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ORLY.OQ - Q4 2022 O'Reilly Automotive Inc Earnings Call

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OVERVIEW:

Co. reported full-year 2022 diluted EPS of \$33.44. Expects full-year 2023 total revenues to be \$15.2-15.5b and EPS to be \$35.75-36.25.

CORPORATE PARTICIPANTS

Brad W. Beckham *O'Reilly Automotive, Inc. - Co-President*

Brent G. Kirby *O'Reilly Automotive, Inc. - Co-President*

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

Jeremy Adam Fletcher *O'Reilly Automotive, Inc. - Executive VP & CFO*

CONFERENCE CALL PARTICIPANTS

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

Christopher Michael Horvers *JPMorgan Chase & Co, Research Division - Senior Analyst*

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

Michael Lasser *UBS Investment Bank, Research Division - MD and Equity Research Analyst of Consumer Hardlines*

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

Scot Ciccarelli *Truist Securities, Inc., Research Division - MD*

Seth Mckain Basham *Wedbush Securities Inc., Research Division - MD of Equity Research*

Simeon Ari Gutman *Morgan Stanley, Research Division - Executive Director*

PRESENTATION

Operator

Welcome to the O'Reilly Automotive, Inc. Fourth Quarter and Full Year 2022 Earnings Call. My name is Paul, and I will be your operator for today's call.

(Operator Instructions)

I will now turn the call over to Jeremy Fletcher. Mr. Fletcher, you may begin.

Jeremy Adam Fletcher - *O'Reilly Automotive, Inc. - Executive VP & CFO*

Thank you, Paul. Good morning, everyone, and thank you for joining us. During today's conference call, we will discuss our fourth quarter and full year 2022 results and our outlook for 2023. After our prepared comments, we will host a question-and-answer period.

Before we begin this morning, I would 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, 2021, and other recent SEC filings.

The company assumes no obligation to update any forward-looking statements made during this call. At this time, I would like to introduce Greg Johnson.

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

Thanks, Jeremy. Good morning, everyone, and welcome to the O'Reilly Auto Parts fourth quarter conference call. Before we begin our discussion on our results and our plans for 2023, I'd like to take a few moments to discuss the announcement we made in January regarding the promotion of Brad Beckham and Brent Kirby to co-Presidents.

Our company is extremely focused on identifying and developing leaders, who in turn are relentless in building the very best team in our industry. Our long-term commitment to succession planning is a critical component of our human capital strategy. In line with that strategy, we're extremely pleased to have Brent and Brad assume the elevated positions of Co-Presidents.

Brad and Brent are exceptional leaders, and are both driven by their passion for perpetuating our O'Reilly culture and providing excellent service to our customers. Brad and Brent bring diverse and broad experience to their roles of co-President. Brad's career with O'Reilly began 26 years ago when he joined the company as a parts specialist in Wagoner, Oklahoma.

He has progressed through every leadership role in our store operations group, from Store Manager through Executive Vice President of Store Operations and Sales, before assuming the role of EVP and Chief Operating Officer, and now Co-President.

Brad's leadership has been instrumental in the growth and expansion of our company and his impact is evident throughout the leadership ranks of our operational teams, many of whom have been mentored and promoted directly by Brad. As Co-President, Brad is responsible for the company's domestic and international store operations and sales, real estate and expansion, human resources, training, legal, risk management, loss prevention and finance.

Like Brad, Brent brings decades of retail leadership experience to his role as Co-President. Brent began his 35-year retail career with Lowe's companies and progressed through their ranks, ultimately serving in the roles of Senior Vice President of Store Operations, Chief Omnichannel Officer, and Chief Supply Chain Officer.

Brent joined Team O'Reilly in 2018 as our Senior Vice President of omnichannel and made an immediate impact in that role before assuming leadership of our supply chain and distribution efforts. His extensive experience and significant DIY and professional retail industry knowledge is critical to our efforts to enhance our industry-leading inventory position, leverage technology investments to deliver powerful tools for our team, and drive deep connections with our DIY and professional customers.

As Co-President, Brent is responsible for the company's distribution operations, logistics, merchandising, inventory management, pricing, advertising, omnichannel, customer satisfaction, program management, electronic catalog, and information technology.

Again, I am very pleased to have Brad and Brent step into these new roles, and I'm excited about the leadership they will provide to team O'Reilly as Co-Presidents. Brad and Brent are participating on the call with me this morning, along with Jeremy Fletcher, our Chief Financial Officer. Greg Henslee, our Executive Chairman; and David O'Reilly, our Executive Vice Chairman, are also present on the call. I'm once again pleased to begin our call today by congratulating Team O'Reilly on another record-breaking year in 2022.

We finished the year with incredible momentum, posting a comparable store sales increase of 9% in the fourth quarter, representing an increase of almost 35% on a 3-year stack basis. For the full year of 2022, our team generated a robust 6.4% comparable store sales growth, which came in above the revised guidance range of 4.5% to 5.5% we provided last quarter and above the midpoint of our original comp range of 5% to 7% we said at the beginning of 2022.

Even more impressive, our 6.4% comparable store sales growth in 2022 followed representing sales growth in 2021 and 2020 when we delivered comps of 13.3% and 10.9%, respectively, resulting in 3-year stacked comps exceeding 30%.

These strong top line results drove another year of record earnings per share as diluted EPS increased 8% to \$33.44, representing a 3-year compounded annual growth rate of 23%. Our ability to continue to grow our business and capture market share year in and year out is a testament to our team's commitment to providing excellent customer service, and we couldn't be more pleased with how our team finished 2022.

Entering 2023, we remain bullish on the opportunities we see ahead of us, and are anticipating another strong year of sales and earnings growth. For earnings per share, we have established the guidance for 2023 at \$35.75 to \$36.25, representing an increase of 8% versus 2022 at the midpoint.

Achievement of our 2023 guidance would result in us doubling our EPS over the last 4 years, representing a compounded annual growth rate of over 19%. This impressive performance and challenging target is a testament to the quality of our team and their commitment to our customers. Brad, Brent and Jeremy will walk through the rest of our detailed outlook in their prepared comments.

But for now, I will just say that we're excited about the aggressive plans we have to invest in our business and continue to take market share and drive industry-leading results. Before I turn the call over to Brad, I want to share a little bit about the incredible culture building experience our team just had in January at our Annual Leadership Conference in Dallas.

Each year, we bring all of our store managers, field leadership, as well as our sales and DC management team members together in one place at one time to build leadership skills, enhance product knowledge, share best practices across our company, and celebrate our award-winning performance.

The theme of this year's conference was: One Team, Reunited. And it was definitely an appropriate rallying cry for our first in-person leadership conference in 3 years. The passion and energy displayed by our company leaders was infectious, and it gives us even more confidence in the Team O'Reilly's ability to drive future success through their unwavering commitment to our customers and fellow team members.

To wrap up my prepared comments, I want to thank each of our team members for their dedication to our long-term success and their outstanding performance in 2022. I'm extremely proud of all of you, and I'm confident 2023 will be another record-setting year for Team O'Reilly. I'll now turn the call over to Brad.

Brad W. Beckham - *O'Reilly Automotive, Inc. - Co-President*

Thanks, Greg, and good morning, everyone. I would also like to begin my comments this morning by congratulating Team O'Reilly on another great year in 2022. Our team's focus on providing consistent, excellent customer service allowed us to generate the outstanding results we reported yesterday, and we are excited about the opportunities we see to continue to grow our business.

Now I'd like to provide some additional color on our fourth quarter comparable store sales results and outline our guidance for 2023. As we discussed on our third quarter conference call, we started the fourth quarter with strong sales volumes in line with trends we saw as we exited the third quarter. Those robust sales volumes continued through the end of the year, delivering results solidly above our expectations on both the professional and DIY sides of our business each month of the quarter.

From a cadence perspective, the monthly comp was steady throughout the quarter with December being the strongest month of the quarter on a 2- and 3-year stack basis. As we finished the year, we saw broad-based strength across all of our markets and weather-related categories, such as batteries cooling and antifreeze, as well as our other core non-weather-related categories.

We saw strength in both our DIY and professional businesses, with professional again leading the way with double-digit comparable store sales growth on robust increases in both ticket counts and average ticket size. As we finished 2022, we were very pleased with our professional performance, and we believe the momentum we have created is the direct result of our team executing our proven business model at a high level and providing industry-leading customer service.

We were also pleased to see the improved performance in our DIY business, which accelerated on a 1, 2 and 3-year comparable store sales growth basis, driven by our strong average ticket growth. As anticipated, DIY ticket counts were a partial offset to our comp growth due to difficult comparisons from strong traffic growth in the previous 2 years, but improved sequentially in the fourth quarter, continuing the trend we saw in the third quarter and exceeding our expectations.

As we saw throughout 2022, growth in average ticket values drove our total comparable store sales growth in the fourth quarter. Average ticket size grew in the high single digits on both sides of our business, supported primarily by the mid-single-digit growth in same SKU inflation and augmented by a benefit from increasing parts complexity and improved quality and design of new parts.

On a year-over-year basis, we saw a moderation in the same SKU benefit after peaking in the second and third quarters as we lap the acceleration of higher inflation in 2021 and saw modest increases in selling prices as we finished out 2022. The moderation in selling price increases correlate with what we're seeing in product acquisition costs as industry pricing has remained rational on both sides of the business, and we've been successful in passing through cost increases.

Now I want to transition to a discussion of our 2023 sales guidance and our outlook for this year. As we disclosed in our earnings release yesterday, we are establishing our annual comparable store sales guidance for 2023 at a range of 4% to 6%. And we want to provide some color on the factors that are driving our expectations as it relates to both our outlook for our industry as well as the specific opportunities we see for our company.

I'll begin with our view of the prospects for our industry which we believe are still very favorable. The health of the automotive aftermarket continues to be supported by strength in the core fundamental drivers of demand and the last few years have further reinforced the compelling value proposition that motivates consumers to invest in their vehicles.

Since the onset of the pandemic, the scarcity of vehicles has forced many consumers to keep their vehicles longer. These investments the consumers have made to keep their vehicles well maintained and paid off, and we expect to see a continued willingness by consumers to invest in their high-quality vehicles at higher and higher mileages.

We also have a positive outlook on the strength of the consumer our industry and their ongoing willingness to prioritize their transportation needs. We continue to view the health of our customers as strong, supported by extremely low unemployment and robust growth in wages over the past 2 years.

We think these factors provide a solid backdrop for growth in miles driven in our industry and solid demand over the next year. While miles driven still remain below pre-pandemic levels, we've seen growth in this key fundamental for our industry over the past 18 months.

We believe we will see a continuation of the long-term industry trend of steady growth in miles driven, resulting from population growth and an increase in the size of the U.S. car park. As we think about the broader macro factors that could impact the U.S. economy in the coming year, we remain cautious in our outlook for -- outlook concerning ongoing headwinds from inflation and the potential for deterioration in economic conditions.

Negative trends in the broader economy can -- it can influence demand in our industry in the short term, but we have consistently seen over time that consumers adjust quickly in challenging environments. In fact, in 2022, it was a good illustration of how this can play out.

The pressure we saw from elevated gas prices, broad-based inflation and global economic shocks weighed on our results versus our expectations in the first half of the year. However, our customers adjusted as conditions stabilize and our business rebounded to meet our full year sales growth expectations.

Our experience through multiple economic cycles in our company's history is that consumers will prioritize the maintenance and the repair of their existing vehicles as a means to avoid a car payment and save money in the face of economic pressures. Ultimately, due to the nondiscretionary and value-driven nature of our business, we have confidence our industry will perform well in 2023, even if we end up facing challenges in the broader economy.

As confident as we are in the strength of our industry, the most important driver for our outlook for 2023 is the opportunity we see to outperform our competition and gain market share by out-executing -- or excuse me, by executing our business model and providing the best customer service in the industry.

To this end, I would like to spend a few minutes discussing our outlook on both sides of our business. We expect both our DIY and professional businesses to be positive contributors to our comparable store sales growth in 2023, with professional again expected to outperform.

We are excited about the strength we built in 2022 in our professional business and we believe this will continue to accelerate our growth on this side of the business. We remain highly committed to being the industry leader in the quality of service and inventory availability we provide to the professional customer, and our focus moving into 2023 is to aggressively lever these strengths to further consolidate this side of the market.

We also see significant opportunity to grow our DIY business, but are more cautious in how we view our ability to increase ticket counts on a year-over-year basis. Our DIY ticket counts in 2022 were pressured in comparison to 2021 as we were still calendaring the impact of government stimulus and faced headwinds from gas price shocks and inflation.

We feel like we have now completely lapped the artificial spikes in demand and are pleased with steady DIY traffic we saw in the back half of the year. While there's been a lot of volatility in our comparisons over the past 3 years, our overall growth in DIY ticket counts has been solidly positive in total during that time frame.

We have clearly taken market share since the onset of the pandemic through consistent execution and excellent service even as we face the long-term industry trend of pressure to DIY ticket counts. For 2023, we will continue to face this industry dynamic where increased complexity and quality of parts extend service and repair intervals.

As a result, we anticipate DIY traffic down slightly in 2023 with an expectation that we will continue to gain market share to partially offset the normal industry drag on ticket counts. We expect the pressure to DIY traffic to be more than offset by increased average ticket.

We anticipate average ticket on both sides of our business to benefit from low single-digit inflation arising from the carryover benefit on a year-over-year basis as we compare against price levels that ramp throughout 2022.

Consistent with our historical practice, we are including only modest increases in price levels from this point forward in 2023. We do not expect to see growth in average ticket values above and beyond same-SKU inflation, resulting from increased product complexity and our ability to trade customers up to a higher product on the good-better-best spectrum.

As we move through 2023, we anticipate comps in the first half of the year to be stronger than the back half as a result of the year-over-year same-SKU inflation as well as easier comparisons in professional ticket counts, which ramped throughout 2022, and to a lesser degree DIY ticket counts which face more pronounced pressure in the first half of last year.

We are off to a strong start thus far in 2023, and we are pleased to see continued momentum on both sides of our business. Now I want to spend some time covering our SG&A and operating profit performance in 2022 and our outlook for 2023 before turning the call over to Brent who will provide color on our gross margin.

Fourth quarter SG&A expense as a percentage of sales was 32.2%, in line with the fourth quarter of 2021. As we noted in our press release yesterday, this number includes \$28 million charge associated with our transition to an enhanced pay time off program for our team members.

Average per store SG&A for 2022 was just -- was up just over 4.8%, driven by incremental variable operating expenses on better-than-expected sales volumes and cost inflation in fuel, wage rates and team member benefits. Over the last several years, our teams have demonstrated an ability to drive an enhanced level of profitability and productivity on our SG&A spend as we are pleased with the strong finish to 2022.

As we look forward to 2023, we are planning to grow average SG&A per store by approximately 4.5%. This level of spend is a step change higher than we would normally forecast in our initial SG&A guidance. While we anticipate facing some pressures to costs from ongoing inflation, the majority of our incremental spend anticipated in 2023 reflects deliberate decisions we are making to invest in our business.

We are targeting initiatives we believe will enhance the value proposition we offer to both our team members and customers by investing in our professional parts people, in our customer service levels, in turn, driving both long-term sales and operating profit dollar growth.

We plan to deploy these resources to enhance our long-term operational strength with specific emphasis on strengthening our team member experience and benefits, upgrading our store vehicle fleet, refreshing and improving our store image and appearance, and deploying incremental technology projects as well as investments in infrastructure.

We believe we have an opportunity to capitalize on our strong competitive position in our industry and further separate ourselves as we consolidate the market. We are highly confident our investment and these initiatives will provide strong long-term returns, but anticipate we will face initial pressure to our SG&A as a percentage of sales in 2023.

Based on these expectations, coupled with the normal drag from new store expansion in our anticipated gross margin rate, which Brent will discuss in a minute, we are setting our operating profit guidance range at 19.8% to 20.3% of sales. At the midpoint of our guidance, we are expecting operating profit to increase over 4%.

Ultimately, our leadership team is focused on enhancing the excellent customer service and overall value that create strong relationships with our customers on both sides of the business that in turn drive long-term growth in operating profits. To finish up my prepared comments, I want to add to what Greg has already said about the incredible experience we had as a leadership team in Dallas and the enthusiasm our team showed for our business and the O'Reilly culture.

This was my 26th Leadership Conference, my first being in 1998 when I first became a store manager, and there is no doubt in my mind, it was our best one yet. Since there was -- since this was our first in-person conference since 2020, the last 2 being virtual, there was certainly a lot for us to celebrate, but I was blown away by the commitment I saw from our team to not rest on our laurels or be satisfied with our past success.

Instead, our team was passionate about the opportunities we have in front of us. As we look forward to 2023 and set an ambitious plan to outperform the competition and gain market share, we will be aggressive in supporting our teams and equipping them with the tools and resources to drive our company to an even higher level of performance. I want to once again thank Team O'Reilly for their continued dedication to our company. Now I will turn the call over to Brent.

Brent G. Kirby - *O'Reilly Automotive, Inc. - Co-President*

Thanks, Brad, and good morning, everyone. I would like to begin my remarks today by congratulating Team O'Reilly on yet another strong year. Once again, your commitment to consistent, excellent customer service drove outstanding results in 2022.

As Greg and Brad have already shared, it was a privilege to be able to get together with our industry-leading team, professional parts people at our leadership conference in January, and we are all incredibly excited about the strength of our business moving forward in 2023.

Today, I'm going to discuss our fourth quarter and full year gross margin and supply chain results and our outlook for 2023 and provide color on our capital investments. Starting with gross margin. Our fourth quarter gross margin of 50.9% was 183 basis point decrease from the fourth quarter of 2021, but in line with our guidance expectations.

For the full year, gross margin came in at 51.2%, which was 145 basis point decrease from last year. Our year-over-year margin results were primarily impacted by the rollout of our professional pricing initiative, combined with anticipated comparison headwinds to the LIFO benefits that we realized in 2021.

We are pleased to generate a full year gross margin rate in the upper end of our guidance range. However, we're even more excited to drive strong gross profit dollar growth. Our price investments and superior execution of our business model paid off in a solid 5% increase in gross profit dollars in 2022, which represents a 3-year compounded annual growth rate of 11%.

I want to thank our supply chain store operations and sales teams for their hard work in driving these results in a dynamic and very challenging market environment. For 2023, we expect gross margin to be in the range of 50.8% to 51.3%, which is consistent with how we viewed our margin guide throughout 2022.

Even though we aren't anticipating a significant year-over-year change, there are a few puts and takes that I want to call out that we expect to impact our gross margin in 2023. To begin, we will face some remaining incremental pressure in the first quarter from our professional pricing initiative as we lap a higher gross margin run rate at the beginning of 2022 before we fully rolled out the initiative in the middle of the first quarter.

We also will face headwinds from a number of other factors, including comparisons to temporary benefits in the first half of 2022 from the timing of selling price increases, a higher planned mix of professional business in 2023 as that side of the business continues to grow faster, the calendaring of the remaining LIFO benefit that we realized in 2022, and pressure on distribution costs as we continue to stabilize our network after the disruptive periods we have seen during the pandemic, and face headwinds in the fixed cost we capitalized in inventory driven by a significantly smaller planned inventory build in 2023.

Offsetting these headwinds, our gross margin outlook also includes an anticipated benefit from modest acquisition cost improvements. On balance, we still expect to see inflationary pressure in acquisition cost in 2023, driven by rising labor and raw material costs in the supply chain.

These are specific areas that we have seen some relief in from cost pressure that were passed along to us over the course of the last 2 years, specifically in freight and transportation costs. Beyond what we have built into our outlook for next year, we remain very cautious regarding the prospect for incremental reductions in acquisition costs as most of our supply chain partners continue to face broad inflationary pressures.

On an individual basis, none of the discrete factors I just outlined represent a significant impact to our gross margin. And candidly, we normally don't dig in at this level of detail in discussing the puts and takes that impact our margin. However, we think it's important to provide additional color since there are so many moving pieces.

Over the last several years, we have seen variability in our quarterly margin results that are not typical of the normal cadence for our business, driven by significant cost inflation, the reversal of our historic LIFO debit balance and the implementation of our professional pricing initiative.

In 2023, we anticipate quarter-to-quarter gross margins to be more consistent, with only first quarter being slightly below our full year guidance, driven by product mix. However, since some of our comparisons are more challenging, in the first half of the year, we do expect to see some pressure on gross margin rate on a year-over-year basis in the first 2 quarters.

Inventory per store at the end of 2022 was \$730,000, which was up 15% from the end of last year, which is significantly above the target that we set for inventory growth at the beginning of 2022. Over the course of much of the last 3 years, it has been our intent to aggressively add incremental inventory dollars, and we have been constrained by supply chain challenges and the necessity to keep up with the strong sales volumes and replenishment needs of our stores.

As we move through the back half of 2022, our supply chain distribution and store operations teams made tremendous progress in deploying additional inventory. We also proactively took advantage of opportunities to incrementally add inventory to our network as we saw upside in capitalizing on strong sales demand as supply constraints begin to ease.

For 2023, we are planning per store inventory to increase approximately 2%, which is below our historical run rates. This is primarily because of the inventory additions that we accelerated at the end of 2022. Our ongoing inventory management is geared to deploy the right inventory at the optimal position within our tiered distribution network.

While our expected incremental additions in 2023 are modest, our plans include continued adjustments to push out and pull back inventory to ensure that we're offering the best possible local inventory assortments. A key part of our inventory deployment strategy is our ongoing evaluation and modification of all aspects of our hub store network, including the number of hub stores, sizing of inventory assortments and market positioning.

A substantial amount of increased inventory that we deployed in 2022 and the dollars we plan to roll out in 2023 are targeted in our hub stores to further enhance our industry-leading inventory position. Our AP to inventory ratio at the end of the fourth quarter was 135%, which sets an all-time high for our company, and was heavily influenced by extremely strong sales volumes and inventory turns along with the impact from increased inflation and product acquisition costs.

While we deployed significant incremental inventory into our distribution centers and stores in 2022, we actually saw a decrease in net inventory investment of \$513 million. We anticipate our AP to inventory ratio to moderate slightly as we move through 2023 and currently expect to finish the year with a ratio of approximately 133%.

Our capital expenditures in 2022 were \$563 million, which fell short of our original plan by approximately \$140 million. The lower CapEx was driven by a few different factors, including a heavier weighing of leased versus owned stores, the delay of certain store DC and headquarter projects and planned maintenance, and the timing of expenditures related to distribution expansion projects.

Included in our expectations for 2023, our plan to deploy capital for the initiatives that were delayed in 2022, as well as support new store and DC development to support our long-term growth strategies in the U.S. and Mexico. For 2023, we are setting our capital expenditure guidance at \$750 million to \$800 million.

We have also established a target of 180 to 190 net new store openings with a planned heavier mix of owned versus leased locations. Our CapEx outlook also includes significant investments in our distribution network, as we will complete and open our newest distribute center in Guadalajara, Mexico and expect initial expenditures for future projects.

We have identified several exciting projects and initiatives in 2023 to enhance our service levels and provide customers an improved efficiency and product availability. Our CapEx guidance includes planned investments in significant DC and store fleet upgrades, store projects to enhance the image, appearance and convenience of our stores, and strategic investments in information technology projects.

Before I turn the call over to Jeremy, I want to again thank Team O'Reilly for their unwavering commitment to our customers and dedication to going the extra mile to deliver outstanding business results in 2022. Now I'd like to turn the call over to Jeremy.

Jeremy Adam Fletcher - *O'Reilly Automotive, Inc. - Executive VP & CFO*

Thanks, Brent. I would also like to congratulate Team O'Reilly on another outstanding year. Now we will fill in some additional details on our fourth quarter results and guidance for 2023. For the fourth quarter, sales increased \$353 million, comprised of a \$288 million increase in comp store sales, a \$65 million increase in noncomp store sales, a \$2 million increase in noncomp nonstore sales, and a \$2 million decrease from closed stores.

For 2023, we expect our total revenues to be between \$15.2 billion and \$15.5 billion. Brent covered our gross margin performance and guidance earlier, but I want to provide a quick reminder on how we view the application of LIFO in our gross margin results. We view our reported gross margin as the best measurement of our performance.

Since the GAAP cost of goods sold under the LIFO method, most closely matches our current acquisition costs. As a result, we don't view the normal application of LIFO as a discrete charge in our evaluation of gross margin. In the first quarter of 2022, we did receive a limited benefit of just under \$10 million, resulting from the reversal of our historic LIFO debit balance and the final sell-through of inventory purchase prior to acquisition cost increases.

This comparison headwind is a component of our gross margin expectations that Brent outlined earlier. Our fourth quarter effective tax rate was 18.2% of pretax income, comprised of a base rate of 19.9%, reduced by a 1.7% benefit for share-based compensation. This compares to the fourth quarter of 2021 rate of 19.4% of pretax income which was comprised of a base tax rate of 20.4% reduced by a 1% benefit for share-based compensation.

The fourth quarter of 2022 base rate as compared to 2021 was lower as a result of an increase in certain state tax credits. For the full year, our effective tax rate was 22.4% of pretax income, comprised of a base rate of 23.3%, reduced by a 0.9% benefit for share-based compensation.

For the full year of 2023, we expect an effective tax rate of 22.9%, comprised of a base rate of 23.4%, reduced by a benefit of 0.5% for share-based compensation. We expect the fourth quarter rate to be lower than the other 3 quarters due to the tolling of certain tax periods. Also, variations in the tax benefit from share-based compensation can create fluctuations in our quarterly tax rate.

Now we will move on to free cash flow and the components that drove our results and our expectations for 2023. Free cash flow for 2022 was \$2.4 billion versus \$2.5 billion in 2021. The decrease of \$178 million was driven by higher capital expenditures in 2022 versus 2021, and differences in accrued compensation.

For 2023, we expect free cash flow to be in the range of \$1.8 billion to \$2.1 billion. As Brent discussed earlier, the expected year-over-year decrease is due to a planned increase in net inventory in 2023 versus the benefit we realized in 2022 as well as the planned increase in CapEx. These headwinds are expected to be partially offset by a benefit of \$300 million in 2023, resulting from favorable timing of tax payments and disbursements for renewable energy tax credits.

Moving on to debt. We finished the fourth quarter with an adjusted debt to EBIT ratio of 1.84x as compared to our end of 2021 ratio of 1.69x, with the increase driven by our successful issuance of \$850 million of 10-year senior notes in June, offset by the September retirement of \$300 million of maturing notes.

We continue to be below our leverage target of 2.5x, and plan to prudently approach that number over time. We continue to execute our share repurchase program. And for 2022, based on the strength of our business, we were able to purchase 5 million shares at an average share price of \$661.66 for total investment of \$3.3 billion.

Since the inception of our share repurchase program in 2011, we have repurchased 91 million shares at an average share price of \$224.8 for a total investment of \$20.4 billion. We remain very confident that the average repurchase price is supported by the expected future discounted cash flows of our and we continue to view our buyback program as an effective means of returning excess capital to our shareholders.

As a reminder, our EPS guidance includes the impact of shares repurchased through this call, but does not include any additional share repurchases. Before I open up our call to your questions, I would like to thank our team for your hard work and dedication to our company and our customers. This concludes our prepared comments. At this time, I would like to ask Paul, the operator, to return to the line, and we will be happy to answer your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And the first question today is coming from Michael Lasser from UBS.

Michael Lasser - UBS Investment Bank, Research Division - MD and Equity Research Analyst of Consumer Hardlines

So prior to the pandemic, O'Reilly would consistently guide its comp in the 3% to 5% range. This year, that outlook calls for 4% to 6% increase. Are you backing into that based on the investments that you're making in SG&A such that you need this sales level in order to drive leverage to cover the buildup of cost? And if so, does that create some downside comp risk kind of similar to how last year played out?

Gregory D. Johnson - O'Reilly Automotive, Inc. - CEO

Yes, Michael, this is Greg. I mean, the answer to your question is absolutely not. Brad talked a lot about our bullish thesis on both the industry and what we expected from our company in 2023.

And the fact that miles driven has improved, not to the point of pre-pandemic levels, fuel prices have stabilized, new car sales and used car sale prices have been elevated, and overall sales have been softer over the past few years. I think there'll be some recovery there in 2023, but we still see a tremendous opportunity just because new car sales may improve, that doesn't mean that the millions of cars that are on the road today will just simply vanish.

Cars are built better, they're lasting longer. And for all those reasons that Brad laid out, we're very, very optimistic about the future. But as always, we're cautious. First and fourth quarters are more volatile. And I don't know what's going to happen with the economy. The onset of spring impacts our volumes. But overall, on an annual basis, we remain very bullish for our future.

Jeremy Adam Fletcher - *O'Reilly Automotive, Inc. - Executive VP & CFO*

Michael, maybe the only thing I would add there is we continue to expect to see an average ticket benefit that's greater than normal years as we roll over some of the pricing changes that happened within our business and our industry last year. But even as we step behind or beyond some of those macro factors, we feel very positive about how we think about the opportunities we have from a share perspective, as we move through next year.

And those are things that we have confidence in because of the trends that we've seen for the last couple of quarters as we've seen the -- I think our customer base be really resilient and respond, and we've seen traction and momentum on both sides of our business.

Michael Lasser - *UBS Investment Bank, Research Division - MD and Equity Research Analyst of Consumer Hardlines*

That makes sense. My follow-up question, and you've gotten this a lot recently, is that costs have come down quite a bit, whether it's supply chain costs in the form of lower containers, petroleum prices. Can you quantify the savings that O'Reilly is experiencing from these lower input costs? And are you passing along the savings in the form of lower prices? Or is that helping the profitability in offsetting some of the other pressures that you had identified?

Jeremy Adam Fletcher - *O'Reilly Automotive, Inc. - Executive VP & CFO*

Yes, Michael, maybe let me answer your question backwards, the second part first. Yes, we're absolutely -- whenever we see any potential benefits we've been able to take that to the bottom line. We have not seen to date any market movements to roll back some of the increases that we've seen and if there's been any relief on pressures.

And Brent talked about that as a positive within his prepared comments. We do expect some benefits there this year. I think to the first part of your question, we haven't quantified -- we won't. And I would maybe caution a little bit to treat that as a big factor moving in one direction.

There continues cost pressure on balance. We think that we'll see more cost increases this year than decreases as our suppliers continue to stay under pressure. And while we've seen some reductions, and those are good, and we're positive about that. We're very cautious in how we think about that moving forward and the benefits that we would bake in. And I think you see that reflected and really how -- I think we've talked about this for the last couple of quarters, but then also as we've laid out our outlook.

Operator

The next question is coming from Simeon Gutman from Morgan Stanley.

Simeon Ari Gutman - *Morgan Stanley, Research Division - Executive Director*

I'm going to ask the one and a follow-up now. The first question on SG&A growth. Is this a 2023 event or -- are the spending on the stores and people? Or do you foresee some of this spilling into next year? And then to clarify, if product -- the second is to the follow up; if product acquisition costs start coming down because you didn't record a charge, does that create -- does that -- do we start creating a new debit balance?

Just I think that, that won't help the gross margin then since you didn't create a charge, you just build up another reserve. I just want to make sure that's right.

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

Yes. Simeon, I'll take the -- I'll start the SG&A response here, and then maybe Jeremy or Brent will want to chime in. We haven't changed our focus. Our focus continues to be growing operating margin dollars. Our focus continues to be to grow top line faster than we grow SG&A.

None of that's changed. We still talk about our core culture value of expense control day in and day out. This change this year was a deliberate and a prudent effort to try to position us for future growth. There's a lot that's changed over the past 2 years in the retail market and industries as a whole across all industries, actually. And we faced wage pressures, there's no secret there. We faced turnover.

And we really looked ourselves in the mirror this year and had conversations with our team members about what is important. We want to stop the turnover, get back to normalized rates, make sure we have the ability to recruit, promote and retain the best talent, which is what we've been successful with for also -- so part of that initiative, and I'm not going to go into all of it, perhaps Brent or Brad would want to go into more detail.

We called out the initiative on the PTO. That's one example of us listening to our team members as to what's important to them and an effort for us to position ourselves for future growth. I don't know, Jeremy, if you had anything to add?

Jeremy Adam Fletcher - *O'Reilly Automotive, Inc. - Executive VP & CFO*

Yes. Maybe the only thing I would say is we establish our SG&A guidance 1 year at a time, and I don't want to guide from a pure dollar perspective, what we look like beyond that. I think what Greg points to, though, is that we remain highly committed to making sure that we're driving the right results out of every part of what we invest in our business from an expense control standpoint.

And so as we move beyond this year, we intend that these investments pay off, that we lever SG&A as a result of them. And I think what you would expect to see from that perspective hasn't changed from a long-term standpoint. Does that mean we won't find other things as we continue to move forward and invest in?

We'll continue to evaluate that. It is our intent to do what we can do to build the long-term strength of our business. And I think what you see in our guidance and what we talked about matches up with that. Maybe just briefly to address your second question around the LIFO perspective, to the extent we see cost decreases in the coming year, we, again, don't expect that on balance substantially.

They're going to offset cost increases. It would require a magnitude of change there that's far in excess of what we would expect for our LIFO accounting to push back into a debit balance. So we'll be on a credit LIFO for the foreseeable future and the impact of that is as we see cost increases that will get reflected pretty rapidly within our reported results.

Operator

The next question is coming from Greg Melich from Evercore ISI.

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

I guess my first question was on wages. What was the inflation in average hourly wage that you saw last year? And what are you expecting this year in the guidance?

Jeremy Adam Fletcher - *O'Reilly Automotive, Inc. - Executive VP & CFO*

Yes. It was significant in 2022. It was in the mid- to high single-digit range for inflation. It depends on market and type of position for us. We expect that to moderate off of those levels. We'll have some carryover impact there from a comparative situation, but we're still building in an expectation of somewhere in digit range from a wage perspective because of those factors. What I would tell you is that we see that is the ongoing regular management of business.

And we expect that, as we saw in 2022, that we'll have the ability to pass along and cost increases to the extent that we've planned. And if that number ends up being different than what we foresee at this point in time, we'll have the ability to pass it along as well.

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

Got it. And then my second question is on mix shift. You mentioned that as being a slight headwind to gross margin, I'd love to have a little more detail on that and color within DIY and pro. Is there any trade down occurring? What sort of behaviors are you seeing from your customers on both sides of the house?

Brent G. Kirby - *O'Reilly Automotive, Inc. - Co-President*

Yes. Greg, this is Brent. I can start on that and then others can chime in. We really -- net overall, we haven't seen a lot of trade down. In some categories, we've actually seen trade up as cars become more sophisticated and OE requirements on batteries as an example, with AGM, and some of the higher price points that are required on a lot of replacement batteries today.

So we've seen a lot of that actually move the consumer from the best to the better. In a lot of cases -- better to best, rather. We have seen a little bit a category where we still had some -- a lot of inflation in the oil category, and we've had majors that struggled with their supply chain.

In some cases, we've seen customers trade down to some of our proprietary brands on oil. And quite frankly, they're happy with what they're getting and we're seeing some stickiness there with those customers with some of our proprietary brands, which long term is a good thing for us.

But net-net, we haven't seen any violent move, one way or the other, in terms of trade up or trade down.

Jeremy Adam Fletcher - *O'Reilly Automotive, Inc. - Executive VP & CFO*

And Greg, maybe specifically to your question, in Brent's prepared comments, when you talked about some modest headwinds there, that's really on the professional versus DIY mix because we anticipate professional and our top line grows faster and that creates just the mathematical pressure on...

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

That's a category mix effect, not within the 2 sides.

Jeremy Adam Fletcher - *O'Reilly Automotive, Inc. - Executive VP & CFO*

That side of business mix effect, not within each side from a category.

Brent G. Kirby - *O'Reilly Automotive, Inc. - Co-President*

The expectation is that the DIFM is going to outperform DIY.

Operator

The next question is coming from Seth Basham from Wedbush.

Seth Mckain Basham - *Wedbush Securities Inc., Research Division - MD of Equity Research*

And my question is around the DIY side of the business. You mentioned that you see some opportunities for ticket growth, but you're more cautious. Now even with the easier comparisons there in the first half of the year, would you expect ticket growth -- ticket account growth, I should say, in the first half of 2023?

Jeremy Adam Fletcher - *O'Reilly Automotive, Inc. - Executive VP & CFO*

Yes. Just to clarify, Seth, in Brad's comments, we said we expect DIY tickets to be slightly down. Now we see some benefit as we continue to perform well against the marketplace, we are gaining share on the DIY side of our business. And we will have some easier comparisons in the first part of the year because of the pressures we saw last year that you mentioned.

That's really all partial offsets against the longer-term industry trend that we and others have talked about that pressures ticket count comps because of the increasing cost and complexity of vehicle parts that supports the average ticket price, but possibly lead to service intervals and repair cycles that extend out. So we anticipate that, that is bigger impact for us as we move through the year. But -- and that is kind of consistent with how we would normally think about DIY tickets.

Seth Mckain Basham - *Wedbush Securities Inc., Research Division - MD of Equity Research*

Got it. Okay. So a little bit less pressure in the first half of the year and then more normal thereafter?

Jeremy Adam Fletcher - *O'Reilly Automotive, Inc. - Executive VP & CFO*

Correct.

Operator

The next question is coming from Brian Nagel from Oppenheimer.

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

Congratulations on the promotions.

Brad W. Beckham - *O'Reilly Automotive, Inc. - Co-President*

Thanks, Brian.

Brent G. Kirby - *O'Reilly Automotive, Inc. - Co-President*

Thank you, Brian.

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

So the first question, I guess it's pretty simple, but the business did accelerate just from a comp perspective, even stacked up nicely here in Q4. And then the commentary you made suggests that strength has continued here to Q1. You mentioned weather is a driver. Is there -- I guess, can we maybe quantify the benefits of weather within that acceleration? And are there other factors that could help to explain why the business has strengthened further off of already strong levels?

Jeremy Adam Fletcher - *O'Reilly Automotive, Inc. - Executive VP & CFO*

Yes, Brian, thanks for the question. The weather is a part of the acceleration, I would tell you, it's not all of the acceleration. So we continue to see traction. And maybe I'll start here and the other guys can jump in. We continue strong traction within our professional business and the trends there we've seen, we're very encouraged by -- from a DIY perspective as we move further out in the middle part of the year when we saw pressure that, that customer has proven to be resilient and stabilized quite a bit.

And we've seen some incremental improvements there that are positive. Obviously, as we think about those things, we look at them on a stock basis because of the comparison questions, but those types of things were positive. As we got to the last couple of weeks of the year, we had a cold snap that stretched across a lot of the country and we can see that pretty clearly. But even in that period of time, what we saw was broad-based across a lot of our regions and markets and customers. And we've been pleased with how we continue to see strength in the first quarter.

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

Yes, Brian, I think one of the things we called out that I think you're referencing the strength in winter categories. And we did see -- actually it was the expected strength where we saw cold weather, snowy weather. Obviously, up in North, snow is probably better for us than it is in the South, but the recovery component after the snow gets cleared in the South helps us out as well.

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

Got it. And then helpful. And then my second question, look, I know it's early. We've been talking about it as an investment community inflation and within your business for a while. But maybe as you're starting to see those inflationary pressures begin to abate and recognizing you're not lowering prices, but prices may not be going up as much as they once were, are you seeing consumers react favorably to that? In other words, I'm asking, are you starting to see the early indications of what may be sort of say, an elasticity of demand here?

Jeremy Adam Fletcher - *O'Reilly Automotive, Inc. - Executive VP & CFO*

Yes. It's kind of tough to see that, Brian. I think it lays into a lot of other factors with the consumer. We don't see the same types of pressure on our customers when we have those things pass through.

The shocks are a big deal. We saw shocks in 2022. But pretty quickly, our consumer adjusts to that. They have a real nondiscretionary need for what they buy from us. They got to keep their car on the road to be able to get to work, to take their kids to activities, to do so many things that are part of American life.

So as we move past that, we have, I think, some benefits. People are a little bit more constrained, maybe we have more of an opportunity to add items to a job or to sell them up on a value perspective, and we feel positive. But I think our positivity is just around the overall strength of how we view that consumer.

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

Yes, Brian, and to Brent's earlier comments about trading up and trading down, we just really haven't seen evidence of significant trade down to drive us to think that there was tremendous cost pressure on the consumer. Some of the trade up, trade debt trade across, as I've said in previous quarters, was about inventory availability. Perhaps we didn't have the particular brand they wanted. But a lot of that subsided with the improvement in our supply chain. So really haven't seen any evidence of elasticity or trade down.

Operator

And the next question is coming from Mike Baker from D.A. Davidson.

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

Okay. We sort of danced around this, I think, a little bit, but I wanted to ask you about any concern about a price war or aggressive pricing? We talked about it a year ago, there was a big concern. It never really materialized.

But now Advance Auto is talking about getting more aggressive on pricing, your gross margin at the midpoint is down, can you just address how you talk about or think about pricing amongst your close-end competitors?

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

Yes, Mike. We -- as we said last year when we introduced this concept of adjusting our prices, it was a very scientific process we went about. It was thought out, it was tested, it was evaluated. And it wasn't across the board. It was directed to individual SKUs across individual categories.

And we did not see any movement from our competitors at that time. Since then, we've clearly taken some market share. So what our competitors do going forward, we don't know. We have no control over it. But we've seen no evidence of that today. Brad, you live this day in day out. What are your thoughts?

Brad W. Beckham - *O'Reilly Automotive, Inc. - Co-President*

Yes. Yes, as you know, as we talked for a long time, all of us here have been in this industry a long time. We've built the company a long time. That's the first time in my 26-year career that we have really moved our framework down the way we did. And we have no plans to do that again.

We felt like, as you know, there was a huge opportunity. We work in a \$130 billion industry, and we do -- we have 10% share. And as you know, on the professional side, it's so much more fragmented. And with the disruption we saw the last couple of years in supply chain and some other things that hit the independents and some of the smaller players harder, especially some of the weaker ones, it was very strategic for us to make the decision we made.

And we feel not only as good as we did a year ago, but we feel better in the decision we made. But it's made, we did it, we rolled it out. And there's no plans to do that again. And just to remind you, Mike, our team's pro price initiative is probably fifth or sixth down the list when our operational and sales teams go to market.

They're focused on having relationships with the installers. They're focused on having relationships with the decision makers, given the best delivery service in town helping them turn their bays, and I don't necessarily contribute a large portion success last year to just pricing, it's backing up the pricing with the top 2, 3, 4 things that make the pricing pay off, and we feel really good about how that's going to continue to build in 2023.

Brent G. Kirby - *O'Reilly Automotive, Inc. - Co-President*

And Michael...

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

Yes. Sorry, go on.

Brent G. Kirby - *O'Reilly Automotive, Inc. - Co-President*

This is Brent. I was just -- the only thing I would add to the comments Greg and Brad have already made on professional pricing is the framework remains intact, and we monitor it on an ongoing basis. We monitor all our pricing on an ongoing basis. But we've stayed very rigorous around being competitive, but winning on service and parts availability. That's how we win.

Operator

The next question is coming from Chris Horvers from JPMorgan.

Christopher Michael Horvers - *JPMorgan Chase & Co, Research Division - Senior Analyst*

Dovetail on a couple of earlier questions. I guess on that DIY acceleration, you got past -- gas prices came down, you had some favorable weather in December. But I guess as you look at DIY, do you think your share gains accelerated sequentially? Like, to what degree was the acceleration some more of like nonspecific to O'Reilly factors versus share gains that you've been driving?

Jeremy Adam Fletcher - *O'Reilly Automotive, Inc. - Executive VP & CFO*

Yes. Really hard to say, Chris. And I think, especially on the DIY side of the business, the pace of the -- of what we see from a ticket perspective, more modest than on the professional side. I think we talked about where it's very clear that we know we're outperforming the market.

We think that likely throughout the course of all of '22 and, frankly 2021 and 2020, we've been outperforming the market and taking in share gain. So I don't know that we've seen a net incremental acceleration there. I think it'd be hard to see.

And maybe you'd have to watch it for a few more quarters. I do think that a lot of what we've seen is our customers just continued to be strong and healthy and the industry continues to prove out that there's a lot of value in investing in your vehicle at higher mileages that it's -- there's a good payback on that for customers. And I think that's been a positive as well for us.

Christopher Michael Horvers - *JPMorgan Chase & Co, Research Division - Senior Analyst*

And so I have sort of a 2-part follow-up. So one is, I guess, on the PTO program, to what extent is this sort of a competitive need where direct competitors, companies like Walmart are -- had a higher PTO option that you're reacting to in the environment?

And then just second, as you think about the first half, obviously, weather always has an impact. It hasn't been that great of a winter so far. Is the expectation as you lap that gas shock that is essentially through muting what's been a relatively warm winter?

Brad W. Beckham - *O'Reilly Automotive, Inc. - Co-President*

Chris, this is Brad. I'll touch on the PTO and then kick it over for the other. But as you know, Chris, we work in a people business. You've heard us talk for a long time about the importance having tenure and knowledge and professional parts people.

And quite frankly, we're very proud. When Brent and I talk, whether it's the store teams or DC teams, we're very proud of our ability to retain and cut down on turnover amongst that's happened in the last couple of years.

But frankly, Chris, we're getting ahead. We're going to invest in our people. We're looking at human capital. We're looking at things that we're less looking at what maybe competitors do or other parts is we feel like this is very strategic. We feel like our people value their time off. We feel like we need to be more flexible in the way we give them that time off.

And so really, this for us is getting ahead, not following anybody. We're being proactive and we're going to invest in our people.

Jeremy Adam Fletcher - *O'Reilly Automotive, Inc. - Executive VP & CFO*

And then maybe on the weather part of your question Chris. I would say, obviously, we've had some positives there at the end of our fourth quarter, just maybe more on balance, we would view weather as neutral.

I think depending upon market we see things, plus or minus, there's nothing from a significant change perspective that at least at this point, we would call out as having an overhang effect as we move through to the next couple of quarters as we think about cadence during the year, and I know Brad mentioned it in his comments, we do expect more strength in the first half of the year because of some of the opportunities on average ticket in the comparisons from a DIY and professional ticket count perspective is as we run up against some more opportunities there.

But on balance, I think weather, we would say it's favorable constructive for the type of demand we would like to see in 2023.

Operator

And the next question is coming from Scot Ciccarelli from Truist.

Scot Ciccarelli - *Truist Securities, Inc., Research Division - MD*

I guess, one more question regarding kind of the same SKU inflation comments you guys have already made. Are some vendors actually reducing product costs? Or are we just talking about reducing the magnitude of increases? Because obviously, that's 2 different things.

Brent G. Kirby - *O'Reilly Automotive, Inc. - Co-President*

Yes. Chris, this is Brent -- or Scot, rather, this is Brent. I would tell you it's a little bit of a mixed bag out there. There are some suppliers that have been more impacted by wage rates and raw material costs than others, obviously. We're always going to negotiate hard, we're always going to

negotiate for best first cost. None of that stopped. We're relentless with that. We're going to continue to be. I hit on the prepared comments, we've seen transportation costs abate from what they were from the peak. We've seen some benefit from that. So we've also still seen some continued inflation even later in the cycle on petroleum products. So it's a mixed bag out there, but our guide anticipates that we're not going to see any tailwinds from acquisition costs.

We're going to negotiate hard, and we're going to do everything we can to control cost. And then where we do have to absorb any increases, we'll be able to pass those along to our customers.

Jeremy Adam Fletcher - *O'Reilly Automotive, Inc. - Executive VP & CFO*

And just to be completely clear on that one, Scot, when we say our guide, it does include some benefit from cost reductions. I think what Brent is saying there is that we're not anticipating a lot of incremental things versus what we haven't seen already.

Scot Ciccarelli - *Truist Securities, Inc., Research Division - MD*

Got it. Okay. That's very helpful. And then just clarity on the \$28 million PTO charge in SG&A. Was that treated as a charge because that was like an accrual catch-up of some sort and then we're basically on a run rate basis for '23?

Jeremy Adam Fletcher - *O'Reilly Automotive, Inc. - Executive VP & CFO*

Yes, Scot, we did have an accrual catch-up. As we converted to the plan, we had some existing balance some other types of sick and personal time items that as we enhanced. We had a onetime catch-up for team members. And then our run rate will be higher as a result of what we've seen. On a comparative basis, it will have normal comparisons there with the difference, obviously, that it will be a run rate throughout '23 as opposed to a fourth quarter charge in '22.

Operator

And we have reached our allotted time for questions. I will now turn the call back over to Mr. Greg Johnson for closing remarks.

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

Thank you, Paul. We'd like to conclude our call today by thanking the entire O'Reilly team once again for their unwavering commitment to our customers and for our strong results we've posted in 2022.

We look forward to another strong year in 2023. I'd like to thank everyone for joining our call today, and we look forward to reporting 2023 first quarter results in April. Thank you.

Operator

Thank you. This does conclude today's conference call. You may disconnect your phone lines at this time, and have a wonderful day. Thank you for your participation.

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