as our company continues its phenomenal growth as a leader in the automotive aftermarket.

I also want to thank David for his mentorship of me and for the confidence he's placed in me over the years. In a business our size, there are a lot of important decisions to be made every day, and it gives me much confidence to know that David will continue to serve O'Reilly as our Executive Vice Chairman. We are very fortunate to have a member of our company's founding family in the positions David has been so willing to fill over

the years. David, I speak for all of Team O'Reilly and our shareholders when I say thank you very much for our service to our company -- for your service to our company.

David E. O'Reilly - *O'Reilly Automotive, Inc. - Executive Chairman*

Thank you. Thank you.

Gregory L. Henslee - *O'Reilly Automotive, Inc. - Executive Vice Chairman*

With all those comments, we'll conclude today's event. I would like to thank everyone for attending this year's virtual Annual Meeting of the Shareholders, and we look forward to returning to our traditional in-person format next year. If you have further questions, please contact our Investor Relations team at (417) 829-5878 or through our website, oreillyauto.com They'll be happy to assist you. Thank you.

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