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EDITED TRANSCRIPT

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CONFERENCE CALL PARTICIPANTS

Scot Ciccarelli *RBC Capital Markets, LLC, Research Division - Analyst*

PRESENTATION

Scot Ciccarelli - *RBC Capital Markets, LLC, Research Division - Analyst*

Looks like we are on the clock and hitting clean up here with our auto part retail group. We have our friends with -- from O'Reilly here. We have Jeff Shaw, Co-President; as well as Tom McFall, CFO; and floating around here somewhere is Mark Mers. I'm not sure exactly where he headed off to. Anyway, for anyone that does not know me, I am Scot Ciccarelli, Senior Retail Hardline Broadline Analyst at RBC. I've been covering this sector for, I don't know, probably 15 years or so. And just in terms of format, what I tend to like to do is leave time at the end for questions from the audience. So please be a group that's going to participate here. Anyway, one of the big issues, this is going to be a surprise to you guys, is we've had, obviously, a slowdown in comp growth, whether it's yourselves or some of your competitors over the last couple quarters, 1Q being particularly challenging. And it comes at a time where we have the 800-pound gorilla out there called Amazon, who's talking about trying to make a bigger push into the auto parts sector. So I guess one of the first questions I had for both of you gentlemen is, when you think about the profile of a customer who's going to be a natural user and may wind up using whether it's a RockAuto or an Amazon or something as opposed to O'Reilly, how do you think about that person?

QUESTIONS AND ANSWERS

Thomas G. McFall - *O'Reilly Automotive, Inc. - CFO and EVP of Finance*

So when we look at online competitors, there have been online competitors for a long time, and there's obviously a price difference between what you can buy a product for online versus in a brick-and-mortar store, and we're going to be competitively priced with our brick-and-mortar competition. When you look at the online experience, what is the customer getting? They're getting a lower price. They're getting more assortment because you're going to look at multiple brands, and we'll carry one brand, and they're getting the convenience of getting it delivered to their home. That's the value proposition. When you look at the value proposition that we and others that are brick-and-mortar provide, it's immediacy of need. I need to fix my car right now. I need to get the part right now. You're getting all the services that come in the store and you're getting it at what we would consider a fair price. When we look at that value proposition, what we would tell you is, the things and the customers that will interact online and find the value online are by far the minority of what the customers that are out there in the value proposition. People are looking for that product now to fix their problem. And there's just a lot of hindrances to doing the things, for customers to accomplish their goal of fixing their car by buying online. And from a typical fix -- and Jeff can do a much better job than I do of the things that go into a typical DIY repair.

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

Well, I mean, it would depend, I think, on the, is it a wear repair or is it a failure repair, brake job, common brake job, which will be a wear repair. You can plan for that. You know your pads are about worn out, so you can obviously order pads online. But there's a lot more to a brake job than just a set of pads. I mean -- and you really don't know until you get the wheels off. I mean you get the wheels off, the first thing you're going to evaluate is the rotors. I mean, are the rotors -- are they worn and have to be replaced? Can they be resurfaced? And there, again, without putting a mic on your rotors, you won't really know, that's a service that we offer in our stores. They could bring in the rotors. We can put a set of calipers on them. We can tell, based on the specifications, if there's enough of the rotor left to actually resurface, which is a service that we provide to our DIY and professional customers, or if they need to be replaced. A set of rotors, if you have to replace them, I mean, they're 30, 40, 50 pounds a piece.

I mean, it's a big item to ship. There, again, if you don't have to have them, you can resurface them. You can save money. Then the fact that dependent on the wear on the brake pads. I mean, if the inboard pad or outboard pad is worn disproportionally of the other side, that's a sign of a caliper problem. It could be that you would have to change out a caliper, one side or the other. Brake hose, I mean, if you get in there and you see that the brake hose has cracks in it, that's a huge safety item, you'd want to replace that. Hardware, flushing the master cylinder. There's so many more ancillary or related items that goes with that one item that you really don't know until you get the wheels off and get in the job. A failure item like a radiator, for instance. You can order a radiator online and have it waiting for you on the weekend. But once you get in there, you need an upper hose, the lower hose, is your water pump leaking. Thermostat, thermostat housing, clamps, flush. There's all of these -- and I can go on and on and on. There's all these ancillary items that goes with the one core sale that really is just -- I've turned wrenches on my cars my whole life, and I can't think of one time that I went to the part store and got everything I needed the first time. You just -- there's more to it.

Scot Ciccarelli - *RBC Capital Markets, LLC, Research Division - Analyst*

So especially with all the safety issues that could potentially crop up, it doesn't sound like it's a casual user who's kind of using those types of services, at least within the hard parts category. Is that -- would that be a fair assumption?

Thomas G. McFall - *O'Reilly Automotive, Inc. - CFO and EVP of Finance*

What we would tell you is that online is great for certain products. And those products are, you're taking a perfectly good part off your car and putting a new one on. So you're talking dress-up, you're talking accessories, you're talking performance. But those have never been great items in our -- for us because they were great catalog items before they were great online items. We are focused on repair parts to solve customers' needs and the technical assistance they need to help accomplish that goal.

Scot Ciccarelli - *RBC Capital Markets, LLC, Research Division - Analyst*

So your 2 peers earlier kind of talked about their discretionary mix. They seem to agree that it's kind of discretionary, if you will, that would be most susceptible. What percent of your sales are discretionary?

Thomas G. McFall - *O'Reilly Automotive, Inc. - CFO and EVP of Finance*

Well, discretionary is a hard item to track down. What we'd tell you is 75% to 80% of the things that we sell require a specific part for a specific vehicle. So an example would be anything from you need a specific spark plug to you need a specific wiper blade. So about 25% of what we sell is more universal.

Scot Ciccarelli - *RBC Capital Markets, LLC, Research Division - Analyst*

Got it. Okay. One of the other things we kind of touched on is, one thing that's separated various retail verticals in terms of how much online penetration has had an impact on a business is kind of been -- what's the vendor behavior? There's certain industries where the vendors tend to be more disciplined. There's some where they're much less disciplined. And they will go wherever they can generate sales growth. What kind of conversations are you having with your vendors as Amazon starts to try and focus more on your particular retail vertical?

Thomas G. McFall - *O'Reilly Automotive, Inc. - CFO and EVP of Finance*

It's across the spectrum. We have some that refuse to sell and some that will sell anything. Our pressure to -- our discussion with our suppliers are, if you have a product that's a quality brand name that you've invested in that brand, you better make sure that the pricing out there is appropriate for that item. To the extent we find at cost that are significantly different than what we can sell it for, the pressure is going to come back to you. When we talk about online, I think something that is -- something to note is that suppliers put money where things are important. So when we talk about where the ultimate market is here, our AP-to-inventory ratio is over 100%, AutoZone is over 100%. Why are the suppliers willing to support that? Because the #1 driver for business for what part gets sold and what supplier's part gets sold is availability, because that's key for both our DIY and our professional customer of, I'm here, I'm at the counter or I'm on the phone and I need to get this part to fix my car. So our suppliers continue to be very supportive. We have a few that we think should make some changes, but you could see those prices on RockAuto too. Although in U.S. auto parts, although they tend to cherry pick a few items and just talk about those items.

Scot Ciccarelli - *RBC Capital Markets, LLC, Research Division - Analyst*

So when we kind of take...

Thomas G. McFall - *O'Reilly Automotive, Inc. - CFO and EVP of Finance*

But most of -- like Amazon's, there is some that they warehouse and some that they don't warehouse and it's just direct ship.

Scot Ciccarelli - *RBC Capital Markets, LLC, Research Division - Analyst*

Yes. No, understood. So when you think about the slowdown that the industry's had, last couple of quarters have been a little bit softer, again, 1Q being hopefully the bottom that we've seen in terms of sales performance, how would you kind of rank size or rank order the impacts? You guys, on your last call, referenced weather, some tax refunds. But how do you think it all kind of puts together so people can understand the levels of magnitude?

Thomas G. McFall - *O'Reilly Automotive, Inc. - CFO and EVP of Finance*

Okay. Well, we had one soft quarter, all right? So I just want to get that out to everyone, a soft quarter. What we look at it, #1 driver, and especially for the first quarter, weather volatility is a big deal for us. People don't want to have -- that want to repair in the first quarter, especially January and February, unless they have to. And then, we're looking for early spring, so people get out and wash and wax and maintain their vehicles and that didn't go very well. So we'd say that's the biggest driver. Based on where we were at our call and some of the comments made by our other competitors who have released, there's no doubt that change in the tax returns that getting them back later in the year ended up being a net negative for our industry. Some of those dollars went other places on other DIY-type projects, primarily. What we would guess is probably home projects as you get later in the year and they're able to do more things outside. But those are -- weather, we feel like, is the big driver. Long term, it's -- our ability to generate comps is, what's the underlying market and what's our ability to take share from our competitors. We remain very confident in our ability to take share. Clearly, in the first quarter, the underlying market was soft. We would tell you, gosh, primarily weather-driven, but we'll continue to monitor that and see what we look like here in the second quarter.

Scot Ciccarelli - *RBC Capital Markets, LLC, Research Division - Analyst*

Understood. One of the other things that I've been asking everybody about is the potential impact over time on your business from the ridesharing services, whether it's Uber or Lyft, with the concept of, you may have the same number of miles driven but the complexion changes. Like maybe your car is being driven 5,000 miles or 10,000 miles less because you're taking these ridesharing services. So, a, is that something you guys give kind of any thought power to, number one; number two, is that something that O'Reilly could take advantage of in some way, shape or form down the road?

Thomas G. McFall - *O'Reilly Automotive, Inc. - CFO and EVP of Finance*

Well, we don't see a dramatic change in the miles driven by either a service provider versus an individual. And actually, we think that Lyft and Uber are great things. You guys have been in cabs, right? They never change a shock on any of those. So people are going to maintain, as individuals, maintain those vehicles better. And I think, that's a good thing for our industry. When we look at the partnering, I think our opportunity is to continue to partner with regional, national shops and many of them have gone out there and done deals with Uber drivers and Lyft drivers. It's kind of like everybody who works here, right? You work for a company and you call Dell, and you go, "Hey, we'd like to have an employee program, can you give us 10% off?" Everybody can be a 10% Dell off company and just those kind of benefits and, I think, continuing to partner with shops, there are opportunities.

Scot Ciccarelli - *RBC Capital Markets, LLC, Research Division - Analyst*

That brings up another point I'd like to get into a little bit. When you think about kind of your bread-and-butter on the commercial side, what are the common characteristics of those businesses? Is it more the national chains, the regionals, the locals? And what is it that -- what traits do those garages share that they really go to O'Reilly to help service them?

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

Well, I mean, there again, we started as a small Midwestern company. So I mean, we've built our base on what we call the foundation accounts, which will be the smaller mom-and-pop type shops. And as we've evolved and moved coast-to-coast, we've targeted the regional chains and the national chains. And basically our philosophy is, if there's a car hood up or a bay door open that we're going to call them, and we're going to try to sell them something. That's kind of always been our philosophy.

Scot Ciccarelli - *RBC Capital Markets, LLC, Research Division - Analyst*

So when you think about your kind of percentage of sales, if you will, is the best majority to mom-and-pop shops?

Thomas G. McFall - *O'Reilly Automotive, Inc. - CFO and EVP of Finance*

It would be across the board. I think the thing that we would tell you that is the thing that we focus on is we're going to focus on service first and be competitively priced. Now there are different suppliers. Some are focused all on service and have very high prices and some are very cheap and don't have great service. So there's a spectrum of suppliers. Just like that, there's a spectrum of shops, right? There are shops that go out to market and compete solely on price. And there's all the way to shops that compete solely on service. We're going to skew towards -- because we're a competitively priced, but not lowest priced and high service, we're going to tend to skew -- our best match are going to be shops that are more service-oriented. But we also feel like those are long term the more successful shops because really the best advertising for any shop is word of mouth.

Scot Ciccarelli - *RBC Capital Markets, LLC, Research Division - Analyst*

Word of mouth. So when you think about...

Thomas G. McFall - *O'Reilly Automotive, Inc. - CFO and EVP of Finance*

So if you go to a shop and they can get you in same day for a tough repair, you might be want to be a little bit careful if you didn't have to schedule.

Scot Ciccarelli - *RBC Capital Markets, LLC, Research Division - Analyst*

But if you were to think about the opposite of that, like, are there any particular characteristics of shops that have proven to be harder to penetrate for O'Reilly?

Thomas G. McFall - *O'Reilly Automotive, Inc. - CFO and EVP of Finance*

Well, I guess, what I would tell you, I'll let Jeff answer is, when price becomes the sole issue, those are going to be shops that are not our primary focus.

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

Well, also I mean, there's -- it's -- people buy from people and it's a service and relationship business. And if we enter a market and we call on every shop in town and there's a great traditional competitor in the marketplace that they've known and bought parts from for 15 or 20 years, it's a lot tougher to get into. I mean they give great service, they've got high availability and they do a good job and you've just got to chip away and work from fourth call to third call to second call, you may never be first call. But hopefully, you can get a portion of that business. Service and relationship is huge, and we focus all day long every day in every market on building relationships and giving great consistent service day in and day out.

Scot Ciccarelli - *RBC Capital Markets, LLC, Research Division - Analyst*

I mean, Jeff, you just hit on something else I wanted to ask about. Like, how long does it take typically, you move into a new market for instance, and Tom and I have discussed this over the years, like, how long does it take to kind of move up to the point where you're kind of #1, #2, where you're getting a good chunk of business from a particular garage?

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

Well, depends on the availability of service in the market. If there's somebody or maybe even a couple of competitors who're doing a great job, it can take longer. If the service availability isn't great in the market, which that's normally not the case, you can move up quicker. And then there's the fact, as I said, people buy from people. As we enter a market, we make our calls and understand who our competitors are, who the best parts people in town are and do our best to recruit those people and get them on our team. And if they've been buying from a traditional competitor from George, and we can hire George and get George on our team, support George with high availability of inventory, delivery trucks, et cetera, a lot of times that business will move quicker.

Scot Ciccarelli - *RBC Capital Markets, LLC, Research Division - Analyst*

Now you've had some of your competitors trying to focus more on the commercial business over the last several years. Has it become more difficult to move up somebody's call list, given changes in that competitive dynamic? Or has it become easier, given the disruption that one of the big competitors may have experienced?

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

I think it would depend by market. I mean, there's markets that are tougher than others. And there's a whole spectrum of competitors that we never really talk about. It's the strong independents that are out there. It's the regional two-steppers that are out there that are normally entrenched in that market that we've got to compete against, as well as the public companies we talk about.

Scot Ciccarelli - *RBC Capital Markets, LLC, Research Division - Analyst*

So what would eventually dislodge some of those independents? I mean, this is an industry characterized by a lot of fragmentation. Certainly, more than what we see in a lot of other retail verticals. I mean, historically, kind of consolidates to, call it, 1 or 2 players over a period of time, what does it take to display -- I guess the question is, why is it still so fragmented at this point? Is it just because those competitors are still offering good service and it's not price elastic? Or is there anything else to that?

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

The ones that are left are pretty good competitors. They do a good job. There again, I mean we've been -- I've been opening stores in markets for 25-plus years, and we've been the new kid on the block in every market that we've entered. And you just go in and focus on the fundamentals of the business and make your sales calls and provide great service and wait for the competitor to drop the ball and get the opportunity to move up the chain.

Scot Ciccarelli - *RBC Capital Markets, LLC, Research Division - Analyst*

What percent of your sales goes to dealerships? How big of a part of that...

Thomas G. McFall - *O'Reilly Automotive, Inc. - CFO and EVP of Finance*

It's a relatively small piece. We would be -- dealers have their own network supply parts that they're branded on. It's really more on the trade-ins for vehicles they have to fix, but it's not a huge portion of our business by any means.

Scot Ciccarelli - *RBC Capital Markets, LLC, Research Division - Analyst*

I'm just wondering, since you're not highly penetrating into that marketplace as cars become more complex, maybe you need more specialized equipment that may be available at a dealership that maybe a smaller mom-and-pop independent may not have access to.

Thomas G. McFall - *O'Reilly Automotive, Inc. - CFO and EVP of Finance*

Well, the equipment to diagnose cars has continued to get more technical, and I think that's why you've seen -- you don't see the gas station with 2 bays anymore. And you see independents and chains that are larger so that they can leverage those technology costs. But our industry, I think, has done a great job with our suppliers of making sure the tools and equipment and specifically the training are out there to make sure that the independents can continue to work on any vehicle that's out there. So to the extent that there was -- there are fixes -- we just don't see that there would be fixes that would be dealer-only outside of warranty.

Scot Ciccarelli - *RBC Capital Markets, LLC, Research Division - Analyst*

Okay, understood. So one of the key -- you guys have had historically the best comps in the industry, now, to a company that you've also had the strongest margin expansion. There was a point, I want to say, maybe 2, 3 years ago where you'd expected some of your margin expansion to slow because you had already renegotiated kind of the 5 year ups on a lot of the CSK deals. How are you guys thinking about the margins going forward? Obviously, you've already done the renegotiations on CSK. I mean, is there another -- is there a chance to kind of triple dip on that? Or is it whatever we can leverage from the top line, that's what we're going to be able to bring to the bottom line?

Thomas G. McFall - *O'Reilly Automotive, Inc. - CFO and EVP of Finance*

We think we can incrementally increase margins over time with better buying and leveraging our fixed costs. What I think -- you get a little sometimes wrapped up as financial people in percentages, but I haven't found a bank that'll deposit them yet. So we're really focused on our gross margin dollars and increasing our comp gross margin dollars and our operating profit dollars year-over-year. If we look for our industry over the last 4 or 5 years, we all need to generate comp gross margin dollars. And we've all done it by increasing -- reducing our acquisition costs and increasing comp for gross margin percentages. So through better buying, sourcing, private-label, that's been the driver in our industry. And with those improvements coming there, nobody is -- and without a impact or inflation coming into our industry from a cost standpoint, we haven't seen same-SKU costs go up in 4 or 5 years. I think if we look at the next 4 or 5 years, as opposed to seeing gross margin percentages go up to help drive operating, I think what we'll see is inflation in the top line to help drive those comp gross margin dollar gains.

Scot Ciccarelli - *RBC Capital Markets, LLC, Research Division - Analyst*

So if you are buying better, you're lowering costs i.e., you're getting more price concessions from your vendors, right? Does that become a bit of a conflict with trying to get the vendors to enforce pricing in a more austere fashion with Amazon trying to come into the marketplace?

Thomas G. McFall - *O'Reilly Automotive, Inc. - CFO and EVP of Finance*

Well, we've done a lot with our suppliers to help them reduce their cost. So if -- we need healthy suppliers in our industry. And our assumption is when we do deals with them, that it's a good deal for them or they wouldn't be doing it. So by sourcing and scale and pushing more product through a central point, our goal is to help them save money and share in those savings. So our expectation is that we are moving a tremendous amount of product for our suppliers that they will be good partners.

Scot Ciccarelli - *RBC Capital Markets, LLC, Research Division - Analyst*

Understood. Just in the interest of time, I'd like to open up the field for questions.

Unidentified Participant

When you go into a new market, how do you go about getting -- I forget the name you use -- but how do you go about getting that guy and stealing him away from, you know...

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

Well, there, again...

Scot Ciccarelli - *RBC Capital Markets, LLC, Research Division - Analyst*

Jeff, can you repeat the question for people on the mic?

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

Basically, he's talking about strategic hires. How -- when you enter a new market, how you make a strategic hire? And normally, it takes time. If that person is happy working at that traditional job and there's got to be a reason they want to change. Sometimes it's opportunity. Sometimes it's stability, maybe it's benefits, maybe something changes with the ownership of the business. You've got to basically identify who that is and try to get them to meet with you, and then you just start the process and stay in touch and sometimes it happens soon, sometimes it takes 6 months or a year. But there again, most of the time, if we're targeting the right person, they're worth waiting on.

Thomas G. McFall - *O'Reilly Automotive, Inc. - CFO and EVP of Finance*

And that process starts when we start looking at real estate. So we don't open the store and then start looking for team members in new markets.

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

Ideally, we have that legwork done and bring them on as soon as the store opens.

Unidentified Participant

Are they gross profit dollar based comp?

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

They're paid a commission. They're paid a commission based on their sales.

Thomas G. McFall - *O'Reilly Automotive, Inc. - CFO and EVP of Finance*

We control pricing centrally with the manager's ability to adjust his prices as needed on an item-by-item basis and request changes for professional customers and we monitor those. So that's why we focus on sales. If we're going to go to a new market, part of our real estate evaluation is, is there somebody that we can buy in town? And a lot of our acquisitions, smaller acquisitions, have been great for us in building a team, and we could go through a whole list of them from Hinojosa to Adams...

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

Car Pro.

Thomas G. McFall - *O'Reilly Automotive, Inc. - CFO and EVP of Finance*

To Car Pro and people that -- we may open a location and merge their business and ours that are huge leaders for our company now.

Scot Ciccarelli - *RBC Capital Markets, LLC, Research Division - Analyst*

I would say just from a historical perspective, prior to CSK, I think 25% to 30% of O'Reilly's store growth was actually small acquisitions at that point.

Thomas G. McFall - *O'Reilly Automotive, Inc. - CFO and EVP of Finance*

Yes.

Scot Ciccarelli - *RBC Capital Markets, LLC, Research Division - Analyst*

Another question from the field.

Unidentified Participant

You've always been known to have the best distribution network. Can you tell us how many markets where your distribution is a clear advantage or closer or quicker and whatever?

Thomas G. McFall - *O'Reilly Automotive, Inc. - CFO and EVP of Finance*

Well, our distribution model is very flexible. And we -- there is no cookie-cutter approach to how we get parts from a DC to the store. 5 night a week, every store is going to get or virtually every store is going to get a delivery from the warehouse. But it's how do you augment that? And it may be a hub store, it may be city counter route from the DC to the surrounding area. So we touch about 60% of our stores through the DC counter because of the number of DCs we have and about 80 to 90 have hub delivery or DC and weekend availability. We go market by market and depending on what store operations think -- what the research indicates they need to be competitive and have as good of as or better service, we will modify that approach. And it's a daily kind of deal between Scott Kraus, our Head of Real Estate, who's also was a Divisional Vice President of Store Operations and our store operations team in a market-by-market basis to work with the DCs to figure out do we need to add hub stores, do we need to delete hub routes, add them with some high variety.

Scot Ciccarelli - *RBC Capital Markets, LLC, Research Division - Analyst*

How many hub stores do you guys have?

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

312.

Scot Ciccarelli - *RBC Capital Markets, LLC, Research Division - Analyst*

312. Another question from the field.

Unidentified Participant

Are you seeing a secular trend of DIYs being transitioned to do-it-for-me from the standpoint of complexity of the vehicles?

Thomas G. McFall - *O'Reilly Automotive, Inc. - CFO and EVP of Finance*

Well, when we look at complexity of vehicles, where vehicles have gotten really complex is how the fuel is introduced to the system, how it's burned and how it's exhausted, as we work on emission standards and miles per gallon. What we would tell you that, that has always been a very complex process that people typically didn't do those except for heavy do-it-yourselfers. So the do-it-for-me business is growing faster, partly because those parts are really expensive, but the systems that DIY-ers work on and have worked on historically remain pretty much the same. DIY is growing slower because of some complexity, but not a lot, and more age of population. The DIY-ers that are out there are doing it because they're economically challenged, and they're doing it to save money. And unfortunately, we don't see that. Fortunately or unfortunately, I guess, probably look at it, we don't see that changing.

Scot Ciccarelli - *RBC Capital Markets, LLC, Research Division - Analyst*

Got it.

Unidentified Participant

So you've been able to take market share for a number of -- a long time, I guess, and you're seeing -- you're saying that the competitors are stronger at this point and what's sustainable about being able to continue to take market share?

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

Well, I mean, we've been doing it for 60 years, and we've got a pretty good model. It's proven to work for years and years and years. And just our ability to hire the right team members and go in and execute the model and go head to head with the competitor and basically win on the street every day market-by-market.

Scot Ciccarelli - *RBC Capital Markets, LLC, Research Division - Analyst*

Anyone from the field?

Thomas G. McFall - *O'Reilly Automotive, Inc. - CFO and EVP of Finance*

There's 1 minute 26 left.

Unidentified Participant

Your market share gains, how do you think about those going forward? If you think about getting market share, you continue to get the bad guys out, continue to take share from poor operators. So it seems to me like the operators who have survived so far have got to be pretty darn good by now (inaudible). Looking ahead, how do you think about the prospects for share gain by acquisitions?

Thomas G. McFall - *O'Reilly Automotive, Inc. - CFO and EVP of Finance*

We continue to see tremendous opportunity. There's lots of parts that get sold by stores that don't have O'Reilly on the front. So in virtually all our markets we'd expect to continue to be strong share gainers. There are some markets where we've been there long time. We're the dominant player, and there may not be a lot of share to gain. When we look at acquisitions, we would like to grow through acquisition because it's such a technical business. You start with proficient part people, you start with customer relationships. That said, we need a willing seller. And we've always been an opportunistic buyer, but we're not the type of company that knocks on doors and pays premiums. So to the extent that these opportunities that the geography matches, the culture is a good fit. It's a good opportunity to consolidate the industry, whether it's 1 store, or in Bond's case, 48 stores or more, and we can do the right deal. We're going to continue to grow that way.

Scot Ciccarelli - *RBC Capital Markets, LLC, Research Division - Analyst*

Kind of related to that. Just while we have another minute here. Do you see much of the difference in kind of the store maturity curve in different geographies? And would you expect it to be more any different in the Northeast, where it maybe a little bit more crowded just from a competitive standpoint?

Thomas G. McFall - *O'Reilly Automotive, Inc. - CFO and EVP of Finance*

Well, every market is competitive. When we look at growth, there's no doubt there's a big difference in maturity. So if we're going to open a fill-in store in Dallas, Texas, it's going to mature tremendously faster than if we open a new store here in Boston or a Boston market, because you don't have that infrastructure, you don't have that name recognition. But that's similar to what we've seen as we've expanded into other major Metro markets. So we're going to have a longer time frame if we're new to the market.

Scot Ciccarelli - *RBC Capital Markets, LLC, Research Division - Analyst*

And what -- how's that range? Like, you know, the fill-in market in Texas will be x and...

Thomas G. McFall - *O'Reilly Automotive, Inc. - CFO and EVP of Finance*

DIY comes on faster than professional. But let's say, in aggregate that a new store market might be 6 years, fill-in might be 3 years.

Scot Ciccarelli - *RBC Capital Markets, LLC, Research Division - Analyst*

Got it. Okay. Unfortunately, I think that's all the time we have. So Jeff and Tom, thank you very much.

Thomas G. McFall - *O'Reilly Automotive, Inc. - CFO and EVP of Finance*

Thank you.

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

Thank you, everyone.
