



## Analyst Day

Chicago, IL Distribution Center

August 11, 2015



# 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, 2014, 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 O'Hare International Airport



# 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>34</b>
<b>Tom McFall</b> – Executive Vice President of Finance and CFO	<b>17</b>
<b>Jeff Shaw</b> – Executive Vice President of Store Operations and Sales	<b>31</b>
<b>Greg Johnson</b> – Executive Vice President of Supply Chain	<b>33</b>
<b>Jeff Lauro</b> – Senior Vice President of Information Systems	<b>1</b>
<b>Brad Beckham</b> – Senior Vice President of Eastern Store Ops and Sales	<b>19</b>
<b>Scott Leonhart</b> – Vice President of Northeast Division	<b>19</b>
<b>Jeremy Fletcher</b> – Vice President of Finance and Controller	<b>10</b>
<b>Chris Farrow</b> – Regional Director – North Chicago	<b>24</b>
<b>Kelley Manning</b> – Regional Director – South Chicago	<b>15</b>
<b>Kolby Perusse</b> – Distribution Center Manager	<b>18</b>



# Company Overview

## Store Count

- 4,465 stores in 43 states as of June 30, 2015

## Distribution Centers

- 26 Distribution Centers

## Team Members

- Over 71,000

## Last-Twelve-Months Sales

- \$7.6 billion as of June 30, 2015

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

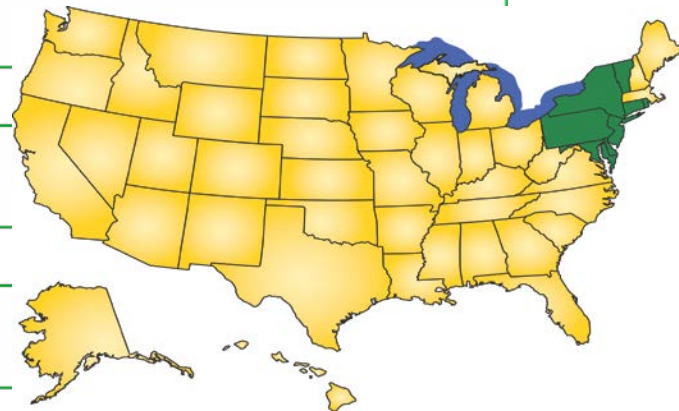
- 58% and 42% as of December 31, 2014
- 65% and 35% as of December 31, 2009
- 52% and 48% as of June 30, 2008 (prior to CSK acquisition)

## Total Assets

- \$6.7 billion as of June 30, 2015

## Market Capitalization

- \$24.3 billion at August 4, 2015





# Year-to-Date 2015 Highlights



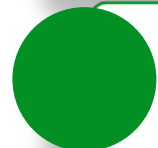
**Opened 99 net, new stores**



**7.2% comparable store sales on top of a 5.7% for the same period in 2014**



**52.0% Gross Margin increase versus 51.1% for the same period in 2014**



**Operating margin increased to 18.7% versus 17.4% for the same period in 2014**



**\$4.35 diluted EPS versus \$3.52 for the same period in 2014**



**\$512 million in free cash flow versus \$461 for the same period in 2014**



**Full Year EPS guidance of \$8.59 to \$8.69**



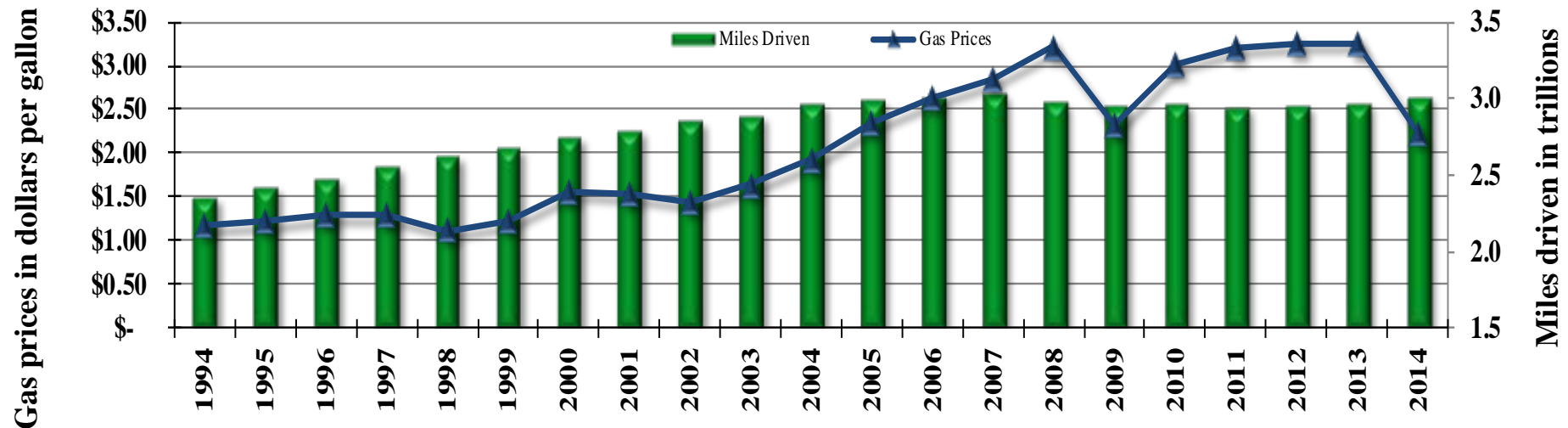


# Industry Drivers

## #1 Driver for Demand in Our Industry is Total Miles Driven

- Lack of comprehensive mass transit system in U.S. results in sustained commuter miles driven
- Even with significant unemployment and other macro economic pressures over the past 7 years, total miles driven has remained flat
- As more unemployed workers have regained employment, miles driven has resumed growth
- 28% increase in miles driven from 1994 to 2014
- 2015 miles driven through May increased 3.4% (42 billion miles)
- \$2.55 - average regular gas price as of August 3, 2015 versus \$3.45 on August 4, 2014

U.S. Miles Driven and Gas Prices:



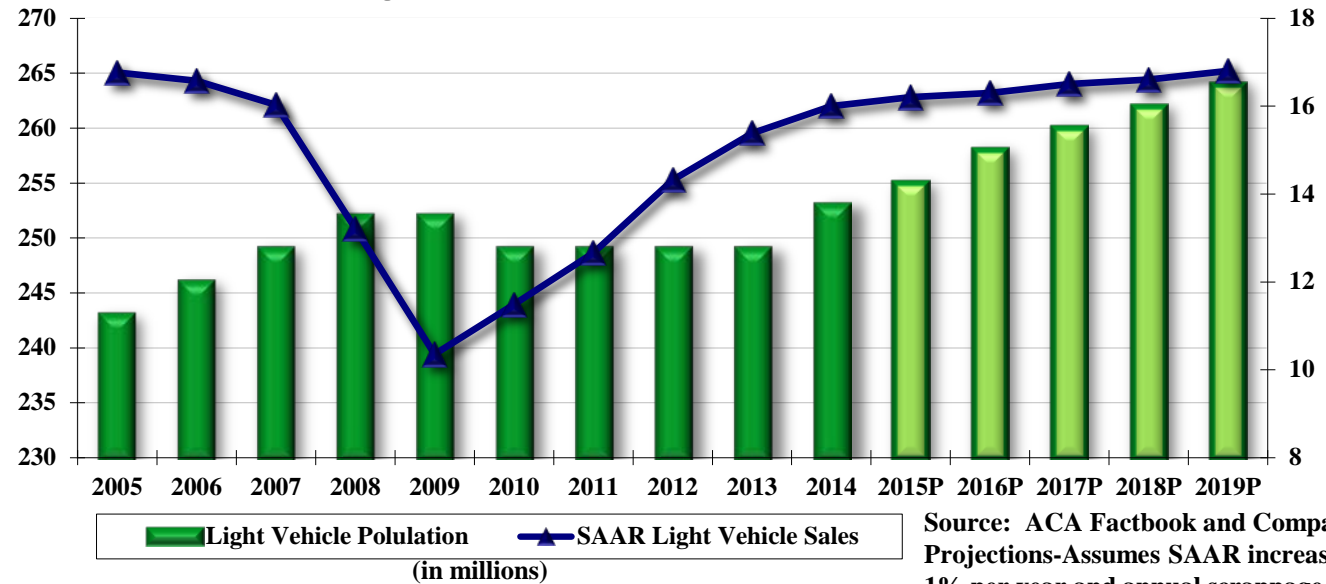
Source: Dept. of Transportation and Dept. of Energy



# Industry Drivers

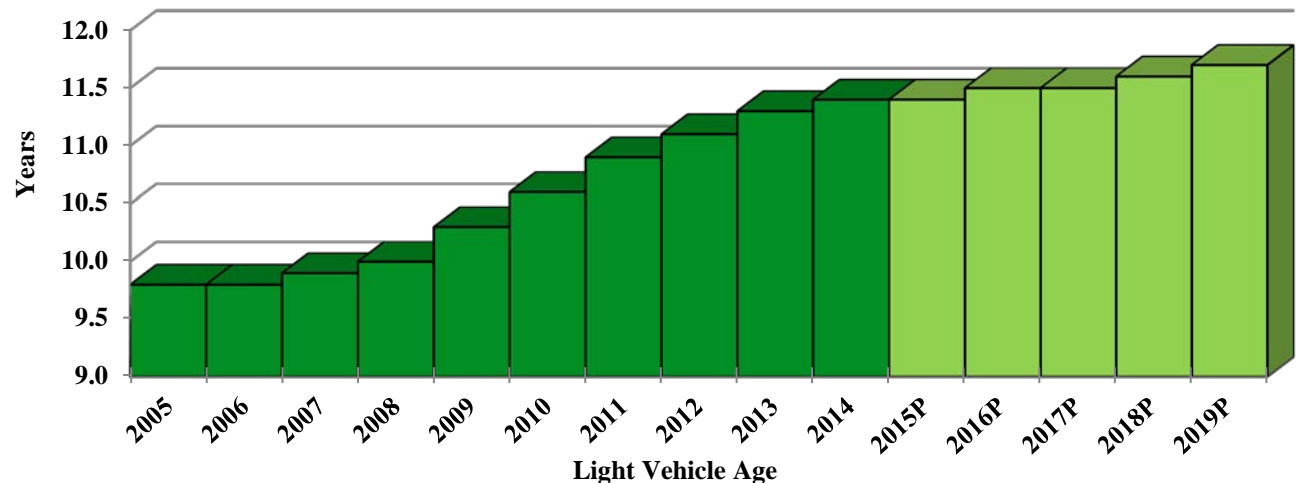
## Growing U.S. Light Vehicle Population

- Improving SAAR reflects positive consumer confidence
- Increasing SAAR and stable scrappage rates return the population to historic growth trend



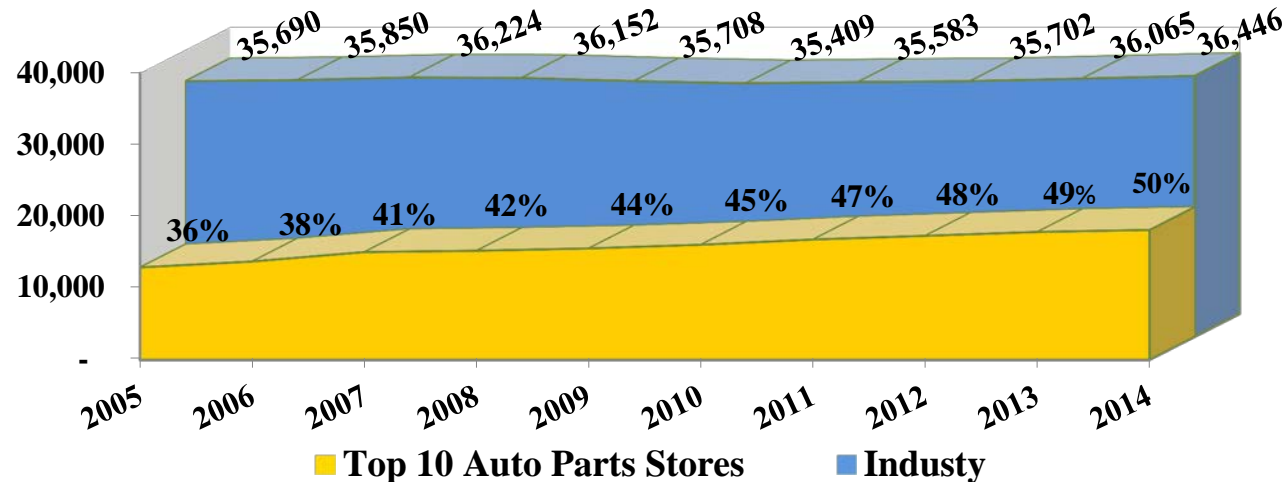
## Continued Aging of U.S. Light Vehicle Population:

- Better engineered vehicles, which can be reliably driven at higher miles, result in an aging vehicle fleet
- We do not expect the average light vehicle age to decrease in the future





# Industry Landscape



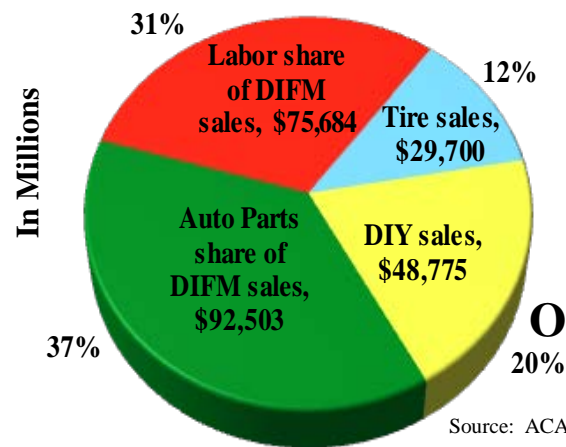
Source: ACA Factbook

## Top Ten Auto Parts Chains

1. AutoZone Inc. (5,512)
2. Advance Auto Parts (5,350) <sup>1</sup>
3. **O'Reilly Auto Parts (4,465)**
4. Genuine Parts/NAPA (1,100) <sup>1</sup>
5. Pep Boys (803)
6. Fisher Auto Parts (489)
7. Uni-Select USA (267) <sup>1</sup>
8. Replacement Parts, Inc. (160)
9. Auto-Wares (158)
10. Automotive Parts Headquarters (80)

<sup>1</sup> Company owned stores

Source: ACA Factbook or latest SEC filing



## Size of Automotive Aftermarket

**Total Market:**  
**\$247 Billion**

**O'Reilly Addressable Market:**  
**\$141 Billion**

Source: ACA Factbook

**DIY is More Consolidated**

**DIFM Continues to be Highly Fragmented**



# 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**

**“Culture Driven” Leadership**

**“Top Notch” Customer Service**

**O'Reilly Initiatives**

**Growth Focus**





# Dual Market Strategy



**Proven track record of serving both DIY and DIFM Customers for over 30 years**



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



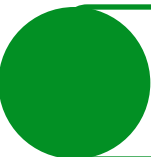
**Leverages our extensive distribution network across the country**



**Store Managers “own” customer service levels and driving both sides of our business**



**Our professional sales model supported by over 650 dedicated outside sales people and industry leading parts availability**



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





# “Culture Driven” Leadership



## Philosophy

- Replicate the O'Reilly Culture
- Strong “promote from within” philosophy
- Proven “hands on” management team
  - 10 Div Mgrs with over 280 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



# “Top-Notch” 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 every customer”
- “Out Hustle and Out Service” the competition



## “Never Say No” Philosophy

- “Exhaust all resources to take care of our customer”
- Technical Support Department
  - 46 TMs with 622 years of automotive experience



## Customer Service Programs

- DIY Customer Assistance
- O’Reilly Customer Gauge



# O'Reilly Initiatives

“Continue to improve our customer experience”

## O'Cat – Proprietary Electronic Catalog

- Enhanced lookup capability
- Continue to improve rich content
- “New” heavy duty look up



## Team Member Training and Development

- Required online/classroom training
- Ongoing weekly product and sales assignments
- Certified Parts Professional /ASE Certification



## Workforce Management Solution

- “Right Person / Right Place / Right Time”
- Improve task management





# O'Reilly First Call



## “Dedicated to the Professional Customer Since 1957”

- “Service and relationship business”
- “First Call” commitment to our professional customers
  - Dedicated sales force
  - Professional Parts People
  - “Hot Shot” delivery service
  - Technical / business training
  - Industry leading parts availability
  - B2B connectivity
  - Shop management systems
  - Service Center Programs



## Real World Training

- “Best in class” technical training for our professional customers
- 1,085 training classes in 2015
- Train over 30,000 techs this year

## Professional Programs

- First Call Online
- Certified Auto Repair
- Worry Free Protection





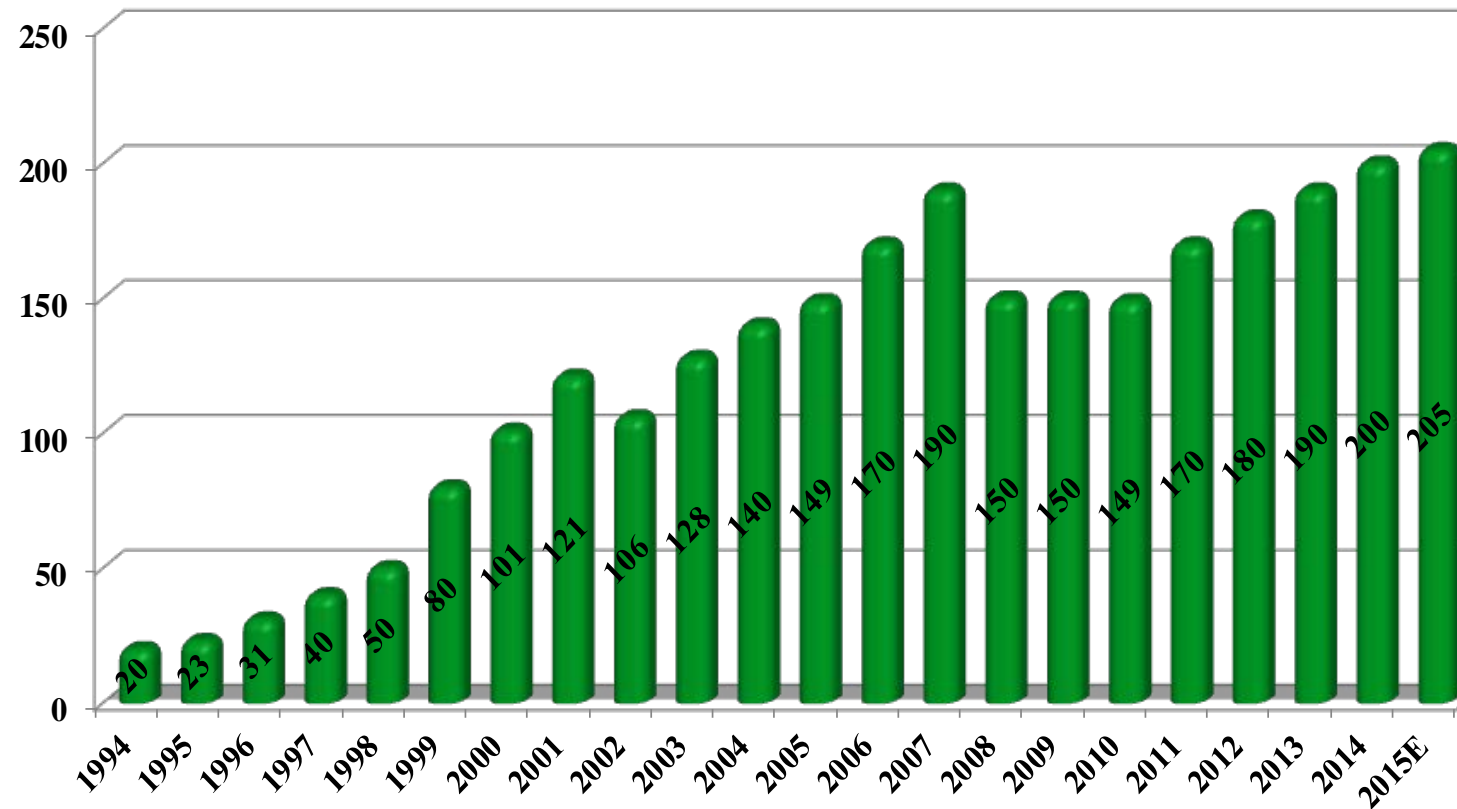
# Store Growth

## Top 10 States

Texas.....	615
California.....	512
Missouri.....	190
Georgia.....	178
Illinois.....	167
Tennessee.....	153
Washington.....	151
Ohio.....	148
North Carolina.....	141
Michigan.....	134

## Untapped Markets

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



### Additional store growth through notable acquisitions:

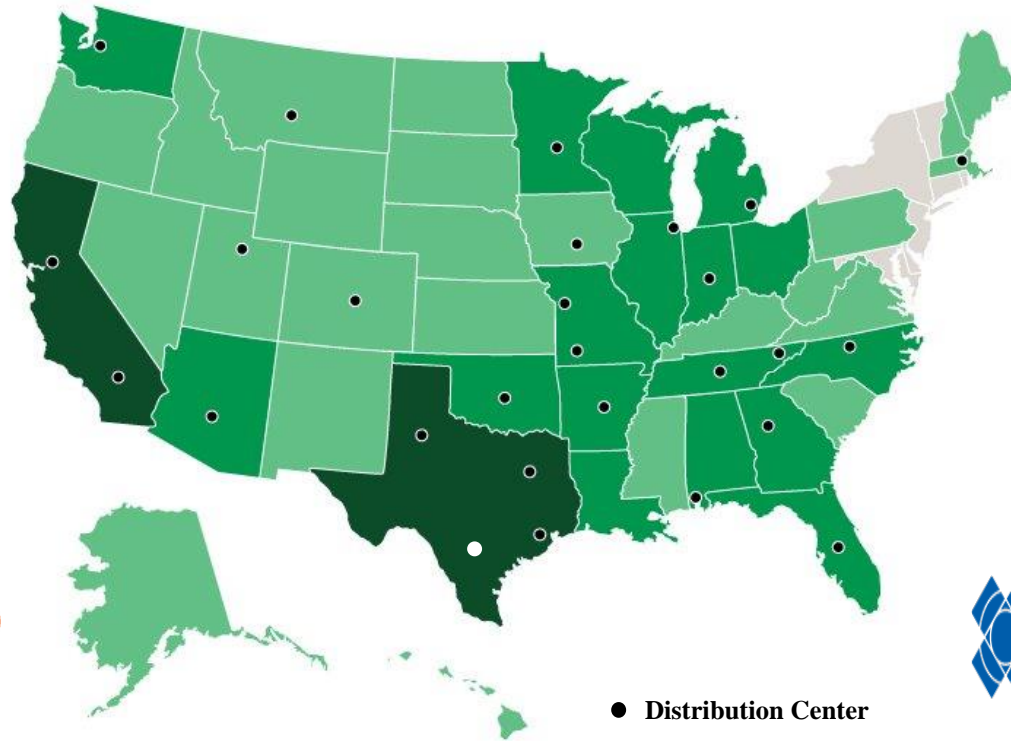
1998 Hi/LO – 182 stores  
 2005 Midwest – 72 stores  
 2012 VIP Auto – 56 stores

2001 Midstate – 82 stores  
 2008 CSK – 1,342 stores



# Greg Johnson

## Executive Vice President of Supply Chain



● Distribution Center





# Industry Leading Parts Availability

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

## Supply Chain

- Dynamic proprietary supply chain system provides stores with access to greater breadth of inventory, including hard to find parts
- Tiered distribution system to support parts availability and inventory turns
- 26 regionally deployed DCs, with primarily company owned fleet, service stores five nights per week
- State-of-the-art facilities have advanced equipment and progressive slotting, stocking, and picking technology

## Superior Parts Availability

- DCs stock an average of 142,000 SKUs and are linked to other master inventory DCs with stock over 170,000 SKUs
- 276 “Hub” stores with an average of 42,000 SKUs provide multiple, daily deliveries to “Spoke” stores
- 97%+ of stores receive multiple, daily deliveries from DCs or “Hub” stores
- 70% of stores receive weekend service from DCs or “Hub” stores

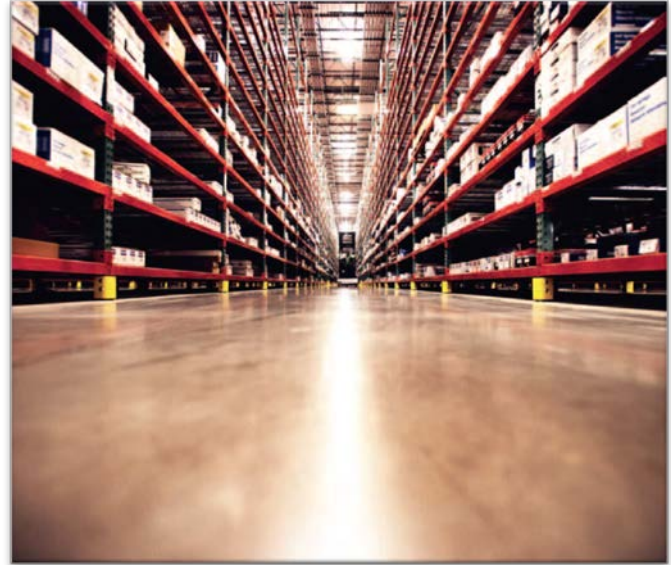




# Distribution System Expansion

## Lakeland, Florida

- 388,000 Sq. Ft.
- Current Store Count: 115
- Store Capacity: 300
- Go Live Date: January 2014



## Naperville, Illinois

- 364,000 Sq. Ft.
- Current Store Count: 174
- Store Capacity: 250
- Go Live Date: September 2014

## Devens, Massachusetts

- 370,000 Sq. Ft.
- Current Store Count: 63
- Store Capacity: 280
- Go Live Date: October 2014



# Planned Distribution System Expansion

## San Antonio, Texas



- **390,000 Sq. Ft.**
- **Store Capacity: 250**
- **Go Live Date: 2Q 2016**
- **Initial Store Count: 162**
- **Transfer DCs: DAL, HOU, LUB**



# 2015 Inventory Initiatives

## Focus on Best in Class Market Position

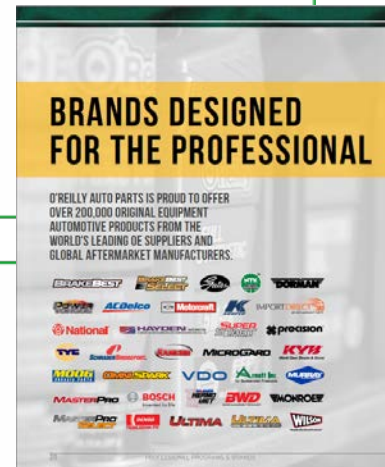
- **Improve Availability of “Hard to Find” parts**
  - Increase Master Inventory store network from 192 stores at the end of 2011 to 276 stores today
- **Inventory and Life Cycle Management**
  - Ensure coverage for new vehicle applications
  - Adjust coverage based on changes in vehicle registration data

## Maximize Inventory Investment

- **Continual evaluation of customer buying preferences**
  - Offer product choice (good, better, best)
- **Maintain relationships with multiple vendors**
  - Ensures category availability
- **Continued success of Vendor Financing Program**
  - A/P to inventory 99.0% as of June 30, 2015

## O'Reilly Proprietary Brands & National Brands

- Increase number of lines in the Import Direct brand
- Broaden product line coverage





# PROPRIETARY

**BRAKEBEST**

IMPORT DIRECT  
OE REPLACEMENT PARTS

**MASTERPRO**

**MICROGARD**

**MURRAY**

**POWER  
TORQUE**

**OMNI SPARK**

**precision**

**SUPER  
START**

**ULTIMA**



## SPECIAL

## NATIONAL

**O'Reilly** FIRST  
CALL

**O'Reilly**  
**REWARDS**

**FIRST  
CALL** ONLINE  
www.firstcallonline.com

 [www.oreillyauto.com](http://www.oreillyauto.com)

**Valvoline**

**Castrol**

**PENNZOIL**

**WIX**  
FILTERS

**Gates**



# IMPORT DIRECT™

OE REPLACEMENT PARTS

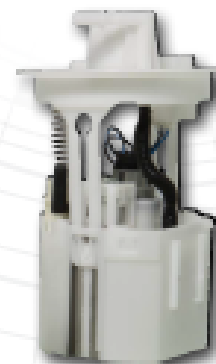
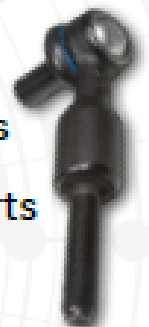


## OE MATCHED PERFORMANCE

IMPORT DIRECT® PARTS - TRUSTED  
TO INSTALL AND PERFORM LIKE OE



- 100% New Water Pumps
- OE Replacement Ignition
- 100% New A/C Compressors
- OE Replacement Chassis Parts
- 100% New Fuel Pumps
- OE Replacement Ignition Wires
- 100% New CV Shafts





# Loyalty Card Program



**National Launch: October 2, 2013**



**Over 16 Million Current Members**

- Weekly enrollment remains steady with an average of 20,000 per day



**Redeemed over 1.8M Coupons**



**Over 60 Million Loyalty Transactions**

- Average of 155,000 Loyalty Transactions per day



**Analytics and data mining now being used to segment/personalize communication and increase member engagement**

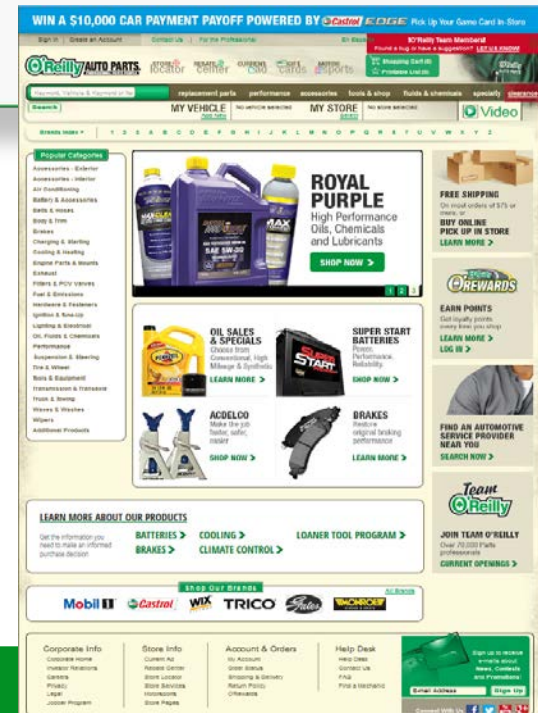
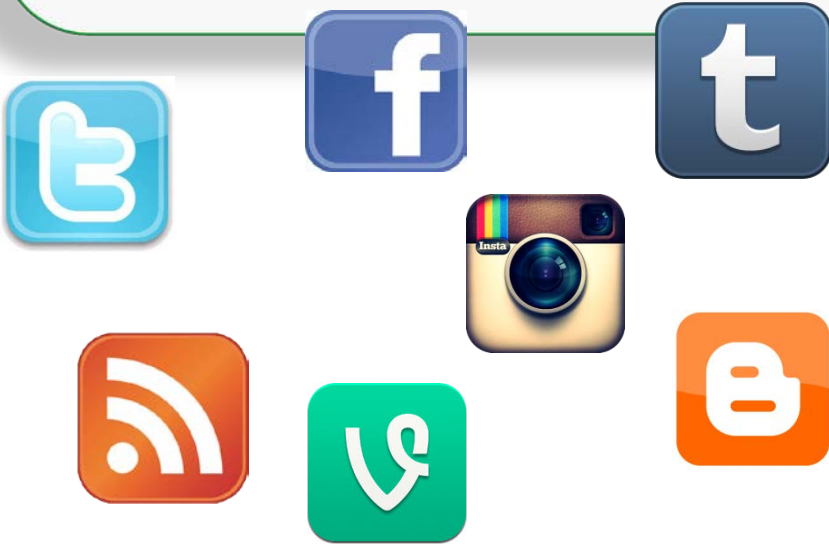




# eCommerce / Mobile / Social Marketing

## Omni-Channel Customer Engagement

- Added Senior Management leadership to IT and Marketing teams
- Enhancing content with category and brand landing pages
- Expanding local search store listings
- Increasing display ad and promotional activity with a dedicated focus on mobile
- Making improvements to desktop and mobile sites to increase conversion rates



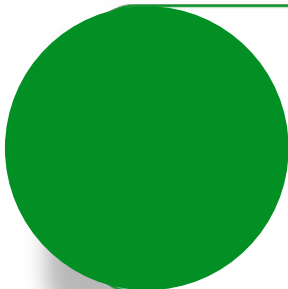


# Ongoing Marketing Activities



## Sports and motorsports sponsorships

- Continued national, regional, and local market focus



## O'Reilly Shredder show car

- Authentic 2014 NASCAR Gen 6 race car
- Touring 200+ days per year visiting stores, tracks, car shows, events
- Unique and fun way to engage with customers



## Themed retail sale events

- High volume retail categories
- Month long, seasonally appropriate
- Leverage proprietary brands as competitive point of difference
- Message/Promote across all marketing channels





# Themed Retail Sale Events

March



April



May



July



October



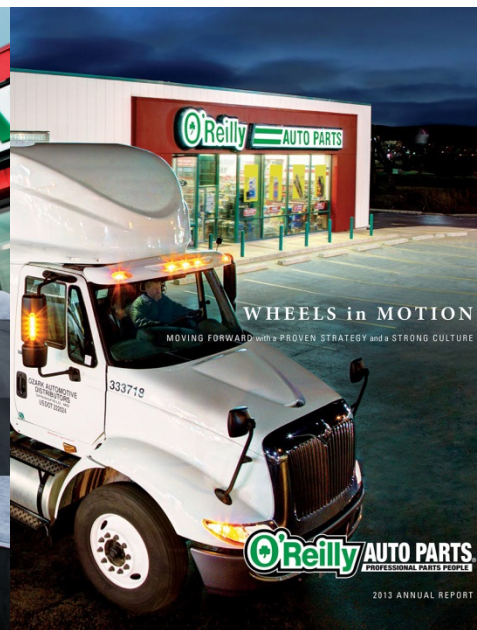






# Tom McFall

## Executive Vice President of Finance and Chief Financial Officer





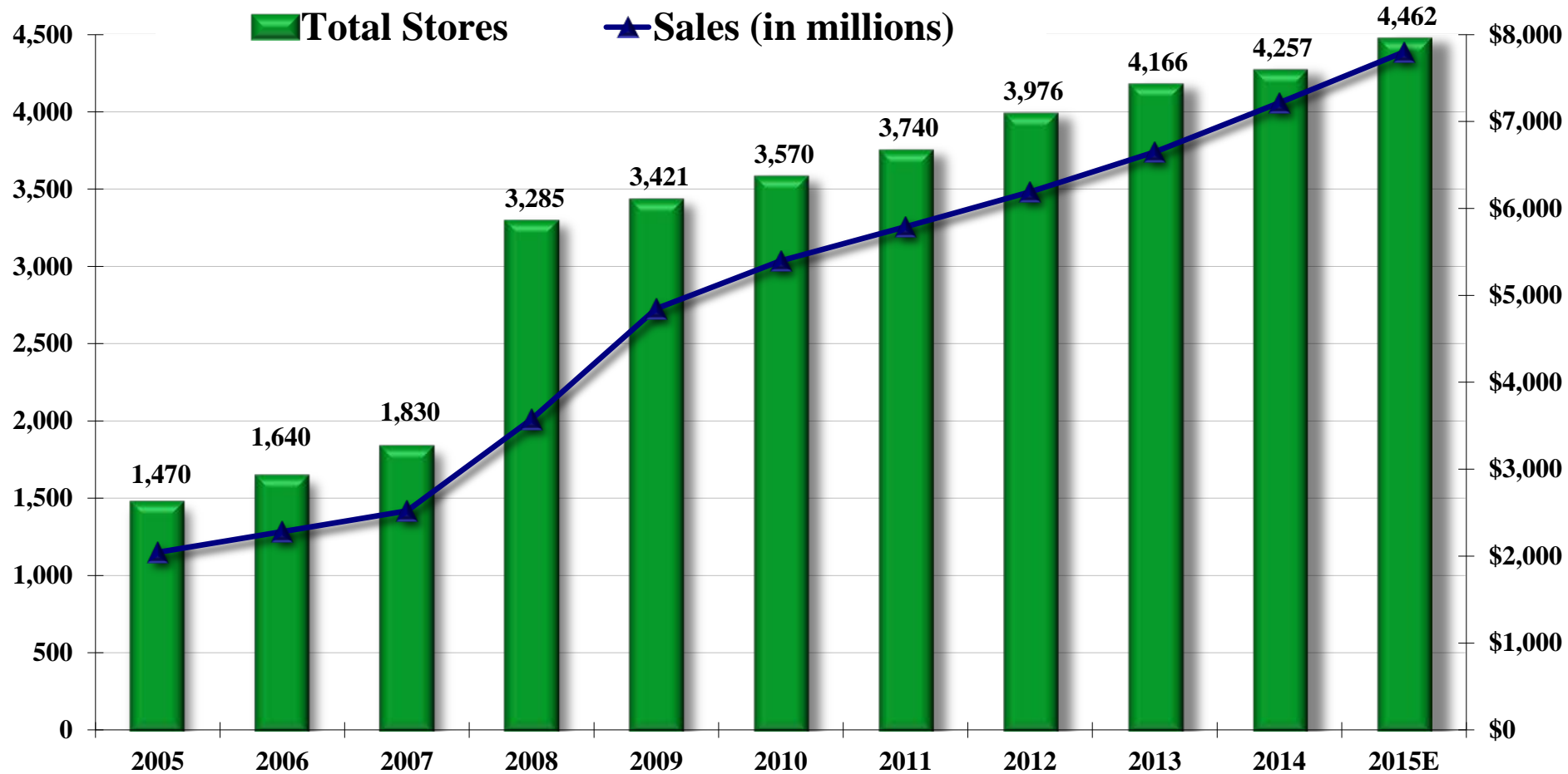
# Store & Revenue Growth

**2015 Guidance**

**Full Year:**

\$7.75 to \$7.85 Billion in Sales

205 New Stores





# Comparable Store Sales

**2015 Guidance**

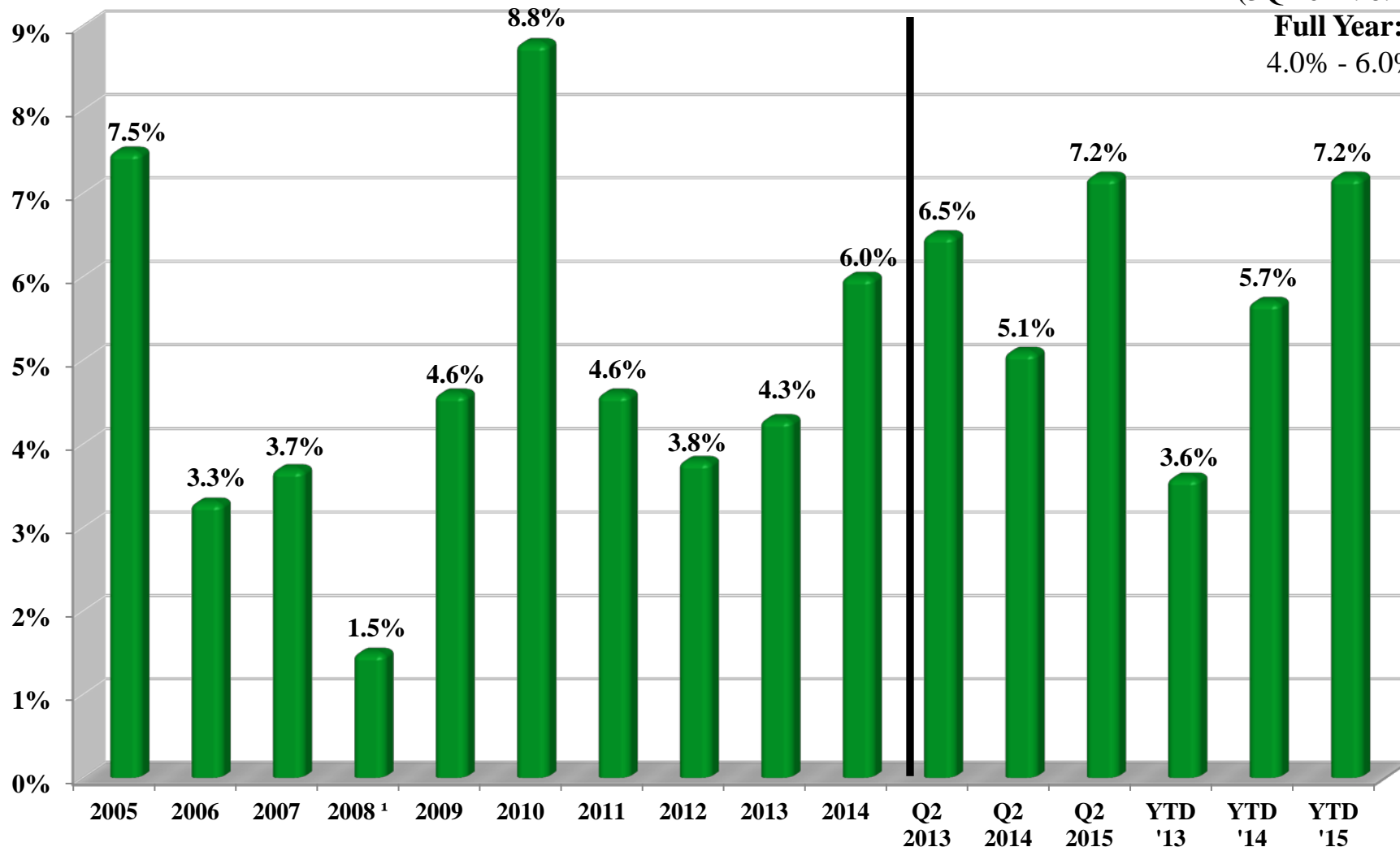
**3rd Quarter:**

3.0% - 5.0%

(3Q 2014: 6.2%)

**Full Year:**

4.0% - 6.0%

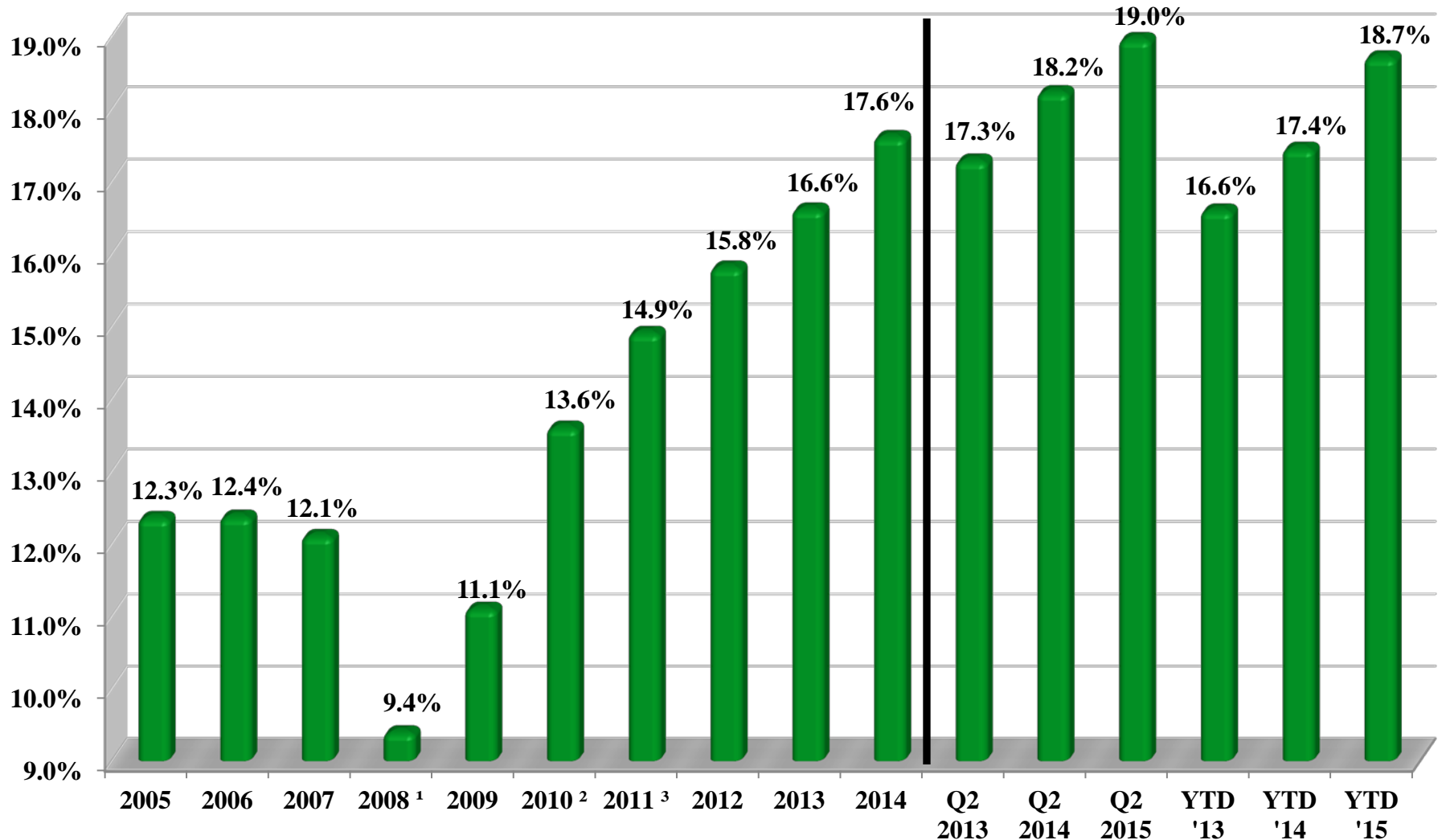


<sup>1</sup> Includes CSK from July 11 through year end



# Adjusted Operating Margin

**2015 Guidance**  
**Full Year:**  
18.3% - 18.7%



<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

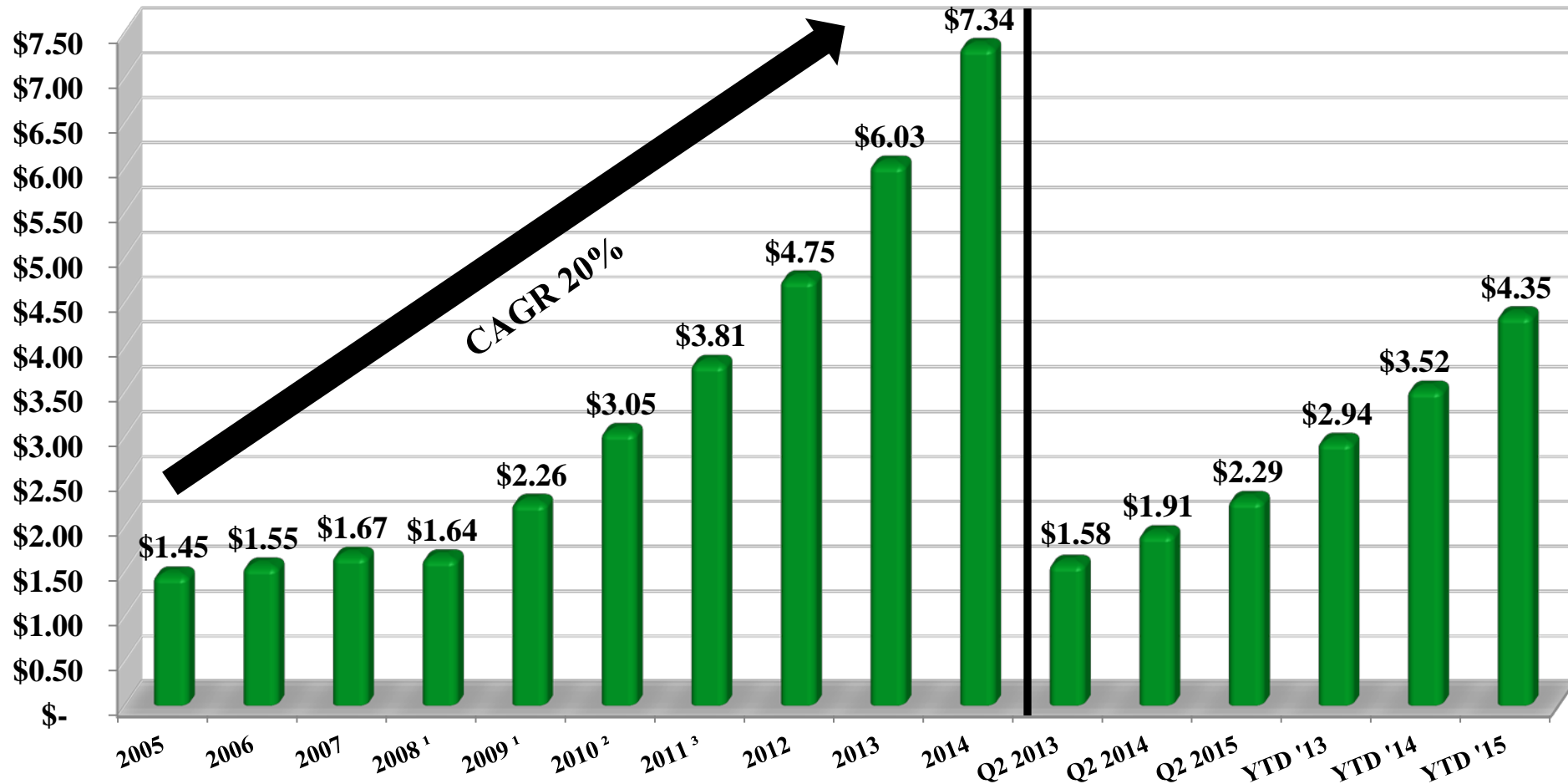
## 2015 Guidance

3rd Quarter:

\$2.29 - \$2.33

Full Year:

\$8.59 - \$8.69



<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



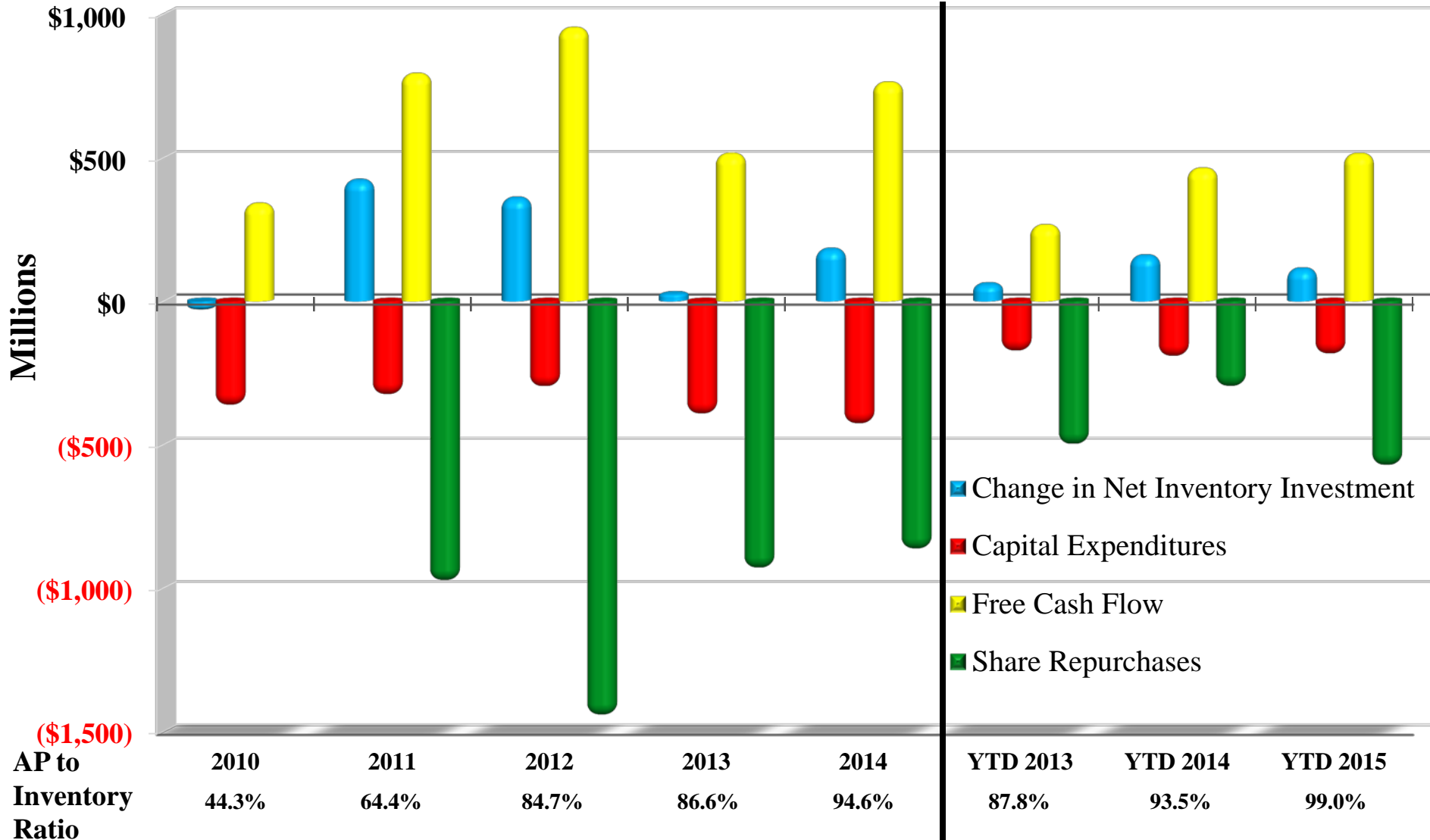
# Free Cash

**2015 Guidance (in millions):**

**Full Year:**

Cap Ex: \$400 - \$430

Free Cash Flow: \$725 - \$775



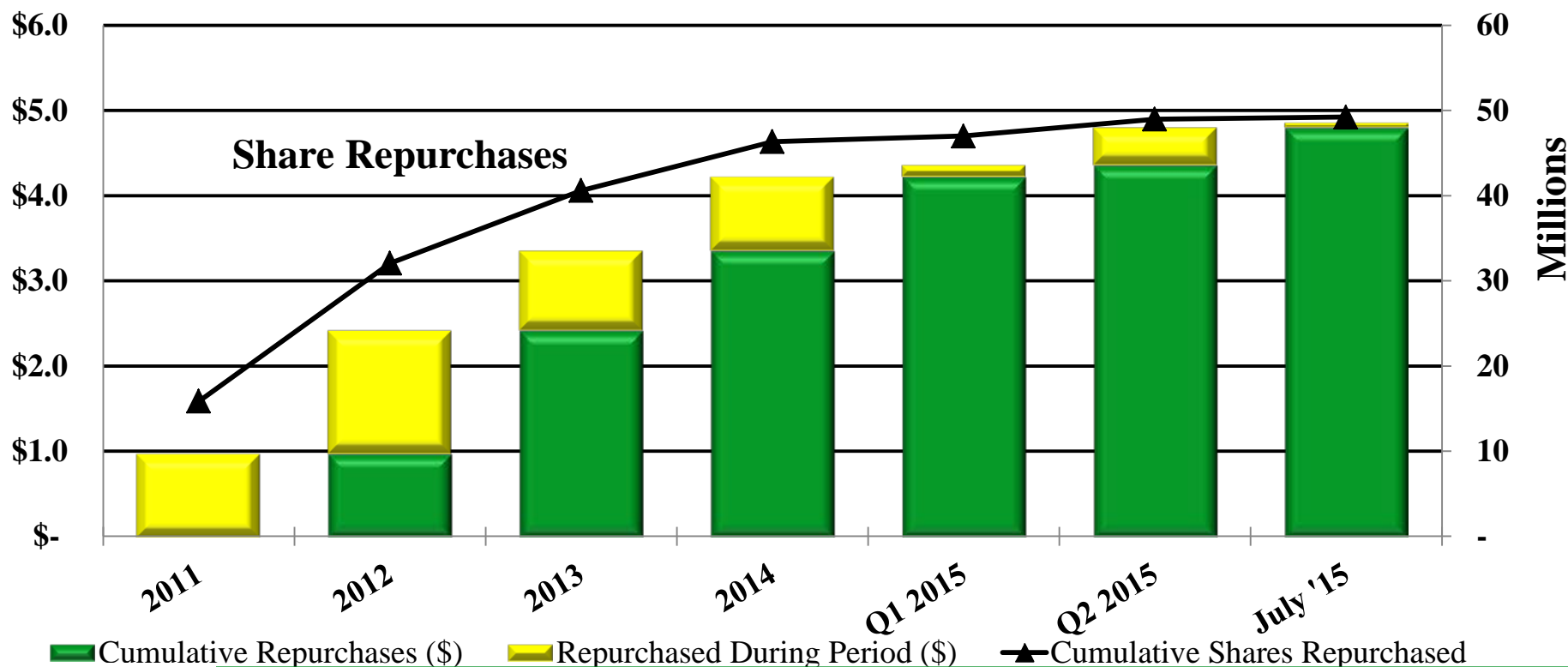
**AP to  
Inventory  
Ratio**

2010	2011	2012	2013	2014	YTD 2013	YTD 2014	YTD 2015
44.3%	64.4%	84.7%	86.6%	94.6%	87.8%	93.5%	99.0%



# Use of Capital

- **Greenfield Store Growth**
  - 2010-149 2011-170 2012-180 2013-190 2014-200 2015-205
- **Consolidate the Market**
  - **Notable Acquisitions in our History**
    - 1998-Hi-Lo 2001-Mid-State 2005-Midwest 2008-CSK 2012-VIP
- **Capital Structure**
  - Focus on maintaining Investment Grade Credit Ratings
  - Conservative Adjusted Debt to Adjusted EBITDAR target ratio of 2.00 to 2.25 times (Currently 1.63 times)
  - Initial share repurchase authorization in January 2011, life to date authorization of \$5.5 billion





# 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 O'Hare International Airport

