



## Analyst Day

Salt Lake City, UT Distribution Center

August 13, 2013

# Forward Looking Statements

We claim the protection of the safe-harbor for forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. You can identify these statements by forward-looking words such as “expect,” “believe,” “anticipate,” “should,” “plan,” “intend,” “estimate,” “project,” “will” or similar words. In addition, statements contained within this presentation that are not historical facts are forward-looking statements, such as statements discussing among other things, expected growth, store development, integration and expansion strategy, business strategies, future revenues and future performance. These forward-looking statements are based on estimates, projections, beliefs and assumptions and are not guarantees of future events and results. Such statements are subject to risks, uncertainties and assumptions, including, but not limited to, competition, product demand, the market for auto parts, the economy in general, inflation, consumer debt levels, governmental regulations, our increased debt levels, credit ratings on public debt, our ability to hire and retain qualified employees, risks associated with the performance of acquired businesses, weather, terrorist activities, war and the threat of war. Actual results may materially differ from anticipated results described or implied in these forward-looking statements. Please refer to the “Risk Factors” section of our annual report on Form 10-K for the year ended December 31, 2012, for additional factors that could materially affect our financial performance. Forward-looking statements speak only as of the date they were made and we undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law.

# O'Reilly Analyst Day – Agenda

**8:00 – 8:30**

- Meet & Greet with Management

**8:30 – 10:30**

- Management Presentation and Q&A Session

**10:30 – 11:00**

- Distribution Center Tour

**11:00 – 11:45**

- Light Lunch with Management

**11:45 – 2:00**

- Store Tours

**2:00 Sharp**

- Shuttle to Salt Lake City Airport

# Introductions and Industry and Company Overview:

**Greg Henslee**  
**President and Chief Executive Officer**





# Management Team Present Today

## Name, Title and Years of Experience in the Automotive Aftermarket Industry

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<b>Greg Henslee</b> – President and CEO	<b>32</b>
<b>Tom McFall</b> – Executive Vice President of Finance and CFO	<b>15</b>
<b>Jeff Shaw</b> – Executive Vice President of Store Operations and Sales	<b>29</b>
<b>Keith Childers</b> – Vice President of Western Store Operations and Sales	<b>36</b>
<b>Jeremy Fletcher</b> – Vice President of Finance and Controller	<b>8</b>
<b>Scott Kraus</b> – Vice President of Real Estate Expansion	<b>15</b>
<b>Doug Ruble</b> – Vice President of Advertising and Marketing	<b>6</b>
<b>Kody Kirkham</b> – Regional Director - Stores	<b>14</b>
<b>Larry Boevers</b> – Regional Director - Distribution	<b>19</b>
<b>Jason Pahl</b> – Distribution Center Manager	<b>18</b>

# Company Overview

## Store Count

- 4,087 stores in 42 states as of June 30, 2013

## Distribution Centers

- 24 Distribution Centers

## Team Members

- Over 60,000

## Last-Twelve-Months Sales

- \$6.39 billion as of June 30, 2013

## Do-It-Yourself versus Do-It-For-Me Split

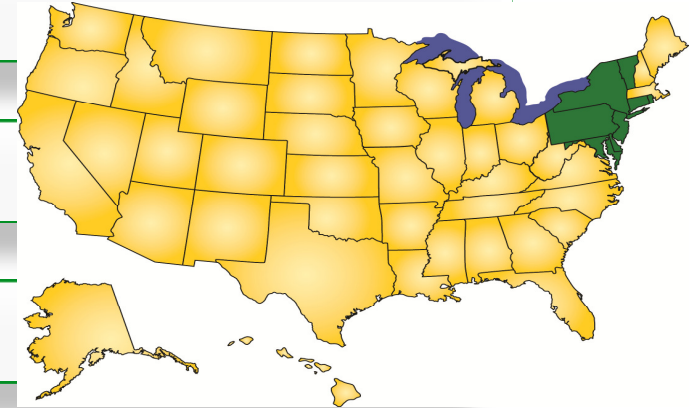
- 58% and 42% as of June 30, 2013
- 65% and 35% as of December 31, 2009
- 52% and 48% as of June 30, 2008 (prior to CSK acquisition)

## Total Assets

- \$6.1 billion as of June 30, 2013

## Market Capitalization

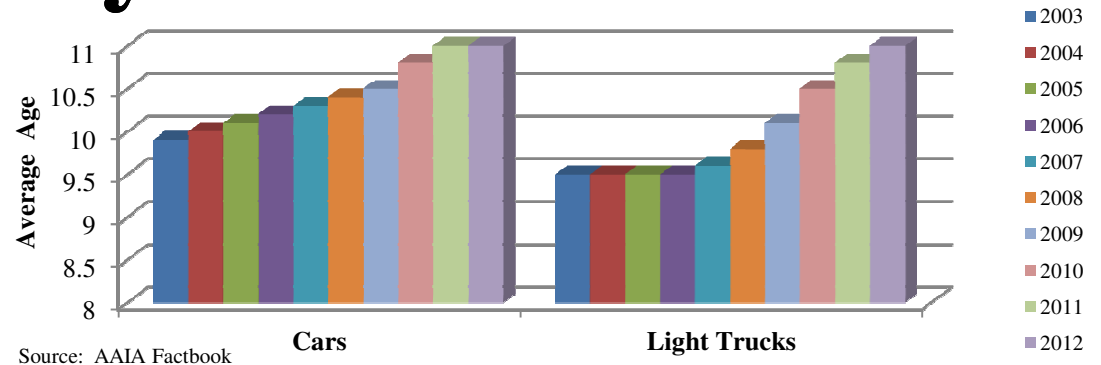
- \$14 billion at August 5, 2013



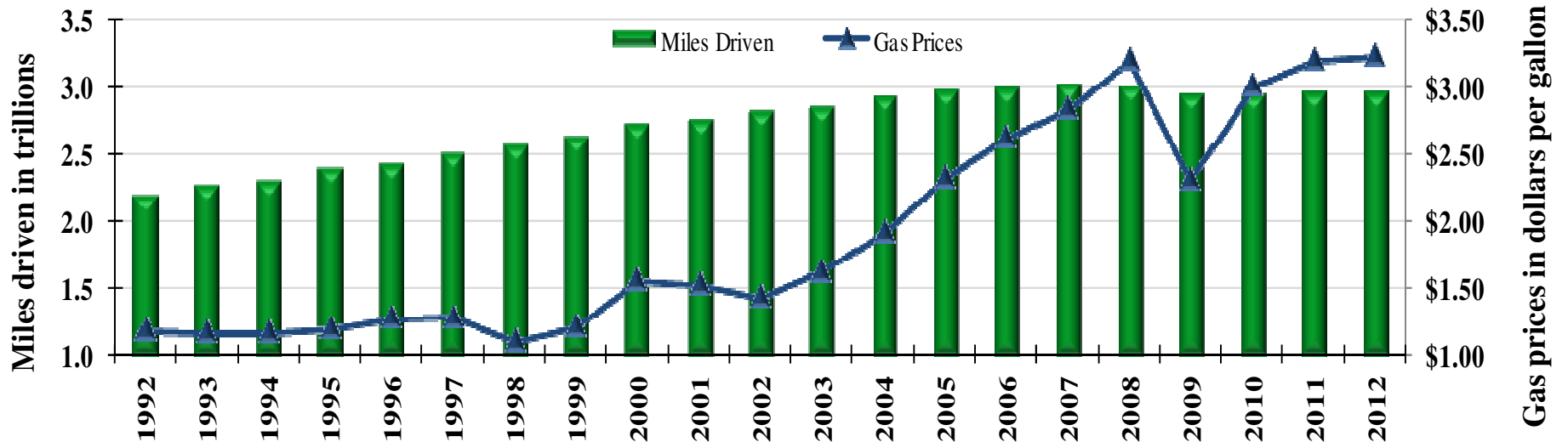
# Industry Drivers

## Continued Aging of U.S. Vehicle Population:

Better engineered vehicles, which can be reliably driven at higher miles, have led to a continued aging of the vehicle fleet.



## U.S. Miles Driven and Gas Prices:



34% increase in miles driven from 1992 to 2012

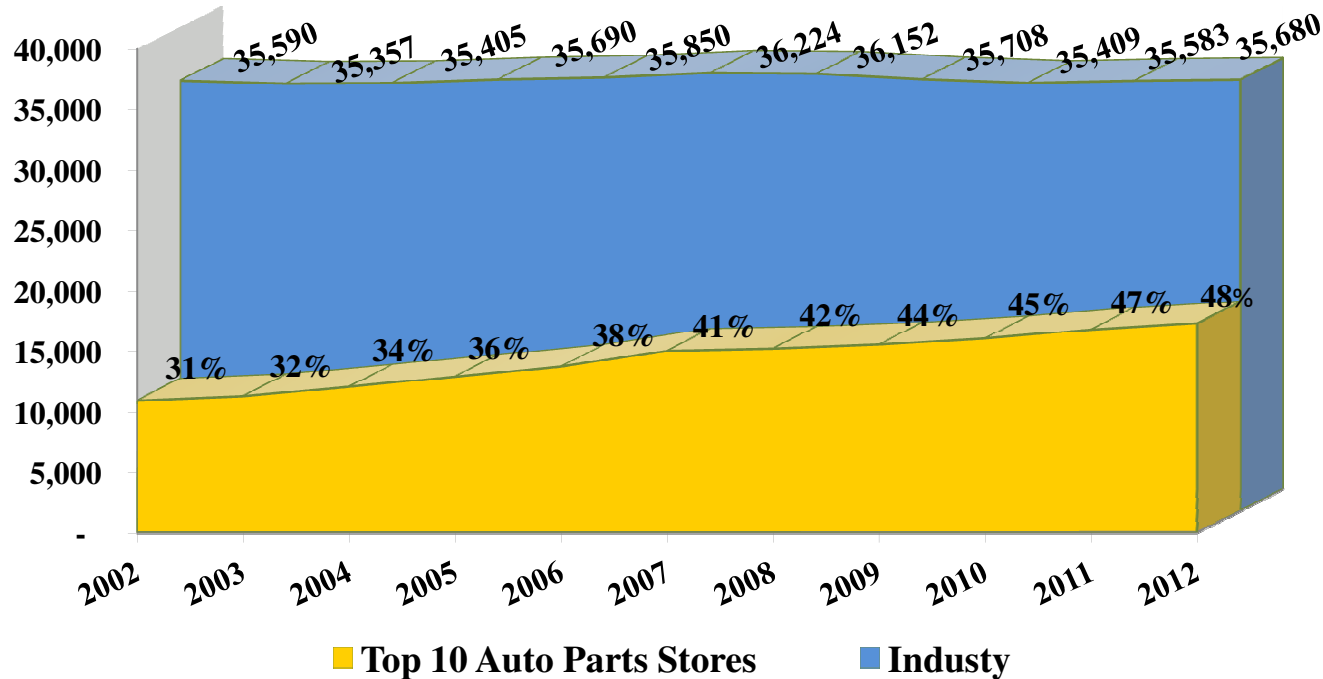
\$3.57 - average gas price as of August 5, 2013

Flat miles driven year-to-date through May of 2013

Source: Dept. of Transportation and Dept. of Energy

# Industry Landscape

## Fragmented Market:



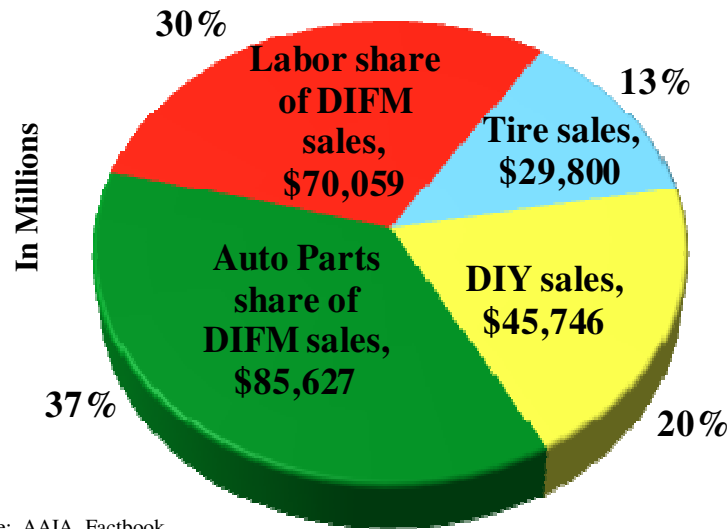
### Top Ten Auto Parts Chains

1. AutoZone Inc. (5,109)
2. **O'Reilly Auto Parts (4,087)**
3. Advance Auto Parts (3,990)
4. General Parts Inc./ CARQUEST (1,142)\*
5. Genuine Parts/ NAPA (1,100)\*
6. Pep Boys (767)
7. Uni-Select (446)
8. Fisher Auto Parts (406)
9. Replacement Parts, Inc. (155)
10. Hahn Automotive Warehouse (93)

\* Company owned stores

Source: AAIA Factbook or latest SEC filing

# Industry Opportunities



Source: AAIA Factbook

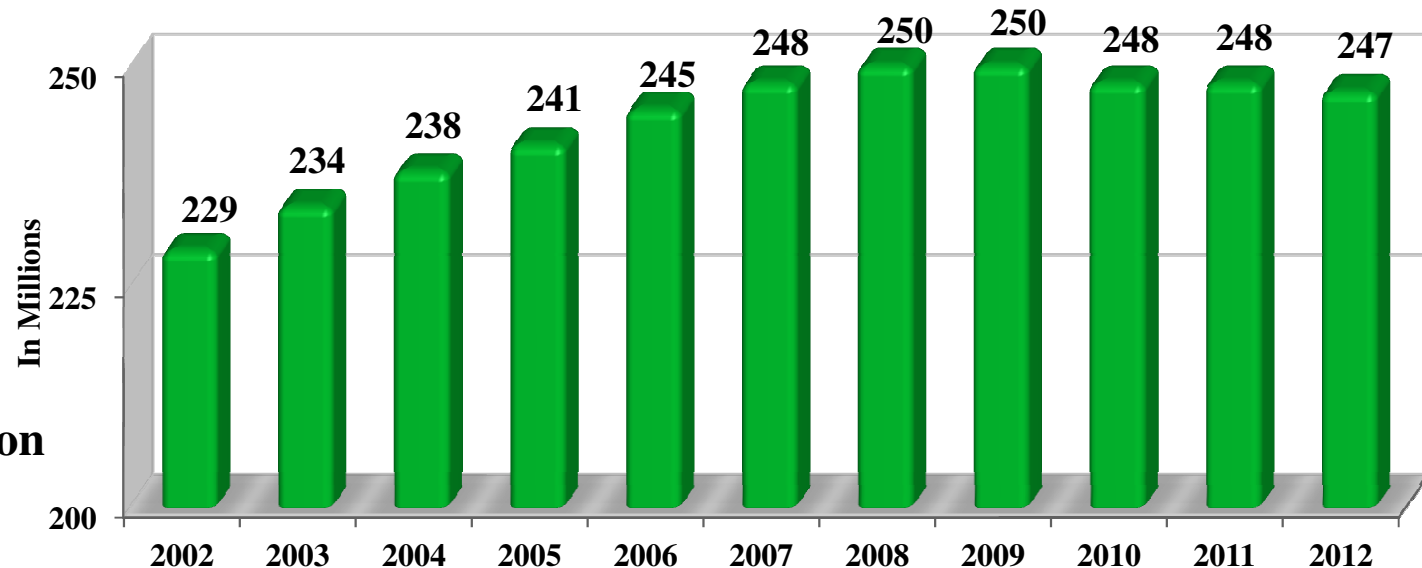
## Size of Automotive Aftermarket

**Total Market:**  
**\$231 Billion**

**O'Reilly Addressable Market:**  
**\$131 Billion**

## Total U.S. Light Vehicle Population

**8% increase in Total Light Vehicle Population from 2002 to 2012**



Source: AAIA Factbook

# Year-to-Date 2013 Highlights



**Opened 111 net, new stores**



**3.6% comparable store sales versus 4.9% for the same period in 2012**



**Operating margin increased to 16.6%**



**\$2.94 diluted EPS versus \$2.29 for the same period in 2012**



**\$263 million in free cash flow**



**3<sup>rd</sup> quarter diluted EPS guidance of \$1.60 to \$1.64 versus \$1.32 for the same period in 2012**



**2013 full-year diluted EPS guidance of \$5.79 to \$5.89 versus \$4.75 in 2012**



# Inventory Initiatives

## Improved Market Position in 2012

- Expanded existing store level inventories by \$140 million
- Increase Master Inventory store network
  - From 192 stores at the end of 2011 to 251 stores today
- Emphasis on hard part “back-room” products
  - Both Brand and Private label SKUs



## Inventory Investment

- Project 2013 average inventory per store to be flat with 2012 levels
- Continue to refine inventory mix to maximize total investment
- Opportunity to continue to grow Vendor Financing Program

## Import Parts Focus

- Continue to build vendor relationships
- Broaden product line coverage





# Store Operations and Sales:

**Jeff Shaw**

**Executive Vice President of Store Operations  
and Sales**

**CERTIFIED  
AUTO REPAIR**



**FIRST  
CALL** **ONLINE**

# O'Reilly Business Model



Mission Statement... We will be the dominant auto parts supplier in all our market areas

Dual Market Strategy

Industry Leading Parts Availability

“Culture Driven” Leadership

“Top Notch” Customer Service

Initiatives and Programs



# Dual Market Strategy



**Established track record of serving both DIY and DIFM Customers**



**Greater market penetration and reduced vulnerability to competition**



**Allows us to profitably operate in large and small markets**



**Leverages our existing retail store locations and extensive distribution infrastructure**



**Enhances service levels offered to our DIY customers**



**Store manager drives professional sales model supported by over 600 dedicated outside sales people**



# Industry Leading Parts Availability



**Primary factor in making a buying decision for both DIY and DIFM customers is parts availability**



**24 regionally deployed DCs service stores at least 5 nights a week**



**DCs stock an average of 142,000 SKUs**



**All DCs are linked to master inventory DCs (excluding Lewiston)**



**85 % of stores receive multiple daily deliveries from DCs or Hub stores**



**251 Hub stores carrying an average of 42,000 SKUs**



# “Culture Driven Leadership



## Philosophy

- **Replicate the O'Reilly Culture**
- **Strong “promote from within” philosophy**
- **“Hands on” Proven Management Team**
  - **10 Div Mgrs with 268 years experience in our industry!**
- **“LEAD” Program (Leadership Enhancement and Development)**
  - **Improved resources to help field management identify talented and motivated potential leaders**
  - **Improved assessment tools to help developmental needs**
  - **Better tracking and visibility of LEAD participant’s progress**
  - **Goal...Developing well-prepared Field management that will LEAD us to MARKET DOMINATION**



# O'Reilly Customer Service

**We Sell Parts... But we've been in the  
"Customer Service" business since 1957**

## **"Top Notch" Service Levels**

- **"Professional Parts People"**
- **"Roll out the red carpet for everyone"**
- **"Out Hustle and Out Service" the competition**



## **"Never Say No"**

- **"Exhaust all resources to take care of our customer"**
- **Technical Support Department**
  - **42 TMs with 590 years of automotive experience**



## **Programs**

- **DIY Customer Assistance**
- **O'Reilly Customer Gauge**

# Store Focused Training



## Ongoing Field Training

- LMS Training – Automotive Systems, Product Knowledge
- Interactive Related Selling Training
- Trouble Code Support
- Store Operations Workshops – Customer Service, Store Procedures
- Sales Workshops – Sales Specialist, Installer Service Specialist
- Entry Level Leadership Field Workshops
- Corporate Leadership Development



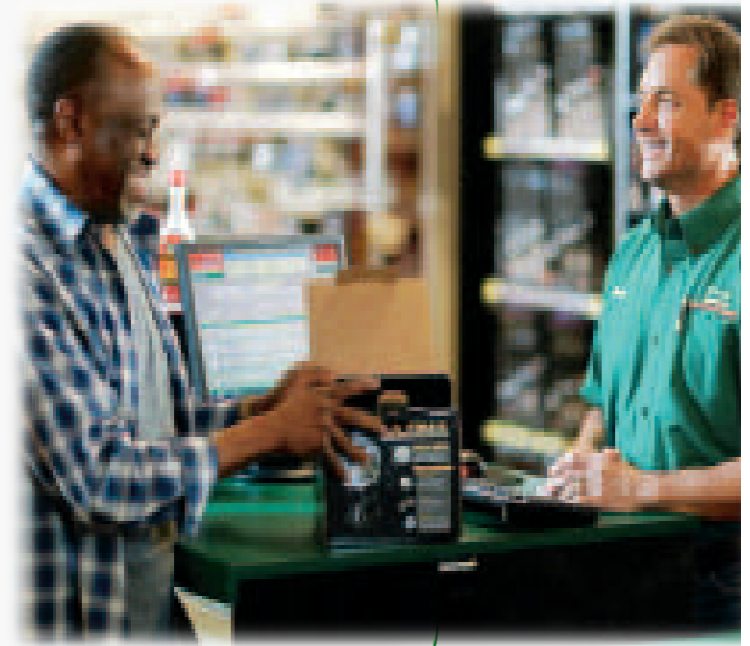


# O'Reilly Initiatives

## Technology

### O'Cat – Proprietary Electronic Catalog

- Completed roll out to all stores last year
- More lookup information
  - Back to 1942
- Better search functionality
- O'Reilly controls display order
- Ability to update information quicker
- Rich Content
  - Pictures, diagrams, specs, etc.
- **New...**Powersports Applications
  - Motorcycle, ATV, UTV, Snowmobiles



# Ongoing O'Reilly Initiatives

## Professional

### Service Commitment since 1957

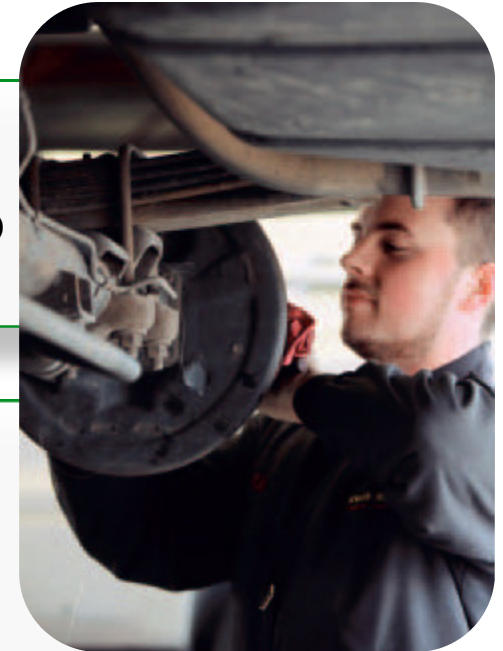
- “First Call” Commitment to Professional Customer
- Technical/Business Training – 12,100 techs trained YTD

### Relationships

- Business partnership
  - “Work on their Business...Not in their Business”
- Shop referral program

### Programs

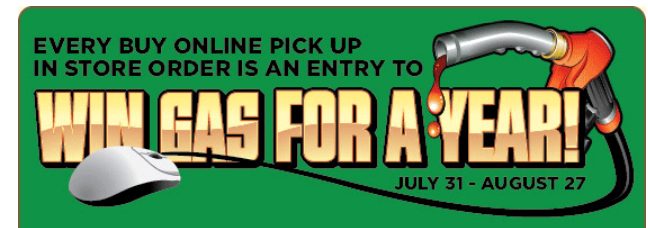
- Improved First Call Online website
- Certified Auto Repair enhancements
- New...Certified Truck Repair



# 2013 Advertising and Marketing Strategies:

**Doug Ruble**

**Vice President of Advertising and Marketing**



# Loyalty Card Program



## Program Basics

- Get \$5 back for every \$150 you spend at O'Reilly
- Issued whenever the \$150 threshold is reached
- In-store credits with a 90 day expiration

## Pilot in 1H '13

- 287 locations located in Atlanta, Cleveland, Little Rock, McAllen and Salt Lake City
- Initial feedback positive
- Making enhancements based on feedback

## Full Rollout in Q4

- Company-wide rollout beginning in October
- Excited about opportunity to increase DIY customer engagement
- Direct marketing / CRM benefits

# Digital / Mobile / Social Marketing

## Digital

- Expand campaign to include “Click-to-Print” coupons
- Electronic delivery of sales flyers



## Mobile

- “Text-to-Win”
- Location based targeting
- QR Codes

## Social Marketing

### Team

- Hired a Manager
- Formed a dedicated team

### Strategy

- Educate customers on maintaining, repairing and improving their vehicles

### Platform

- Expand beyond Facebook

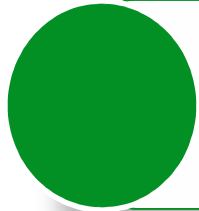




# Other Ongoing Marketing Activities



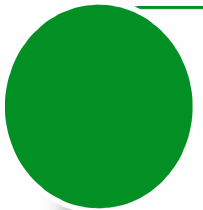
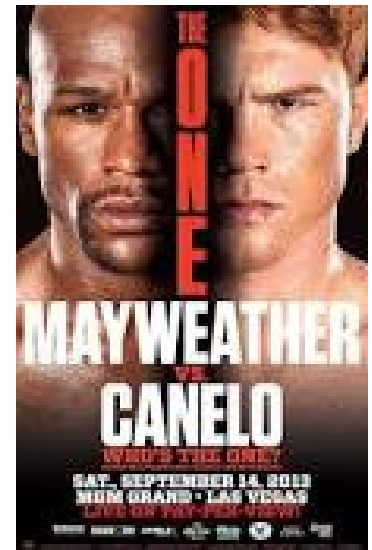
Continued National, Regional and Local Motorsports Sponsorships



Ongoing National Radio and Print advertising to grow Brand Awareness



Sponsorship of Mayweather / Canelo fight in Las Vegas



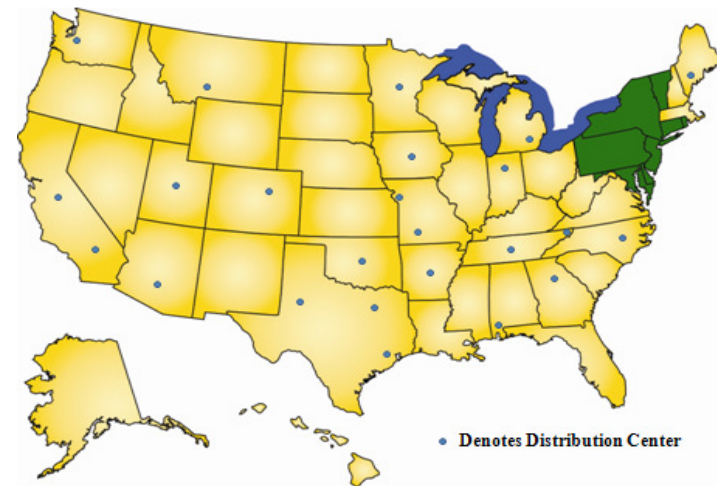
WWE Pay-Per-View sponsorship with consumer promotions



# Growth:

## Scott Kraus

### Vice President of Real Estate Expansion





# O'Reilly Growth Focus

Invest and grow  
market share in  
existing markets

Continued  
expansion through  
new store growth -  
190 new stores in  
2013



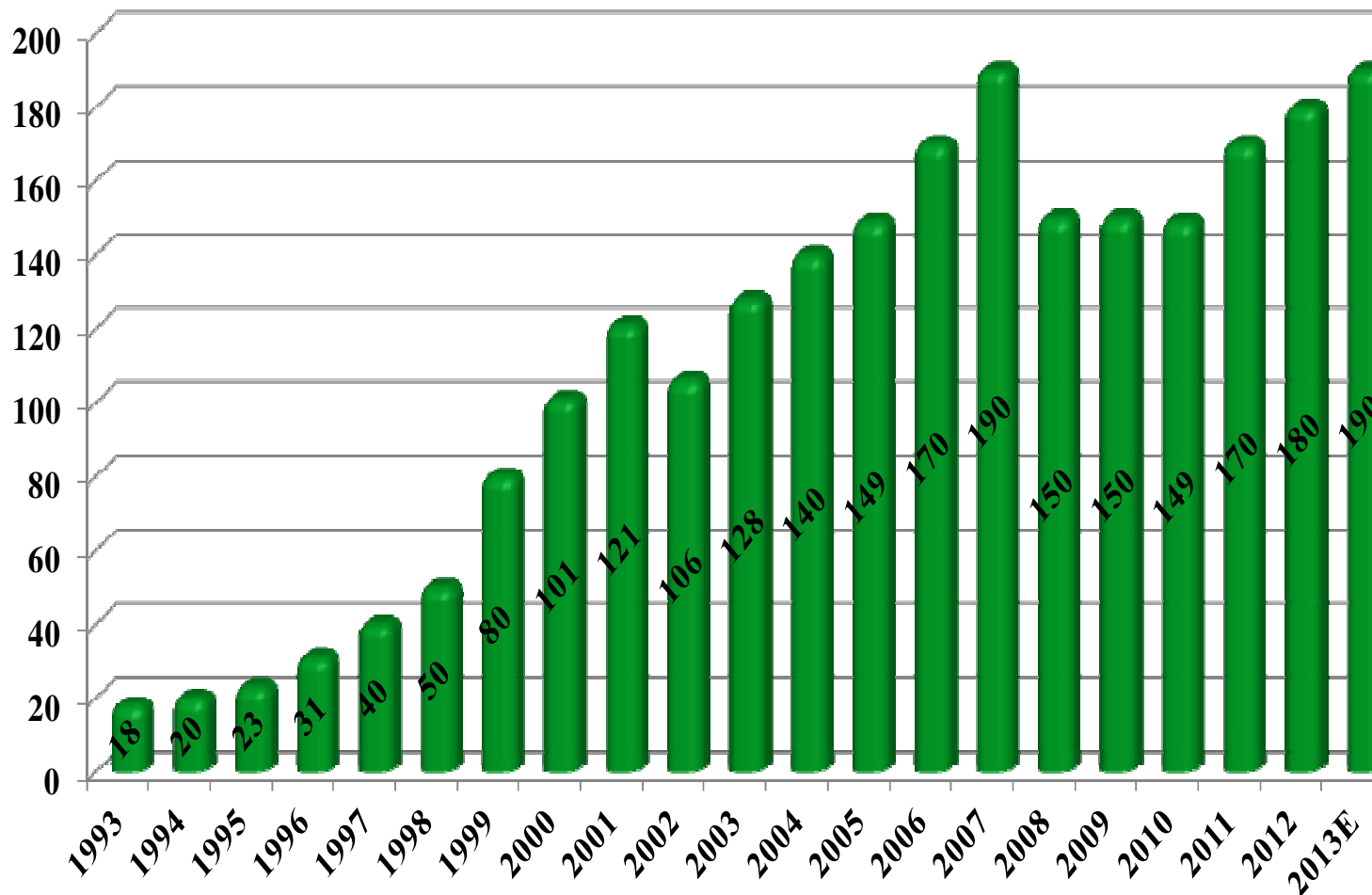
VIP Acquisition  
provides a  
springboard into  
North East  
expansion



Continued focus on  
consolidating the  
industry



# Greenfield Store Growth



## Top 10 States

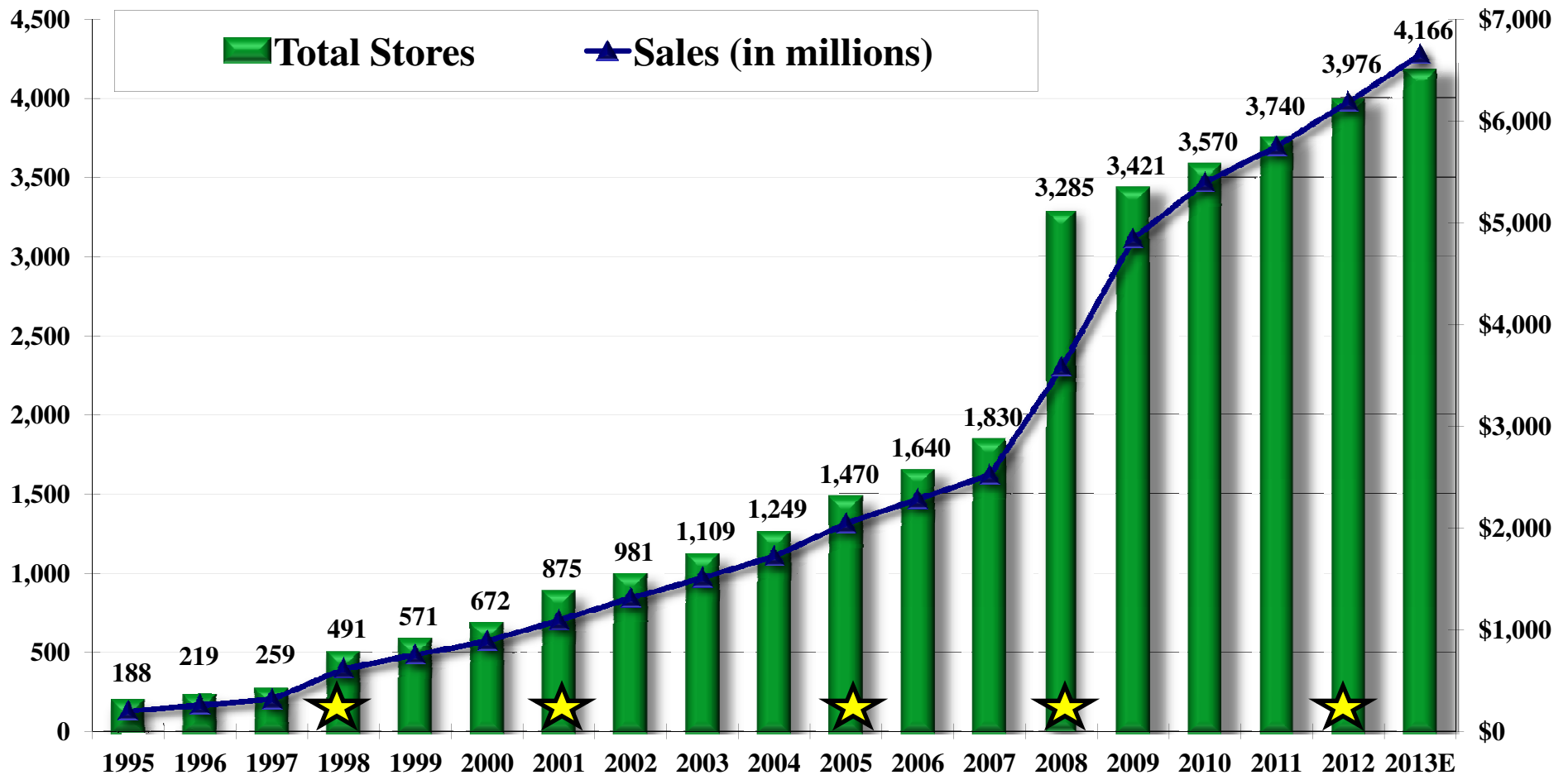
Texas.....	593
California.....	493
Missouri.....	185
Georgia.....	172
Illinois.....	152
Tennessee.....	147
Washington.....	146
North Carolina.....	132
Arizona.....	131
Ohio.....	122

## Untapped Markets

Connecticut  
 Delaware  
 South Florida  
 Maryland  
 Massachusetts  
 New Jersey  
 New York  
 Pennsylvania  
 Rhode Island  
 Vermont

# Store & Revenue Growth

**2013 Guidance**  
**Full Year:**  
 \$6.6 to \$6.7 Billion in Sales  
 190 New Stores

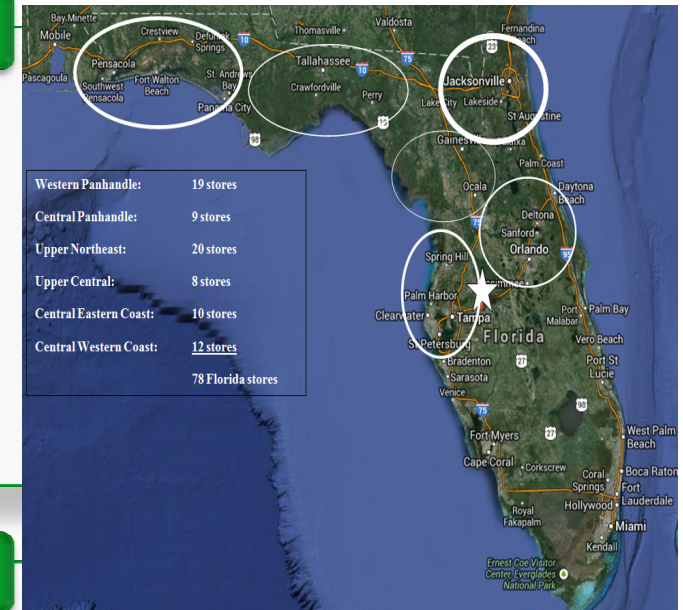


★ **Notable acquisitions:** 1998 Hi/LO – 182 stores acquired; 2001 Midstate – 82 stores acquired; 2005 Midwest – 72 stores acquired; 2008 CSK Auto – 1,342 stores acquired; 2012 VIP Auto – 56 stores acquired

# Distribution System Growth

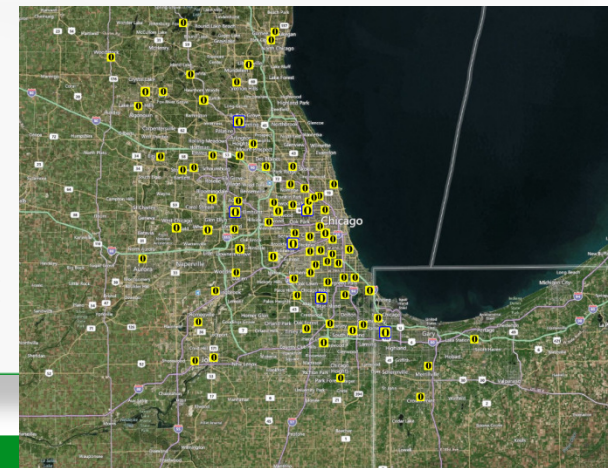
## Central and Southern Florida

- Attractive markets
- Potential growth for several hundred stores
- New Distribution Center – Central Florida
  - 388,000 square feet
  - Capacity to service over 300 stores
  - Estimated opening date – Early 1Q 2014
  - Will service approximately 80 stores upon opening



## Chicago Illinois

- Third largest population center in United States
- Currently have over 100 stores in greater Chicago metropolitan area
- Tremendous market share potential
- New Distribution Center – Western Chicago
  - 363,500 square feet
  - Capacity to service 250 stores
  - Estimated opening date – 3Q 2014
  - Will service approximately 180 stores upon opening

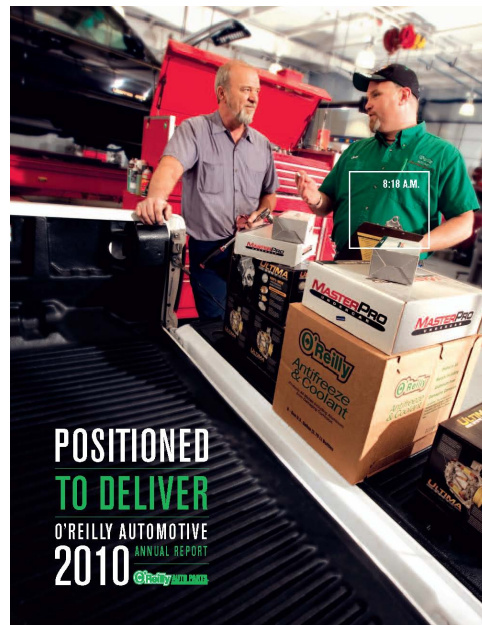
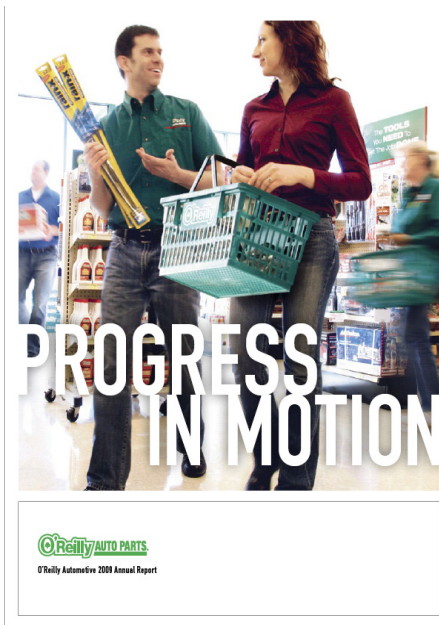




# Financial Overview:

**Tom McFall**

**Executive Vice President of Finance and  
Chief Financial Officer**



# Comparable Store Sales

## 2013 Guidance

3rd Quarter:

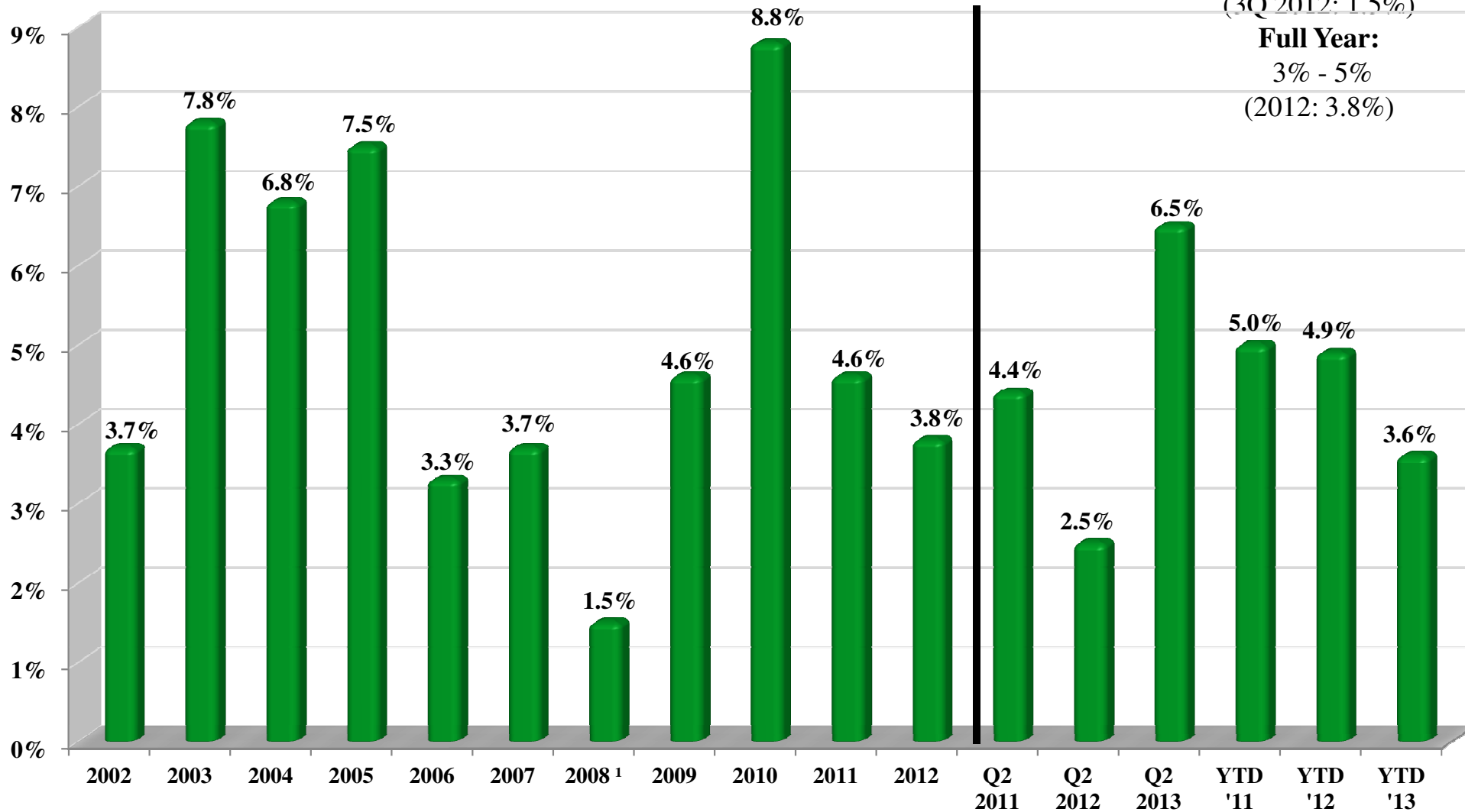
4% - 6%

(3Q 2012: 1.5%)

Full Year:

3% - 5%

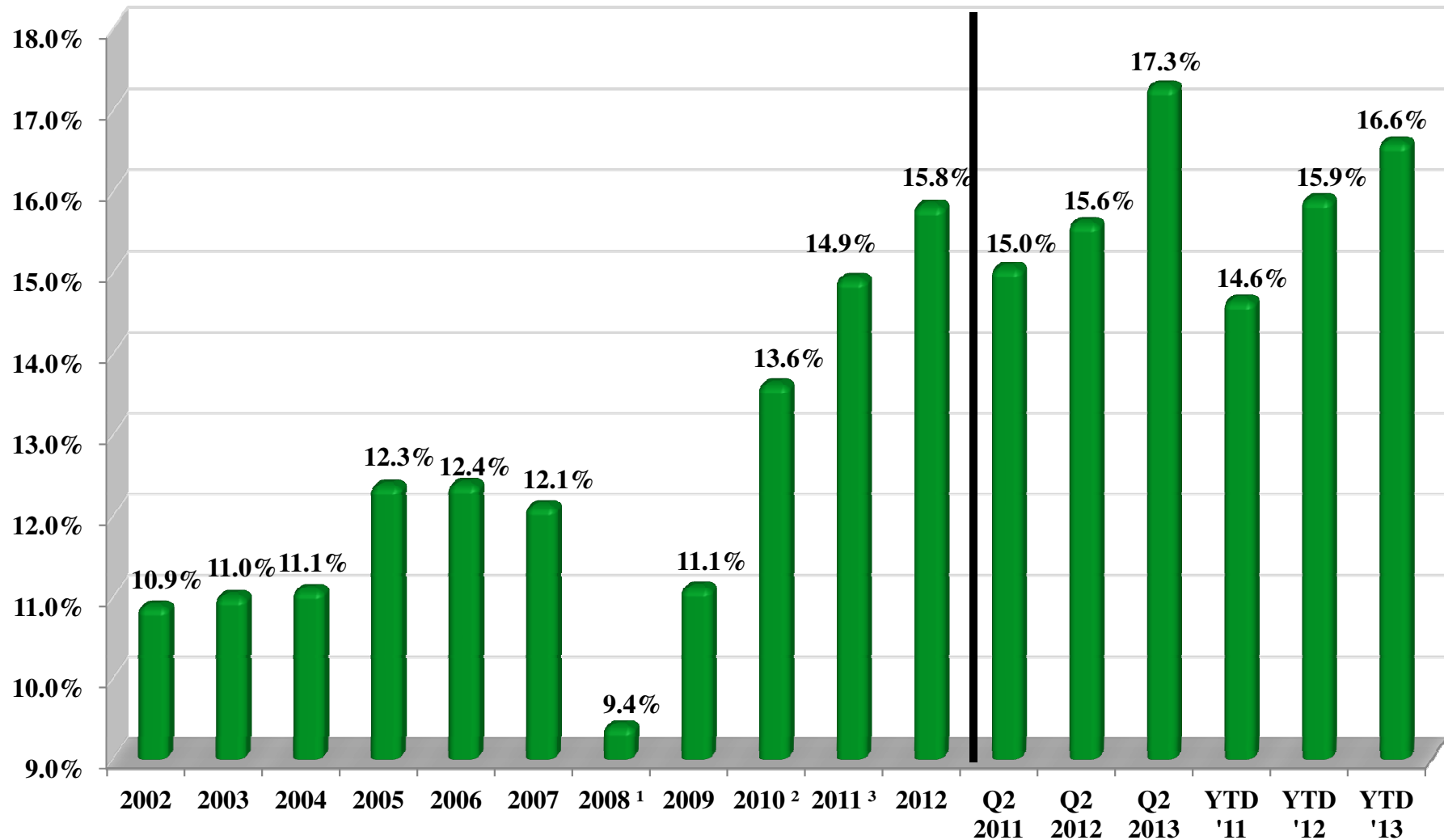
(2012: 3.8%)



<sup>1</sup> Includes CSK from July 11 through year end

# Adjusted Operating Margin

**2013 Guidance**  
Full Year:  
16.0% - 16.4%



<sup>1</sup> Includes CSK from July 11 through year end

<sup>2</sup> Excludes the impact of CSK DOJ investigation charges

<sup>3</sup> Excludes impact of former CSK Officer clawback



# Adjusted EPS Growth

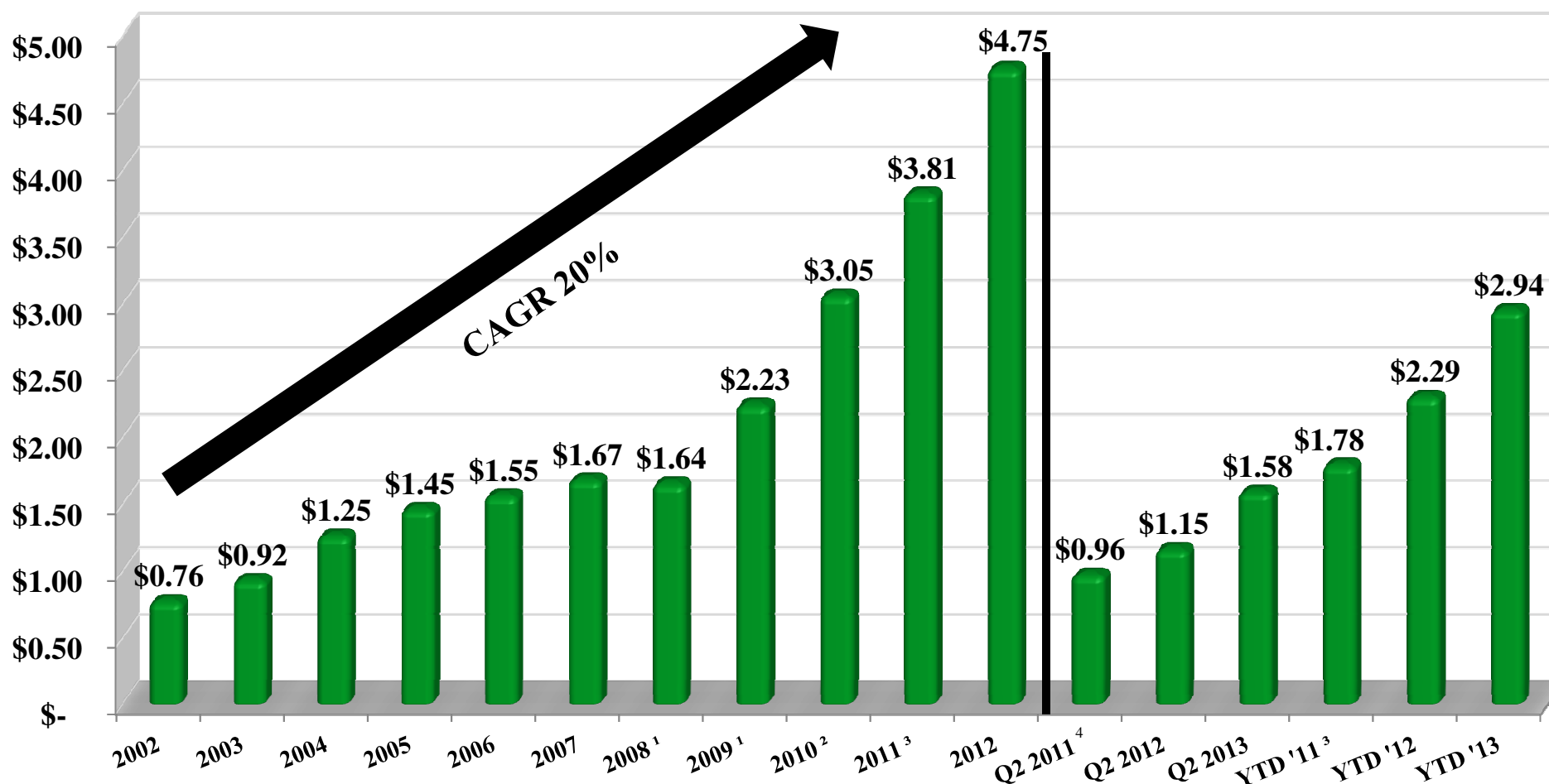
## 2013 Guidance

3rd Quarter:

\$1.60 - \$1.64

Full Year:

\$5.79 - \$5.89



<sup>1</sup> Adjusted diluted earnings per share, excluding the impact of CSK acquisition related charges

<sup>2</sup> Adjusted diluted earnings per share, excluding the impact of CSK DOJ investigation charges and CSK notes receivable recovery

<sup>3</sup> Adjusted diluted earnings per share, excluding the impact of debt issuance and interest rate swap write off charges and former CSK officer clawback

<sup>4</sup> Adjusted diluted earnings per share, excluding the impact of debt issuance and interest rate swap write off charges

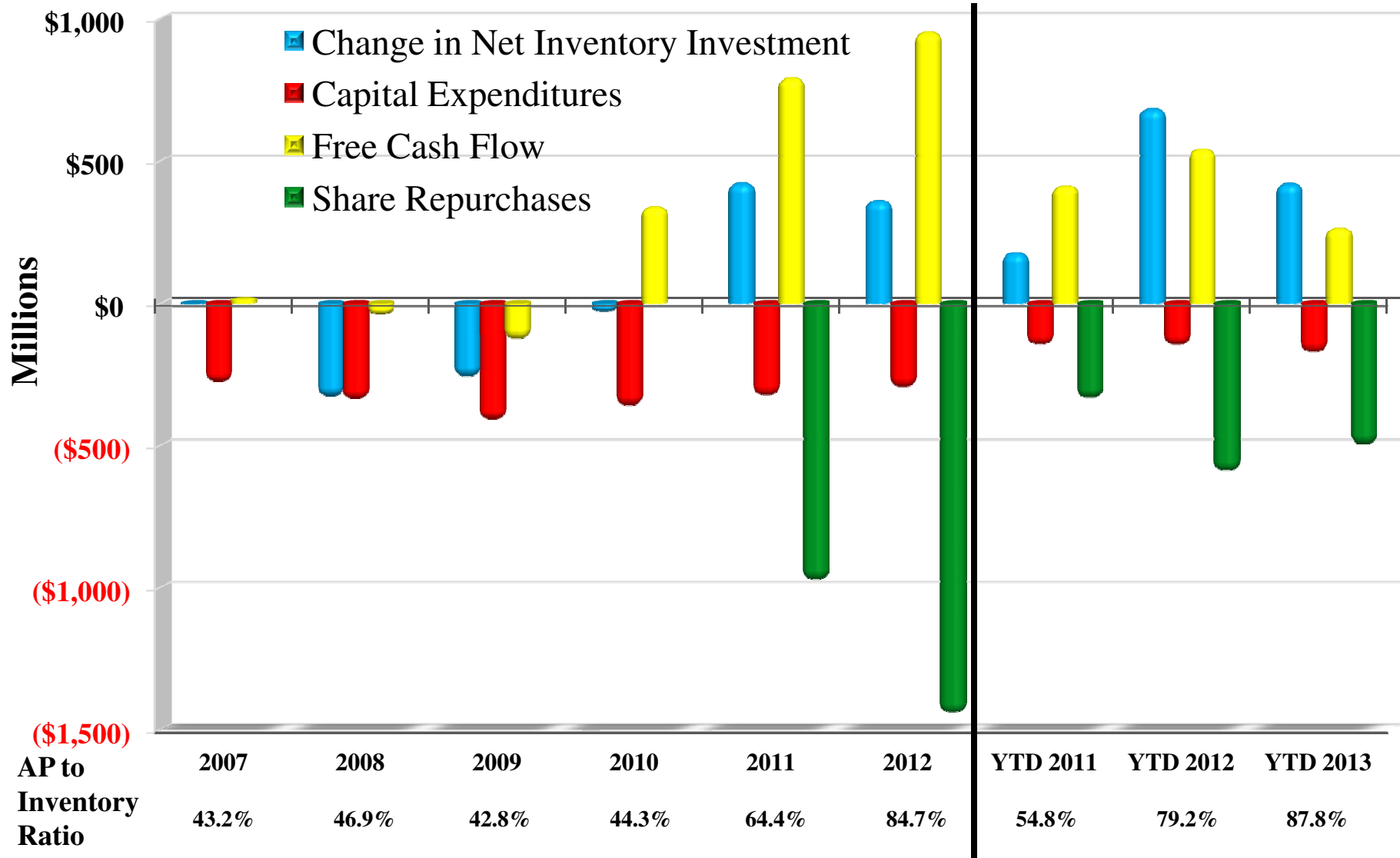
# Free Cash

**2013 Guidance (in millions):**

**Full Year:**

Cap Ex: \$385 - \$415

Free Cash Flow: \$450 - \$500



# Use of Capital

## 1. Greenfield Store Growth

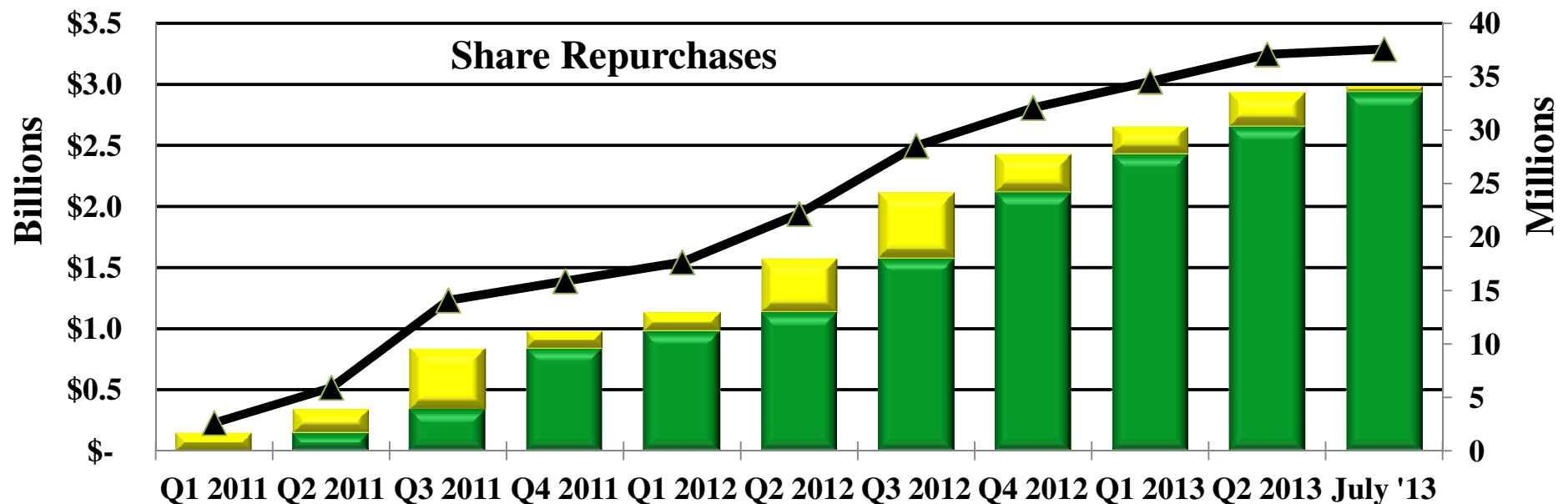
- 2010-149 2011-170 2012-180 2013-E190

## 2. Consolidate the Market

- Notable Acquisitions in our History:  
1998-Hi-Lo 2001-Mid-State 2005-Midwest 2008-CSK 2012-VIP

## 3. Capital Structure

- Focus on maintaining or improving Investment Grade Credit Ratings
- Conservative Adjusted Debt to Adjusted EBITDAR target ratio of 2.00 to 2.25 times (Currently 1.98 times)
- Initial share repurchase authorization in January 2011
- May 2013 Board approval increased cumulative authorization to \$3.5 billion



■ Cumulative Repurchases (\$)
 ■ Repurchased During Period (\$)
 —▲— Cumulative Shares Repurchased

# Question & Answer Session

**9:30 – 10:30**

- Question & Answer Session

**10:30 – 11:00**

- Distribution Center Tour

**11:00 – 11:45**

- Light Lunch with O'Reilly Management Team

**11:45 – 2:00**

- Store Tours

**2:00 Sharp**

- Shuttle to Salt Lake City Airport

