

| O'Reilly Automotive Inc. (ORLY) - all figures in millions except per share data | | | | | | | | | | |
|---|------------|--------------------------|------------|------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Price as of 4/30/2016 | \$262.68 | Market cap | \$25,896.9 | | | | | | | |
| 52-week high | \$277.96 | + Debt | \$1,885.9 | Revenue | 2013A | Actual | 2015A | 2016E | Consensus | |
| | 10/29/2015 | + Preferred shares | \$0.0 | Growth | \$6,649.2 | \$7,216.1 | \$7,966.7 | \$8,609.8 | 2017E | |
| 52-week low | \$216.41 | + Minority interest | \$0.0 | | | 8.5% | 10.4% | 8.1% | 2018E | |
| | 5/6/2015 | - Cash | \$716.0 | EBITDA | \$1,290.7 | \$1,468.5 | \$1,743.3 | \$1,925.8 | \$9,210.4 | \$9,817.3 |
| Cash/share | \$7.40 | Enterprise value | \$27,066.7 | Growth | | | | | 7.0% | 6.6% |
| Book value/share | \$20.05 | PY ROA | 12.6% | EPS | \$6.03 | \$7.34 | \$9.17 | \$10.72 | \$12.21 | \$14.13 |
| Tangible BV/share | \$12.23 | PY ROE | 39.1% | Growth | | | | | 8.6% | 8.5% |
| Fully diluted shares | 98.6 | PY ROC | 23.5% | | | | | | \$12.21 | \$14.13 |
| Float % | 97.7% | Debt/LTM EBITDAR | 1.5x | Valuation: | EV/sales | | 3.4x | 3.1x | 2.9x | 2.8x |
| Float shares | 96.3 | Short interest (% float) | 5.9% | | EV/EBITDA | | 15.5x | 14.1x | 12.9x | 11.9x |
| Daily \$ volume (90-day) | \$230.8 | Dividend yield | 0.0% | | EV/EBIT | | 17.7x | 15.9x | 14.5x | 13.4x |
| | | | | | P/E | | 28.6x | 24.5x | 21.5x | 18.6x |

Investment Overview:

ORLY is a buy. I expect ORLY to compound at a mid-teens IRR through 2020. My base case price target is \$448/s, which represents 71% upside over the current price and a 16% IRR through 2020.

Executive Summary:

- 1) ORLY is a tremendous business with a wide moat. As a result, I expect ORLY's ROIC to increase from 26% in 2014 to 48% in 2020.
- 2) I expect ORLY's EPS to compound at ~18% through 2020 due a combination of new store expansion, comparable sales growth, share buybacks, and increased operating leverage.
- 3) ORLY is the best in class operator within a fragmented industry. ORLY will continue to leverage its scale and take share from smaller independent operators.

Five Year Price Chart:

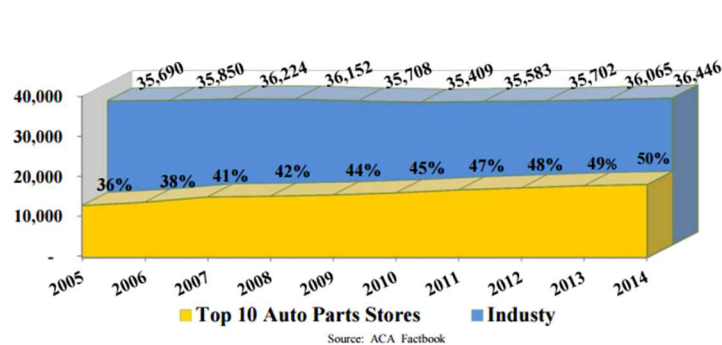


Company Overview:

O'Reilly Automotive Inc. (hereafter referred to as "ORLY" or "the company") is one of the largest specialty retailers of automotive aftermarket parts, tools, supplies, equipment, and accessories in the United States. As of Q1 2016, the company operated 4,623 stores in 44 states. These retail locations have overnight access to an average of 146,000 SKUs including basic accessories such as car batteries, brake pads, and motor oil as well as more complicated components such as alternators, starters, fuel pumps, and water pumps. ORLY operates under a dual-market strategy—58% of the company's 2015 sales were to retail customers (referred to as the do-it-yourself or "DIY" market) and the remaining 42% of the company's sales were to the professional aftermarket (which is mainly comprised of repair shops within the do-it-for-me or "DIFM" market). ORLY services its retail stores through its industry leading distribution system, which consists of 26 regional DCs with same day or overnight access to an average of 146,000 SKUs. This system is further augmented by 297 hub stores which also provide delivery and same day access to an average of 41,000 SKUs.

Competitive Landscape:

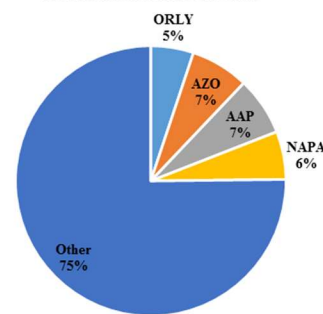
The total addressable market within the automotive aftermarket industry is \$140B, which is comprised of the \$49B DIY market and the \$91B DIFM parts market (Auto Care Association). Within the automotive aftermarket industry, ORLY primarily competes with AutoZone, Advance Auto Parts, and NAPA Auto Parts (owned by Genuine Parts Company). As shown below, the industry is highly fragmented as the Top 10 auto parts stores represent only 50% share (as of August 2015). In fact, ORLY, AutoZone, Advance Auto Parts, and NAPA account for only 25% of the market. The remainder of the market is controlled by small independent operators. Within the industry, AutoZone is primarily focused on the DIY market (85% of 2014 sales) and NAPA is primarily focused on the DIFM market (75% of 2014 sales); in contrast, ORLY and Advance Auto Parts pursue more of a dual market strategy.



Top Ten Auto Parts Chains

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

2014 Market Share Estimates



Thesis:

1) ORLY is able to earn superior returns on capital due to its localized economies of scale.

The Big Four companies within the automotive aftermarket industry benefit from localized economies of scale. In general, these companies achieve economies of scale in management, advertising, and distribution. In particular, ORLY is thought to have a best in class distribution system. According to the former VP of Process Improvement at NAPA Auto Parts, ORLY has industry leading distribution and inventory management systems. In summary, ORLY employs a hub and spoke model consisting of 26 regional DCs with same day or overnight access to an average of 146,000 SKUs and 297 hub stores which also provide delivery and same day access to an average of 41,000 SKUs. ORLY’s sophisticated distribution system enables it to provide multiple daily deliveries to each of its company owned stores.

ORLY’s distribution system gives it a distinctive competitive advantage within the industry. In a March 2015 UBS Auto Repair Shop Survey, respondents noted that “ORLY was the best in availability, delivery, price, and service”. Through my primary research, I learned that the two most important considerations when sourcing auto parts are quality and product availability. Price is not a top concern as most price increases are passed on to the end customer. One contact summarized it best—“When an automotive aftermarket distributor loses a client, they do not lose the client over price...it is always because something went sideways with the people and how they are handling the wholesale customers”. Since most of the major companies within the industry source from the same vendors, there is little product differentiation—thus, the main differentiating factor is often product availability. As such, ORLY has been able to leverage its best in class distribution network to take share from the competition.

Figure 18: ORLY ranked #1 in our DIFM supplier power rankings

| Attribute | Weight | ORLY | NAPA | AAP | Carquest | AZO |
|--------------|--------|------------|------------|------------|------------|------------|
| Price | 27% | 62% | 56% | 53% | 60% | 61% |
| Service | 26% | 68% | 64% | 52% | 66% | 59% |
| Availability | 28% | 73% | 66% | 61% | 61% | 61% |
| Delivery | 13% | 67% | 55% | 50% | 56% | 54% |
| Salesperson | 6% | 61% | 66% | 54% | 70% | 59% |
| Total | | 67% | 61% | 55% | 62% | 59% |

Source: UBS Auto Repair Shop Survey – March 2015

Commercial customers view ORLY as #1 in availability, delivery, price, & service
 ORLY was named as the top supplier by 17% of respondents, up ~750 bps from the previous survey. Respondents noted ORLY was the best in availability, delivery, price, and service. Despite strong marks in Sept 2014, ORLY still managed to improve its standing in 4 of 5 categories surveyed.

“The right people means that when you call it in the right part goes on the truck, it is delivered fast, it is delivered professionally, and they are willing to handle any problems...it all boils down to service.”

–President of Elite Worldwide (an auto repair consultancy)

2) ORLY is able to generate tremendous free cash flow through its vendor financing program.

In the automotive aftermarket industry, the largest companies benefit from vendor financing arrangements. Within these programs, the goal is to match accounts payable terms with inventory turns. This is critical as companies within this industry sell a lot of slow moving inventory. Once a company like ORLY receives inventory, they are unlikely to sell it for 6-12 months (2014 inventory turnover was 1.4x), but they had to previously pay the vendor within 120-180 days (creating a huge working capital disconnect). In general, ORLY’s vendors are smaller companies that do not have access to investment grade financing. Previously, these vendors could borrow from the bank at 80% of their accounts receivable at their own borrowing rate (for example, LIBOR + 200 bps) – these companies could only borrow \$80K for every \$100K of product sold to ORLY.

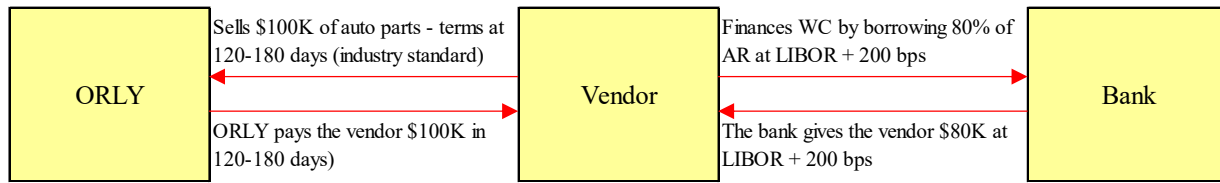
In order to improve its working capital and lengthen its payment terms, ORLY went directly to the major banks and sought to put in place vendor financing arrangements. After receiving approval from the banks, ORLY went to the vendors and offered the following:

- Vendors can now borrow from the bank at 100% of ORLY’s AR (instead of the previous 80%)
- Instead of borrowing at LIBOR + 200 bps (i.e. the vendor’s hypothetical borrowing rate on its LOC), the vendors can now borrow at LIBOR + 50 bps (i.e. ORLY’s hypothetical borrowing rate on its LOC)
- In return, the vendors need to offer ORLY payment terms of 360 days instead of 120-180 days

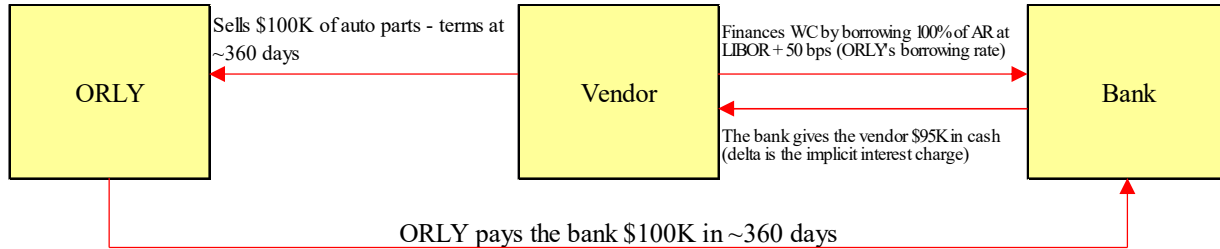
The vendors who agree to these arrangements have effectively sold their accounts receivable balances to the banks (known as AR factoring). At the end of the 360 day payment period, ORLY pays the banks directly as the vendors have already received the cash from the banks. Refer to the flowchart on the subsequent page, where I have illustrated this process

These programs create tremendous barriers to entry as ORLY’s “mom and pop” competitors are unable to match these financing terms and subsequently cannot carry such a large number of SKUs. ORLY has grown its accounts payable to inventory ratio from 39% in 2006 to 103% in Q1 2016. AutoZone is a pioneer in vendor financing and has an industry leading accounts payable to inventory ratio of 115%. As shown below, ORLY’s vendor financing programs have enabled it to increase its ROIC from 12% in 2006 to 26% in 2014.

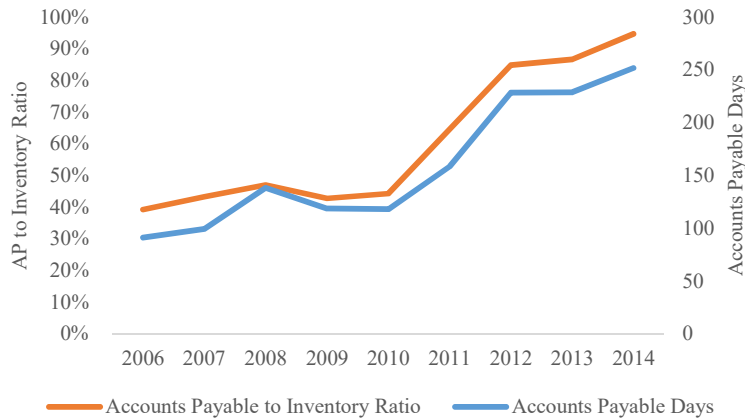
Without Vendor Financing



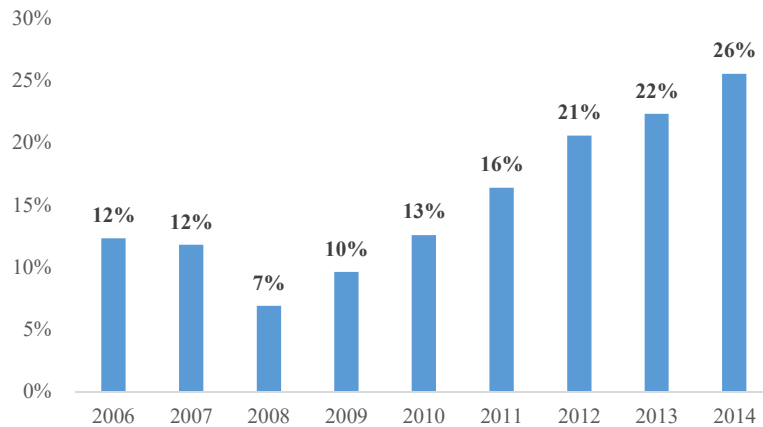
With Vendor Financing



ORLY Vendor Financing



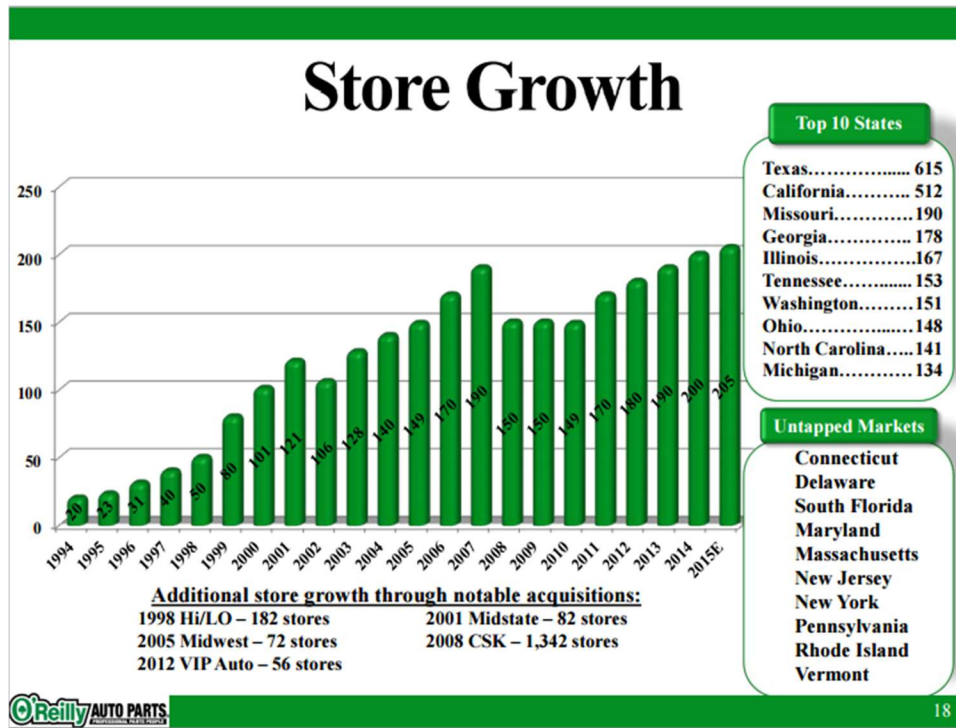
ORLY Historical ROIC



- 3) ORLY's earnings per share will compound at ~18% over the next five years through a combination of new store expansion, comparable sales growth, share buybacks, and increased operating leverage.

New Store Expansion

Over the past 5 years, ORLY has grown its store count an average of 5% annually. Currently, ORLY plans to add 210 net new stores in 2016. At the end of 2015, the servicing capacity at ORLY's 26 distribution centers was approximately 5,200, which provided a growth capacity of more than 600 stores. Furthermore, ORLY plans to open its San Antonio distribution center in 2016, which will support an additional 250 stores in the Texas region. ORLY's remarkable store expansion is summarized below in a slide from the company's August 2015 analyst day presentation:

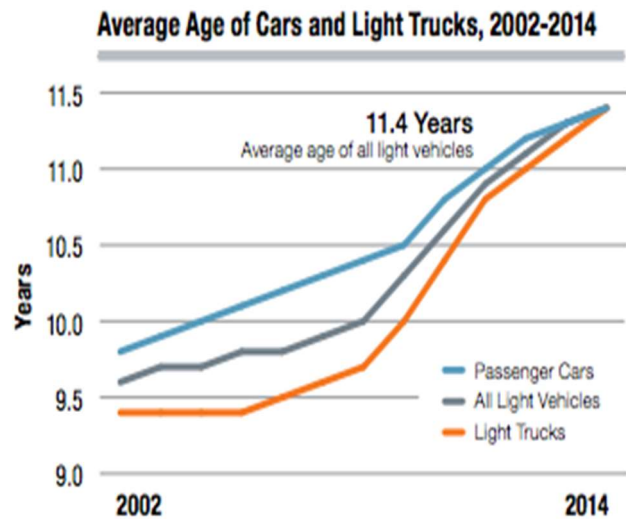
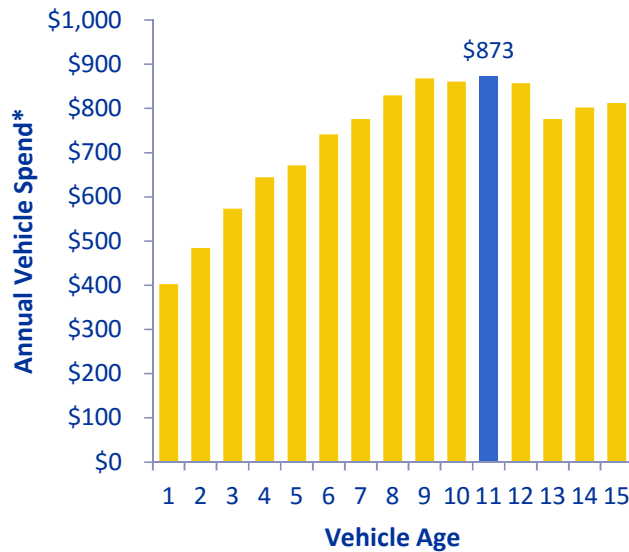


Comparable Sales Growth

In Q4 2015, ORLY recorded a 7.7% comparable sales increase. This marked the ninth consecutive quarter that ORLY achieved comparable sales growth greater than 5% (Q4 2015 also represented the 28th consecutive quarter of EPS growth greater than 15%). As shown below, ORLY's same store sales growth has outpaced the competition over the past six comparable quarters. ORLY is able to take market share as it continues to grow at a faster pace than the industry.

| | Q1'14 | Q2'14 | Q3'14 | Q4'14 | Q1'15 | Q2'15 | Q3'15 | Q4'15 |
|---------------------|-------|-------|-------|-------|-------|-------|-------|--------|
| Advance Auto Parts | 2.4% | 2.6% | 1.5% | 1.1% | 0.7% | 1.0% | 0.5% | (2.5%) |
| AutoZone | 4.3% | 4.0% | 2.1% | 4.5% | 3.6% | 2.3% | 4.5% | 3.5% |
| O'Reilly Automotive | 6.3% | 5.1% | 6.2% | 6.3% | 7.2% | 7.2% | 7.9% | 7.7% |
| NAPA | 7.0% | 7.0% | 6.0% | 4.0% | 3.0% | 3.0% | 5.0% | 2.0% |

According to the Director of Market Intelligence at the Auto Care Association, the automotive aftermarket industry is expected to grow at a 3.5% CAGR through 2017. This growth has been primarily driven by several macroeconomic tailwinds. Firstly, the average age of the US vehicle population has grown 21% from 9.4 years in 2004 to 11.4 years in 2014 (ORLY 10-Q filing). Furthermore, 75% of the automotive fleet is 6+ years of age (Auto Car Association). This is significant as consumers spend more money on older cars (data obtained from IMR, Inc. Automotive Research and BB&T). This represents a structural shift in the market and should help to isolate ORLY from any downturn in the auto cycle.



Source: IHS Automotive, driven by Polk

Growth within the automotive aftermarket industry has also been driven by increasing car complexity (which primarily benefits the DIFM market), lower gasoline prices, lower unemployment, and increasing miles driven. In fact, the number of miles driven in the US increased 3.5% y/y through December 2015 due to a combination of lower gasoline prices and lower unemployment (ORLY 10-K filing).

Going forward, ORLY should continue to grow faster than the market as it continues to take share from the smaller independents. When asked about ORLY’s ability to continue taking share from the smaller operators, one industry expert stated that the “mom and pop shops are going away because the economies of scale do not play in their favor”. Since ~50% of the market is controlled by these independent operators, ORLY has considerable room to expand share through organic growth and acquisitions.

Share Buybacks

As a result of its successful vendor financing arrangements, ORLY is able to generate significant amounts of free cash flow. In 2015, ORLY generated over \$850M in free cash flow that it primarily used for share repurchases (ORLY does not pay a dividend). During 2015, ORLY repurchased 4.9M shares or ~5% of its float. On the Q2 2015 earnings call, management discussed the company’s use of share buybacks—“We continue to view our buyback program as an effective means of returning available cash to our shareholders after we take advantage of opportunities to reinvest in our business at a higher rate of return”.

ORLY has a targeted leverage ratio of 2-2.25x adjusted-debt-to-EBITDAR (consistent with AutoZone’s 2.1x leverage). As of Q4 2015, the company had an adjusted debt-to-EBITDAR ratio of 1.5x, which is well below the company’s stated range. Going forward, I expect ORLY to gradually lever up to its stated target and use these proceeds to fuel organic growth, make accretive acquisitions, and to repurchase additional shares (similar to the AutoZone model).

Increased Operating Leverage

ORLY’s 2015 operating margin was 19%, which is a significant improvement over the company’s 14% operating margin in 2010. As ORLY continues to grow, it is benefiting from positive operating leverage—the company’s 2015 incremental operating margin was ~31%. ORLY does not give long-term operating margin guidance, but the company’s management has stated that they expect incremental gross margin improvement of 10-30 bps per year. This estimate appears extremely conservative as the company’s gross margins improved 68 bps annually from 2010 through 2014. ORLY’s margins should continue to improve as it builds out its store network. At the beginning of 2016, ORLY’s distribution capacity was overbuilt by 600 stores. As the company continues to expand its store base and backfill its network, margins should improve due to improved fixed cost absorption.

Valuation:

In order to properly value ORLY, I used NTM P/E multiples. Within my valuation, the key variables are the company’s new store growth rate, comparable store sales growth rate, incremental operating margin, and AP/inventory ratio. See the table below, where I have summarized the assumptions within my bull, base, and bear scenarios:

**Projected Fiscal Years Ending December 31,
2016E 2017E 2018E 2019E 2020E**

New Store Sales Growth

| | | | | | |
|------|------|------|------|------|------|
| Bull | 6.0% | 5.5% | 5.0% | 5.0% | 5.0% |
| Base | 5.0% | 4.5% | 4.0% | 4.0% | 4.0% |
| Bear | 4.0% | 3.5% | 3.0% | 3.0% | 3.0% |

Comparable Store Sales Increase

| | | | | | |
|------|------|------|------|------|------|
| Bull | 7.5% | 6.0% | 5.0% | 5.0% | 5.0% |
| Base | 6.5% | 5.0% | 4.0% | 4.0% | 4.0% |
| Bear | 5.0% | 4.0% | 3.0% | 3.0% | 3.0% |

Incremental EBIT Margin

| | | | | | |
|------|-------|-------|-------|-------|-------|
| Bull | 31.3% | 31.9% | 31.9% | 31.9% | 31.9% |
| Base | 30.3% | 30.3% | 30.3% | 30.3% | 30.3% |
| Bear | 28.3% | 28.3% | 28.3% | 28.3% | 28.3% |

| | | | | | |
|------|--------|--------|--------|--------|--------|
| Bull | 103.0% | 107.0% | 111.0% | 115.0% | 115.0% |
| Base | 101.0% | 103.0% | 105.0% | 107.0% | 107.0% |
| Bear | 99.0% | 99.0% | 99.0% | 99.0% | 99.0% |

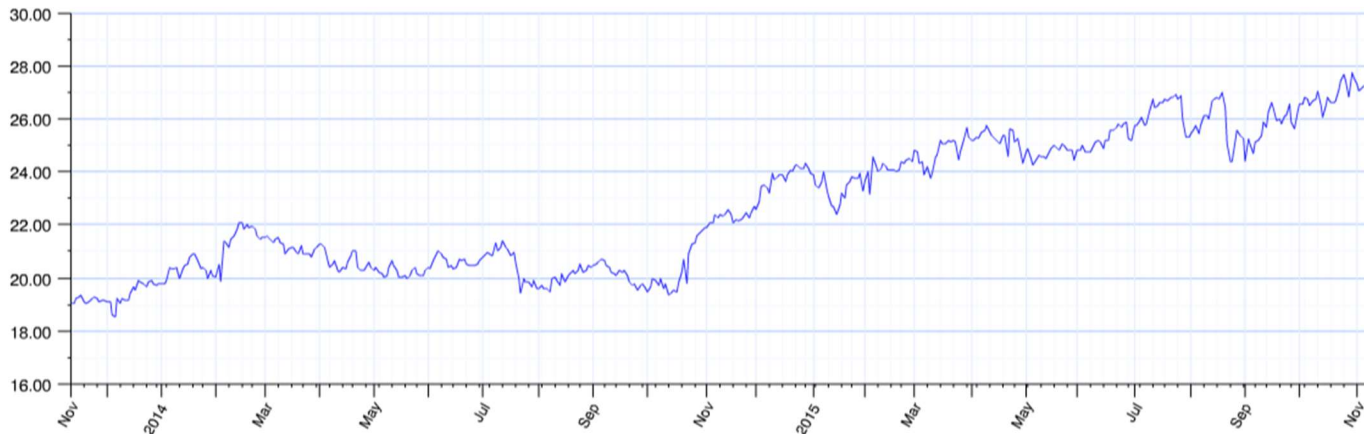
Within my valuation, I held the following assumptions constant:

- Capital expenditures include \$1.4M for a new (owned) store and \$0.7M for a leased location.
- 37% effective tax rate, which is consistent with historical results and company guidance.
- D&A as a percentage of net sales remains consistent at 2.9% (9-year average).
- Refer to the 'Working Capital Assumptions' section within the Appendix for my working capital assumptions.
- All remaining free cash flow is used to repurchase shares at increasing prices. I assumed a 21x NTM P/E multiple for all share repurchases.
- ORLY's weighted average cost of debt remains consistent at 4.4%.

Within my valuation, I used a NTM P/E multiple of 23x in my base case, representing a slight discount to the current trading multiple. While these multiples are high, I believe that it is a reasonable price to pay for a company that is compounding its EPS at ~18% (within my base scenario). Within my base case, ORLY's 2020 market share is 7% which represents significant runway and still warrants a premium multiple. Peer multiples are not particularly useful in this valuation as ORLY is the fastest growing company within the space (it is also under-levered compared to peers). Refer to the tables below, where I have summarized ORLY's historical NTM multiples and the results of my valuation. As you can see, my NTM P/E multiple is at a slight discount to the historical average within my base case.

NTM P/E

Open: 19.07x High: 27.77x Low: 18.57x Close: 27.26x Avg: 22.70x

**P/E Based Valuation**

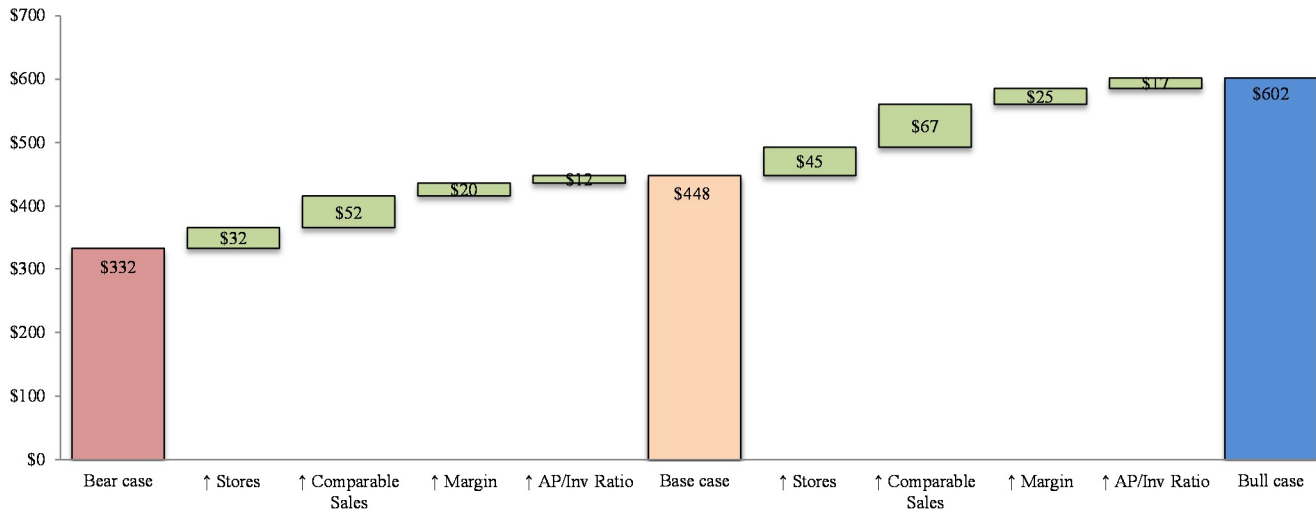
| | <u>Bear</u> | <u>Base</u> | <u>Bull</u> |
|--------------------------------|--------------------|--------------------|--------------------|
| 2020E - EPS | \$17.09 | \$20.08 | \$23.36 |
| Normalized Forward Multiple | 19x | 22x | 26x |
| Value/Share | \$332.20 | \$448.20 | \$601.98 |
| Upside to Current Price | 26.5% | 70.6% | 129.2% |
| IRR | 6.6% | 15.7% | 25.3% |
| Upside/Downside Ratio | | 2.7x | 4.9x |

SUMMARY FINANCIALS - BASE CASE

| | Actual FYE December 31, | | | Projected Fiscal Years Ending December 31, | | | | |
|------------------------------|--------------------------------|--------------|--------------|---|--------------|--------------|--------------|--------------|
| | 2013A | 2014A | 2015A | 2016E | 2017E | 2018E | 2019E | 2020E |
| Sales | \$6,649 | \$7,216 | \$7,967 | \$8,714 | \$9,404 | \$10,004 | \$10,604 | \$11,240 |
| y / y growth | | 8.5% | 10.4% | 9.4% | 7.9% | 6.4% | 6.0% | 6.0% |
| Consensus Sales | | | | \$8,610 | \$9,210 | \$9,817 | \$10,425 | \$11,025 |
| Variance to Consensus | | | | 1.2% | 2.1% | 1.9% | 1.7% | 2.0% |
| EBIT | \$1,103 | \$1,270 | \$1,514 | \$1,740 | \$1,950 | \$2,131 | \$2,313 | \$2,506 |
| Margin | 16.6% | 17.6% | 19.0% | 20.0% | 20.7% | 21.3% | 21.8% | 22.3% |
| y / y growth | | 15.1% | 19.2% | 15.0% | 12.0% | 9.3% | 8.5% | 8.3% |
| Consensus EBIT | | | | \$1,705 | \$1,866 | \$2,017 | \$2,143 | \$2,283 |
| Variance to Consensus | | | | 2.1% | 4.5% | 5.7% | 7.9% | 9.8% |
| Net Income | \$670 | \$778 | \$931 | \$1,059 | \$1,180 | \$1,273 | \$1,365 | \$1,465 |
| y / y growth | | 16.1% | 19.7% | 13.7% | 11.4% | 7.8% | 7.3% | 7.3% |
| Consensus Net Income | | | | \$1,038 | \$1,134 | \$1,246 | \$1,327 | \$1,416 |
| Variance to Consensus | | | | 2.1% | 4.1% | 2.2% | 2.9% | 3.4% |
| Fully Diluted EPS - DWJ | \$6.03 | \$7.34 | \$9.17 | \$10.86 | \$13.05 | \$15.16 | \$17.47 | \$20.08 |
| y / y growth | | 21.6% | 25.0% | 18.4% | 20.2% | 16.1% | 15.3% | 14.9% |
| Consensus EPS | | | | \$10.72 | \$12.21 | \$14.13 | 15.28 | 16.88 |
| Variance to Consensus | | | | 1.4% | 6.9% | 7.2% | 14.4% | 18.9% |

My base case price target is \$448/s, which represents 71% upside over the current price and a 16% IRR through 2020. Moreover, an investment in ORLY has a very attractive risk-reward profile as I expect ORLY to compound at a mid-single digit IRR within my bear case scenario. Refer to the waterfall charts below, where I have highlighted the main valuation drivers.

ORLY Valuation Waterfall



Management and Compensation:

ORLY has a very long tenured management team. Greg Henslee has been ORLY’s CEO since 2005 and the company’s president since 2013. Henslee has worked at the company for 30 years; like many members of the leadership team, he began his career as a Parts Specialist in a retail store. Thomas McFall has been ORLY’s CFO since December 2006. The company’s EVP of Supply Chain has been at ORLY for 32 years, the EVP of Store Operations has been at ORLY for 26 years, the VP of Expansion has been at ORLY for 44 years, and the VP of Professional Sales has been at ORLY for 32 years. This longevity can be attributed to ORLY’s “promote from within” culture—“Our Company philosophy is to promote from within and the vast majority of our senior management, district managers and store managers have been promoted from within the Company. We augment this promote from within philosophy by pursuing strategic hires with a strong emphasis on automotive aftermarket experience. We have a strong management team comprised of senior management with 166 professionals who average 18 years of service; 228 corporate managers who average 16 years of service; and 429 district managers who average 12 years of service” (ORLY 10-K). ORLY’s executive compensation is based upon comparable store sales (30%), operating income (30%), returns on invested capital (20%), and free cash flow (20%). ORLY’s store managers have an incentive-based compensation structure as well. Management’s base salary is augmented by incentive compensation (stock options and bonus plans) based upon individual performance, store sales, and store profitability. This is a strong compensation structure that helps to incentivize management throughout the organization.

Ownership:

ORLY has very strong insider ownership (~2.3% of shares outstanding). The largest holder is David O’Reilly, who served as the CEO of ORLY from March 1993 through February 2005. The current CEO owns 35,354 shares valued at \$9.4M.

| Risks | Counterpoints |
|--|---|
| E-tailing from Amazon and others may grow market share. | The 2014 Auto Care Association survey indicated that e-purchasers were most likely to buy from websites of brick and mortar retailers, including ORLY. Further, one primary research contact noted that the professional market is not interested in buying from Amazon—“DIFM is pretty stable...these guys are not buying from Amazon...they need someone that will feel their pain and handle any warranty claims”. |
| ORLY’s business is dependent on the various macroeconomic factors including unemployment and retail gasoline prices. | ORLY’s DIY business is counter-cyclical as consumers often elect to fix their own cars during an economic downturn. |
| ORLY will be unable to replicate its success as it expands further into the Northeast. | ORLY’s management has a track record of successful expansion into new markets. In 2006, ORLY operated 1,470 in only 25 states (primarily in in the Central US). Since that time, ORLY has successfully expanded to 44 states and more than 4,500 store locations. |

Appendix:

Refer to the subsequent four pages for my base case three statement model (including working capital assumptions and unit economics).

O'REILLY AUTOMOTIVE INC. - 3 STATEMENT MODEL - BASE CASE

(\$ in millions, except per share data)

CONSOLIDATED INCOME STATEMENT

| | Actual FYE December 31. | | | | | | | | | | Projected Fiscal Years Ending December 31. | | | | |
|--|-------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|--|------------------|------------------|------------------|------------------|
| | 2006A | 2007A | 2008A | 2009A | 2010A | 2011A | 2012A | 2013A | 2014A | 2015A | 2016E | 2017E | 2018E | 2019E | 2020E |
| Net Sales | \$2,283.2 | \$2,322.3 | \$3,376.6 | \$4,847.1 | \$5,397.5 | \$5,788.8 | \$6,182.2 | \$6,649.2 | \$7,216.1 | \$7,966.7 | \$8,714.1 | \$9,404.1 | \$10,004.2 | \$10,604.1 | \$11,240.0 |
| Cost of Goods Sold | 1,276.5 | 1,401.9 | 1,948.6 | 2,520.5 | 2,776.5 | 2,951.5 | 3,084.8 | 3,280.2 | 3,507.2 | 3,804.0 | 4,140.0 | 4,425.5 | 4,673.8 | 4,922.0 | 5,185.2 |
| Gross Profit | \$1,006.7 | \$1,120.5 | \$1,627.9 | \$2,326.5 | \$2,621.0 | \$2,837.3 | \$3,097.4 | \$3,369.0 | \$3,708.9 | \$4,162.6 | \$4,574.1 | \$4,978.6 | \$5,330.4 | \$5,682.1 | \$6,054.8 |
| SG&A | 724.4 | 815.3 | 1,292.3 | 1,788.9 | 1,887.3 | 1,973.4 | 2,120.0 | 2,265.5 | 2,438.5 | 2,648.6 | 2,833.6 | 3,029.0 | 3,199.0 | 3,368.9 | 3,549.0 |
| EBIT | \$282.3 | \$305.2 | \$335.6 | \$537.6 | \$733.7 | \$864.0 | \$977.4 | \$1,103.5 | \$1,270.4 | \$1,514.0 | \$1,740.5 | \$1,949.6 | \$2,131.4 | \$2,313.2 | \$2,505.8 |
| Interest Expense, Net | 2.7 | (0.4) | 23.0 | 43.6 | 37.3 | 25.9 | 37.8 | 47.1 | 51.0 | 54.8 | 59.2 | 76.2 | 111.2 | 146.2 | 181.1 |
| Other Non-Operating Charges | (2.7) | (2.0) | 10.1 | (2.9) | 7.0 | 22.3 | (1.9) | (2.5) | (2.8) | (1.1) | -- | -- | -- | -- | -- |
| Pretax Income | \$282.3 | \$307.5 | \$302.5 | \$496.9 | \$689.4 | \$815.8 | \$941.5 | \$1,058.9 | \$1,222.2 | \$1,460.4 | \$1,681.3 | \$1,873.3 | \$2,020.2 | \$2,167.0 | \$2,324.7 |
| Taxable Income | 282.3 | 307.5 | 302.5 | 496.9 | 689.4 | 815.8 | 941.5 | 1,058.9 | 1,222.2 | 1,460.4 | 1,681.3 | 1,873.3 | 2,020.2 | 2,167.0 | 2,324.7 |
| Income Taxes @ 37.0% | 104.2 | 113.5 | 116.3 | 189.4 | 270.0 | 308.1 | 355.8 | 388.7 | 444.0 | 529.2 | 622.1 | 693.1 | 747.5 | 801.8 | 860.1 |
| Net Earnings Attributable to O'Reilly Automotive Inc. | \$178.1 | \$194.0 | \$186.2 | \$307.5 | \$419.4 | \$507.7 | \$585.7 | \$670.3 | \$778.2 | \$931.2 | \$1,059.2 | \$1,180.2 | \$1,272.7 | \$1,365.2 | \$1,464.6 |
| Fully Diluted Shares | 115.1 | 116.1 | 125.4 | 137.9 | 142.0 | 137.0 | 123.3 | 111.1 | 106.0 | 101.5 | 97.5 | 90.4 | 84.0 | 78.1 | 72.9 |
| Diluted EPS | \$1.55 | \$1.67 | \$1.48 | \$2.23 | \$2.95 | \$3.71 | \$4.75 | \$6.03 | \$7.34 | \$9.17 | \$10.86 | \$13.05 | \$15.16 | \$17.47 | \$20.08 |
| Adjusted EBITDA Reconciliation: | | | | | | | | | | | | | | | |
| EBIT | \$282.3 | \$305.2 | \$335.6 | \$537.6 | \$733.7 | \$864.0 | \$977.4 | \$1,103.5 | \$1,270.4 | \$1,514.0 | \$1,740.5 | \$1,949.6 | \$2,131.4 | \$2,313.2 | \$2,505.8 |
| Plus: D&A | 64.9 | 78.9 | 113.0 | 148.2 | 161.4 | 165.9 | 181.8 | 183.2 | 193.4 | 203.4 | 252.5 | 272.5 | 289.9 | 307.3 | 325.7 |
| EBITDA | \$347.3 | \$384.1 | \$448.6 | \$685.8 | \$895.1 | \$1,029.8 | \$1,159.2 | \$1,286.7 | \$1,463.8 | \$1,717.4 | \$1,993.0 | \$2,222.1 | \$2,421.3 | \$2,620.4 | \$2,831.5 |
| Plus: Rent Expense | 49.2 | 55.4 | 132.3 | 229.1 | 226.9 | 230.9 | 240.9 | 254.9 | 263.0 | 273.3 | 290.3 | 306.8 | 322.8 | 339.6 | 357.2 |
| EBITDAR | \$396.5 | \$439.5 | \$580.9 | \$914.9 | \$1,122.0 | \$1,260.7 | \$1,400.1 | \$1,541.6 | \$1,726.8 | \$1,990.7 | \$2,283.3 | \$2,528.9 | \$2,744.1 | \$2,960.0 | \$3,188.7 |
| Metrics: | | | | | | | | | | | | | | | |
| Debt / EBITDAR (includes 6x rent expense) | 0.9x | 0.9x | 2.6x | 2.4x | 1.5x | 1.4x | 1.6x | 1.7x | 1.6x | 1.5x | 1.3x | 1.5x | 1.7x | 1.9x | 2.0x |
| NOPAT | \$178.1 | \$192.5 | \$206.6 | \$332.7 | \$446.3 | \$537.7 | \$608.1 | \$698.5 | \$808.9 | \$965.4 | \$1,096.5 | \$1,228.2 | \$1,342.8 | \$1,457.3 | \$1,578.7 |
| ROIC | 12.3% | 11.8% | 6.9% | 9.6% | 12.6% | 16.4% | 20.6% | 22.3% | 25.6% | 29.8% | 33.3% | 37.1% | 40.7% | 44.6% | 47.9% |
| Tangible ROIC | 12.8% | 12.2% | 9.3% | 12.4% | 16.1% | 21.4% | 28.0% | 29.6% | 33.9% | 39.2% | 43.5% | 48.3% | 53.1% | 58.3% | 62.5% |
| Return on Equity | 13.1% | 12.2% | 8.2% | 11.4% | 13.1% | 17.8% | 27.8% | 34.1% | 38.6% | 47.5% | 50.4% | 89.2% | 249.5% | NM | NM |
| Incremental EBIT Margin | | 9.6% | 2.9% | 15.9% | 35.6% | 33.3% | 28.8% | 27.0% | 29.4% | 31.2% | 30.3% | 30.3% | 30.3% | 30.3% | 30.3% |
| Capital Expenditures | \$228.9 | \$282.7 | \$341.7 | \$414.8 | \$365.4 | \$328.3 | \$300.7 | \$395.9 | \$430.0 | \$414.0 | \$406.6 | \$393.9 | \$378.3 | \$386.4 | \$394.9 |
| D&A as % of Capital Expenditures | 28.4% | | 33.1% | 35.7% | 44.2% | 50.5% | 60.5% | 46.3% | 45.0% | 49.1% | 62.1% | 69.2% | 76.6% | 79.5% | 82.5% |
| Margins and Assumptions: | | | | | | | | | | | | | | | |
| Net Sales YoY Growth | | 10.5% | 41.8% | 35.5% | 11.4% | 7.2% | 6.8% | 7.6% | 8.5% | 10.4% | 9.4% | 7.9% | 6.4% | 6.0% | 6.0% |
| Gross Profit Margin | 44.1% | 44.4% | 45.5% | 48.0% | 48.6% | 49.0% | 50.1% | 50.7% | 51.4% | 52.3% | 52.5% | 52.9% | 53.3% | 53.6% | 53.9% |
| Gross Profit Margin Improvement (bps) | | 33.0 | 109.5 | 248.2 | 56.0 | 45.5 | 108.8 | 56.5 | 73.0 | 85.3 | 24.0 | 45.0 | 34.1 | 30.2 | 28.5 |
| SG&A as % of Net Sales | 31.7% | 32.3% | 36.1% | 36.9% | 35.0% | 34.1% | 34.3% | 34.1% | 33.8% | 33.2% | 32.5% | 32.2% | 32.0% | 31.8% | 31.6% |
| Other Non-Operating Charges as % of Net Sales | (0.1%) | (0.1%) | 0.3% | (0.1%) | 0.1% | 0.4% | (0.0%) | (0.0%) | (0.0%) | (0.0%) | -- | -- | -- | -- | -- |
| EBIT Margin | 12.4% | 12.1% | 9.4% | 11.1% | 13.6% | 14.9% | 15.8% | 16.6% | 17.6% | 19.0% | 20.0% | 20.7% | 21.3% | 21.8% | 22.3% |
| EBIT YoY Growth | | 8.1% | 10.0% | 60.2% | 36.5% | 17.8% | 13.1% | 12.9% | 15.1% | 19.2% | 15.0% | 12.0% | 9.3% | 8.5% | 8.3% |
| EBITDAR Margin | 17.4% | 17.4% | 16.2% | 18.9% | 20.8% | 21.8% | 22.6% | 23.2% | 23.9% | 25.0% | 26.2% | 26.9% | 27.4% | 27.9% | 28.4% |
| EBITDAR YoY Growth | | 10.8% | 32.2% | 57.5% | 22.6% | 12.4% | 11.1% | 10.1% | 12.0% | 15.3% | 14.7% | 10.8% | 8.5% | 7.9% | 7.7% |
| Diluted EPS YoY Growth | | 8.0% | (11.1%) | 50.2% | 32.4% | 25.5% | 28.2% | 27.0% | 21.6% | 25.0% | 18.4% | 20.2% | 16.1% | 15.3% | 14.9% |
| Effective Tax Rate | 36.9% | 36.9% | 38.4% | 38.1% | 39.2% | 37.8% | 37.8% | 36.7% | 36.3% | 36.2% | 37.0% | 37.0% | 37.0% | 37.0% | 37.0% |
| Capital Expenditures as % of Net Sales | 10.0% | 11.2% | 9.6% | 8.6% | 6.8% | 5.7% | 4.9% | 6.0% | 6.0% | 5.2% | 4.7% | 4.2% | 3.8% | 3.6% | 3.5% |
| D&A as % of Net Sales | 2.8% | 3.1% | 3.2% | 3.1% | 3.0% | 2.9% | 2.9% | 2.8% | 2.7% | 2.6% | 2.9% | 2.9% | 2.9% | 2.9% | 2.9% |

O'REILLY AUTOMOTIVE INC. - 3 STATEMENT MODEL - BASE CASE

(\$ in millions, except per share data)

CONSOLIDATED BALANCE SHEET

| | Actual FYE December 31, | | | | | | | | | | Projected Fiscal Years Ending December 31, | | | | |
|---|-------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|--|------------------|------------------|------------------|------------------|
| | 2006A | 2007A | 2008A | 2009A | 2010A | 2011A | 2012A | 2013A | 2014A | 2015A | 2016E | 2017E | 2018E | 2019E | 2020E |
| Assets: | | | | | | | | | | | | | | | |
| Cash | \$29.9 | \$58.3 | \$31.3 | \$26.9 | \$29.7 | \$361.6 | \$248.1 | \$231.3 | \$250.6 | \$116.3 | \$200.0 | \$200.0 | \$200.0 | \$200.0 | \$200.0 |
| Accounts Receivable | 81.0 | 84.2 | 106.0 | 107.9 | 121.8 | 135.1 | 123.0 | 131.5 | 143.9 | 161.1 | 173.9 | 187.7 | 199.7 | 211.6 | 224.3 |
| Supplier Receivable | 47.8 | 48.3 | 59.8 | 63.1 | 61.8 | 68.6 | 58.2 | 66.6 | 69.3 | 72.6 | 83.1 | 89.7 | 95.4 | 101.1 | 107.2 |
| Inventories | 812.9 | 881.8 | 1,570.1 | 1,913.2 | 2,023.5 | 1,985.7 | 2,276.3 | 2,375.0 | 2,554.8 | 2,631.0 | 2,981.1 | 3,186.7 | 3,365.5 | 3,544.3 | 3,733.8 |
| Deferred Tax Asset - Current | -- | -- | 64.0 | 85.9 | 33.9 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Other Current Assets | 29.0 | 29.7 | 44.1 | 29.6 | 30.5 | 56.6 | 27.3 | 30.7 | 46.8 | 29.0 | 41.8 | 45.1 | 47.9 | 50.8 | 53.9 |
| Total Current Assets | \$1,000.7 | \$1,102.3 | \$1,875.4 | \$2,226.7 | \$2,301.3 | \$2,607.6 | \$2,732.9 | \$2,835.2 | \$3,065.4 | \$3,010.0 | \$3,479.9 | \$3,709.2 | \$3,908.5 | \$4,107.9 | \$4,319.1 |
| PP&E, Net | 883.1 | 1,090.2 | 1,449.9 | 1,726.4 | 1,930.1 | 2,093.8 | 2,211.6 | 2,425.1 | 2,658.6 | 2,861.6 | 3,015.7 | 3,137.1 | 3,225.5 | 3,304.6 | 3,373.8 |
| Goodwill | 49.1 | 50.4 | 720.5 | 744.3 | 744.0 | 743.9 | 758.4 | 756.2 | 756.4 | 757.1 | 757.1 | 757.1 | 757.1 | 757.1 | 757.1 |
| Other Intangibles | -- | 0.3 | 56.5 | 42.3 | 34.0 | 28.1 | 22.6 | 18.7 | 14.9 | 12.4 | 12.4 | 12.4 | 12.4 | 12.4 | 12.4 |
| Long-Term Accounts Receivable | 30.3 | 25.4 | 21.5 | 12.5 | 18.0 | 10.9 | 5.3 | 13.1 | 13.3 | 13.2 | 13.2 | 13.2 | 13.2 | 13.2 | 13.2 |
| Deferred Tax Asset - Non-Current | -- | -- | 28.8 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Other Deferred Charges | -- | -- | 30.5 | 21.6 | 13.0 | 7.7 | 8.6 | 9.9 | 1.7 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 |
| Long-Term Investments | -- | -- | -- | -- | -- | -- | -- | -- | 15.4 | 16.9 | 16.9 | 16.9 | 16.9 | 16.9 | 16.9 |
| Other Long-Term Assets | 14.4 | 11.1 | 10.1 | 7.7 | 7.5 | 8.6 | 9.7 | 9.0 | 6.4 | 4.2 | 4.2 | 4.2 | 4.2 | 4.2 | 4.2 |
| Total Assets | \$1,977.5 | \$2,279.7 | \$4,193.3 | \$4,781.5 | \$5,047.8 | \$5,500.5 | \$5,749.2 | \$6,067.2 | \$6,532.1 | \$6,676.7 | \$7,300.7 | \$7,651.3 | \$7,939.1 | \$8,217.6 | \$8,498.1 |
| Liabilities and Shareholders' Equity: | | | | | | | | | | | | | | | |
| Accounts Payable | 318.4 | 380.7 | 737.0 | 818.2 | 895.7 | 1,279.3 | 1,929.1 | 2,056.5 | 2,417.2 | 2,608.2 | 3,010.9 | 3,282.3 | 3,533.8 | 3,792.4 | 3,995.1 |
| Accrued Liabilities | 34.1 | 37.2 | 164.4 | 142.4 | 149.5 | 147.1 | 156.7 | 164.5 | 206.3 | 204.0 | 227.2 | 245.2 | 260.8 | 276.5 | 293.0 |
| Current Portion of Long-Term Debt | 0.3 | 25.3 | 27.0 | 110.8 | 6.3 | 0.7 | 0.2 | 0.1 | -- | -- | -- | -- | -- | -- | 797.5 |
| Current Portion of Income Taxes Payable | -- | -- | 10.0 | 8.1 | 4.8 | -- | 5.9 | -- | -- | 1.4 | -- | -- | -- | -- | -- |
| Deferred Tax Liability - Current | 5.8 | 6.2 | -- | -- | -- | 2.0 | 19.5 | 20.2 | -- | -- | -- | -- | -- | -- | -- |
| Other Current Liabilities | 75.2 | 79.5 | 115.2 | 139.6 | 172.7 | 150.9 | 161.4 | 181.7 | 189.8 | 232.7 | 237.4 | 256.1 | 272.5 | 288.8 | 306.1 |
| Total Current Liabilities | \$433.8 | \$529.0 | \$1,053.5 | \$1,219.1 | \$1,229.0 | \$1,580.0 | \$2,272.9 | \$2,423.0 | \$2,813.3 | \$3,046.4 | \$3,475.5 | \$3,783.6 | \$4,067.1 | \$4,357.7 | \$5,391.8 |
| Long-Term Debt | 110.2 | 75.1 | 724.6 | 693.0 | 357.3 | 796.9 | 1,095.7 | 1,396.1 | 1,388.4 | 1,390.0 | 1,390.0 | 2,190.0 | 2,990.0 | 3,790.0 | 3,792.5 |
| Unearned Revenue | -- | -- | -- | -- | -- | -- | -- | -- | 4.3 | 7.2 | 7.2 | 7.2 | 7.2 | 7.2 | 7.2 |
| Deferred Tax Liability - Non-Current | 38.2 | 27.2 | -- | 18.3 | 68.7 | 88.9 | 79.5 | 80.7 | 102.4 | 79.8 | 79.8 | 79.8 | 79.8 | 79.8 | 79.8 |
| Other Non-Current Liabilities | 31.3 | 55.9 | 133.0 | 165.2 | 183.2 | 189.9 | 192.7 | 201.0 | 205.2 | 192.0 | 248.2 | 267.9 | 285.0 | 302.1 | 320.2 |
| Total Non-Current Liabilities | \$179.6 | \$158.3 | \$857.6 | \$876.5 | \$609.2 | \$1,075.6 | \$1,368.0 | \$1,677.9 | \$1,700.4 | \$1,669.0 | \$1,725.2 | \$2,544.9 | \$3,362.0 | \$4,179.1 | \$4,199.7 |
| Shareholders' Equity | 1,364.1 | 1,592.5 | 2,282.2 | 2,685.9 | 3,209.7 | 2,844.9 | 2,108.3 | 1,966.3 | 2,018.4 | 1,961.3 | 2,100.0 | 1,322.8 | 510.0 | (319.1) | (1,093.4) |
| Total Liabilities and Shareholders' Equity | \$1,977.5 | \$2,279.7 | \$4,193.3 | \$4,781.5 | \$5,047.8 | \$5,500.5 | \$5,749.2 | \$6,067.2 | \$6,532.1 | \$6,676.7 | \$7,300.7 | \$7,651.3 | \$7,939.1 | \$8,217.6 | \$8,498.1 |
| <i>Balance Check</i> | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Working Capital Assumptions: | | | | | | | | | | | | | | | |
| Accounts Receivable Days | 13.0 days | 12.2 days | 10.8 days | 8.1 days | 8.2 days | 8.5 days | 7.3 days | 7.2 days | 7.3 days | 7.4 days | 7.3 days | 7.3 days | 7.3 days | 7.3 days | 7.3 days |
| Inventory Turnover | 1.6x | 1.6x | 1.2x | 1.3x | 1.4x | 1.5x | 1.4x | 1.4x | 1.4x | 1.4x | 1.4x | 1.4x | 1.4x | 1.4x | 1.4x |
| Supplier Receivable as % of Net Sales | 2.1% | 1.9% | 1.7% | 1.3% | 1.1% | 1.2% | 0.9% | 1.0% | 1.0% | 0.9% | 1.0% | 1.0% | 1.0% | 1.0% | 1.0% |
| Other Current Assets as % of Net Sales | 1.3% | 1.2% | 1.2% | 0.6% | 0.6% | 1.0% | 0.4% | 0.5% | 0.6% | 0.4% | 0.5% | 0.5% | 0.5% | 0.5% | 0.5% |
| Accounts Payable Days | 91.0 days | 99.1 days | 138.0 days | 118.5 days | 117.8 days | 158.2 days | 228.3 days | 228.8 days | 251.6 days | 250.3 days | 265.5 days | 270.7 days | 276.0 days | 281.2 days | 281.2 days |
| Accounts Payable to Inventory Ratio | 39.2% | 43.2% | 46.9% | 42.8% | 44.3% | 64.4% | 84.7% | 86.6% | 94.6% | 99.1% | 101.0% | 103.0% | 105.0% | 107.0% | 107.0% |
| Accrued Liabilities as % of Net Sales | 1.5% | 1.5% | 4.6% | 2.9% | 2.8% | 2.5% | 2.5% | 2.5% | 2.9% | 2.6% | 2.6% | 2.6% | 2.6% | 2.6% | 2.6% |
| Other Current Liabilities as % of Net Sales | 3.3% | 3.2% | 3.2% | 2.9% | 3.2% | 2.6% | 2.6% | 2.7% | 2.6% | 2.9% | 2.7% | 2.7% | 2.7% | 2.7% | 2.7% |
| Other Non-Current Liabilities as % of Net Sales | 1.4% | 2.2% | 3.7% | 3.4% | 3.4% | 3.3% | 3.1% | 3.0% | 2.8% | 2.4% | 2.8% | 2.8% | 2.8% | 2.8% | 2.8% |
| Net Working Capital | \$537.0 | \$515.0 | \$939.1 | \$1,203.0 | \$1,249.6 | \$841.6 | \$470.2 | \$450.0 | \$281.5 | \$183.9 | \$144.1 | \$92.1 | \$31.4 | (\$36.5) | (\$37.0) |
| Net Working Capital / LTM Net Sales | 23.5% | 20.4% | 26.3% | 24.8% | 23.2% | 14.5% | 7.6% | 6.8% | 3.9% | 2.3% | 1.7% | 1.0% | 0.3% | (0.3%) | (0.3%) |
| Cash Conversion Cycle | 154.4 days | 142.7 days | 166.9 days | 166.7 days | 156.5 days | 95.9 days | 48.3 days | 42.7 days | 21.6 days | 9.6 days | 4.7 days | -0.6 days | -5.9 days | -11.1 days | -11.1 days |
| LTM Net Sales | \$2,283.2 | \$2,522.3 | \$3,576.6 | \$4,847.1 | \$5,397.5 | \$5,788.8 | \$6,182.2 | \$6,649.2 | \$7,216.1 | \$7,966.7 | \$8,714.1 | \$9,404.1 | \$10,004.2 | \$10,604.1 | \$11,240.0 |
| LTM COGS | 1,276.5 | 1,401.9 | 1,948.6 | 2,520.5 | 2,776.5 | 2,951.5 | 3,084.8 | 3,280.2 | 3,507.2 | 3,804.0 | 4,140.0 | 4,425.5 | 4,673.8 | 4,922.0 | 5,185.2 |

O'REILLY AUTOMOTIVE INC. - 3 STATEMENT MODEL - BASE CASE

(\$ in millions, except per share data)

CONSOLIDATED STATEMENT OF CASH FLOWS

| | Projected Fiscal Years Ending December 31. | | | | |
|--|--|--------------------|--------------------|--------------------|--------------------|
| | 2016E | 2017E | 2018E | 2019E | 2020E |
| Operating Activities: | | | | | |
| Net Income | \$1,059.2 | \$1,180.2 | \$1,272.7 | \$1,365.2 | \$1,464.6 |
| Depreciation and Amortization | 252.5 | 272.5 | 289.9 | 307.3 | 325.7 |
| Working Capital Adjustments: | | | | | |
| (Increase) / Decrease in Accounts Receivable | (12.8) | (13.8) | (12.0) | (12.0) | (12.7) |
| (Increase) / Decrease in Supplier Receivable | (10.5) | (6.6) | (5.7) | (5.7) | (6.1) |
| (Increase) / Decrease in Inventories | (350.1) | (205.6) | (178.8) | (178.8) | (189.5) |
| (Increase) / Decrease in Other Current Assets | (12.7) | (3.3) | (2.9) | (2.9) | (3.0) |
| Increase / (Decrease) in Accounts Payable | 402.7 | 271.4 | 251.5 | 258.6 | 202.7 |
| Increase / (Decrease) in Accrued Liabilities | 23.1 | 18.0 | 15.6 | 15.6 | 16.6 |
| Increase / (Decrease) in Current Portion of Income Taxes Payable | (1.4) | -- | -- | -- | -- |
| Increase / (Decrease) in Other Current Liabilities | 4.7 | 18.8 | 16.3 | 16.3 | 17.3 |
| Increase / (Decrease) in Other Non-Current Liabilities | 56.3 | 19.7 | 17.1 | 17.1 | 18.1 |
| Changes in Net Working Capital | \$99.2 | \$98.6 | \$101.2 | \$108.3 | \$43.5 |
| Cash Flow from Operations | \$1,410.9 | \$1,551.3 | \$1,663.8 | \$1,780.8 | \$1,833.7 |
| Investing Activities: | | | | | |
| Capital Expenditures | 406.6 | 393.9 | 378.3 | 386.4 | 394.9 |
| Cash Flow from Investing Activities | (\$406.6) | (\$393.9) | (\$378.3) | (\$386.4) | (\$394.9) |
| Levered Free Cash Flow | 1,004.3 | 1,157.4 | 1,285.5 | 1,394.4 | 1,438.8 |
| Levered Free Cash Flow per Share | \$10.30 | \$12.80 | \$15.31 | \$17.85 | \$19.73 |
| Financing Activities: | | | | | |
| Required Debt (Issuance) / Payment | -- | -- | -- | -- | -- |
| Cash Flow from Financing Activities (preliminary) | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 |
| Supplemental Financing Activities: | | | | | |
| Remainder for Share Repurchases | 920.6 | 1,957.4 | 2,085.5 | 2,194.4 | 2,238.8 |
| Share Repurchases | 920.6 | 1,957.4 | 2,085.5 | 2,194.4 | 2,238.8 |
| Purchase Price | \$230.40 | \$275.04 | \$324.43 | \$375.25 | \$431.86 |
| Shares Repurchased | 4.0 | 7.1 | 6.4 | 5.8 | 5.2 |
| Additional Debt (Issuance) / Payment | \$-- | (\$800.0) | (\$800.0) | (\$800.0) | (\$800.0) |
| Cash Flow from Financing Activities | (\$920.6) | (\$1,157.4) | (\$1,285.5) | (\$1,394.4) | (\$1,438.8) |
| Beginning Cash Balance | 116.3 | 200.0 | 200.0 | 200.0 | 200.0 |
| Plus: Net Change in Cash | 83.7 | -- | -- | -- | -- |
| Ending Cash Balance | \$200.0 | \$200.0 | \$200.0 | \$200.0 | \$200.0 |

O'REILLY AUTOMOTIVE INC. - 3 STATEMENT MODEL - BASE CASE

(\$ in millions, except per share data)

UNIT ECONOMICS

| | Actual FYE December 31, | | | | | | | | | | Projected Fiscal Years Ending December 31, | | | | |
|--|-------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|------------|--|------------|------------|------------|------------|
| | 2006A | 2007A | 2008A | 2009A | 2010A | 2011A | 2012A | 2013A | 2014A | 2015A | 2016E | 2017E | 2018E | 2019E | 2020E |
| Store Count | | | | | | | | | | | | | | | |
| Beginning of the Year Store Count | 1,470 | 1,640 | 1,830 | 3,285 | 3,421 | 3,570 | 3,740 | 3,976 | 4,166 | 4,366 | 4,571 | 4,800 | 5,016 | 5,216 | 5,425 |
| End of the Year Store Count | 1,640 | 1,830 | 3,285 | 3,421 | 3,570 | 3,740 | 3,976 | 4,166 | 4,366 | 4,571 | 4,800 | 5,016 | 5,216 | 5,425 | 5,642 |
| Net New Stores Added | 170 | 190 | 1,455 | 136 | 149 | 170 | 236 | 190 | 200 | 205 | 229 | 216 | 201 | 209 | 217 |
| YoY Δ | 11.6% | 11.6% | 79.5% | 4.1% | 4.4% | 4.8% | 6.3% | 4.8% | 4.8% | 4.7% | 5.0% | 4.5% | 4.0% | 4.0% | 4.0% |
| Store Economics | | | | | | | | | | | | | | | |
| Sales per Weighted-Average Store | \$1.4 | \$1.4 | \$1.4 | \$1.4 | \$1.5 | \$1.6 | \$1.6 | \$1.6 | \$1.7 | \$1.8 | \$1.8 | \$1.9 | \$1.9 | \$2.0 | \$2.0 |
| YoY Δ | | (0.6%) | (3.6%) | 3.3% | 7.2% | 2.6% | 1.5% | 1.5% | 4.0% | 5.4% | 4.4% | 2.9% | 1.9% | 1.9% | 1.9% |
| Comparable Store Sales Increase | 3.3% | 3.7% | 1.5% | 4.6% | 8.8% | 4.6% | 3.8% | 4.3% | 6.0% | 7.5% | 6.5% | 5.0% | 4.0% | 4.0% | 4.0% |
| Comparable Store Sales (estimate) | \$2,447.3 | \$2,656.2 | \$4,738.4 | \$5,300.2 | \$5,702.2 | \$6,079.4 | \$6,593.7 | \$7,127.4 | \$7,875.6 | \$8,611.7 | \$9,304.5 | \$9,909.9 | \$10,504.2 | \$11,134.1 | |
| New Store Sales (estimate) | 75.0 | 920.4 | 108.7 | 97.3 | 86.7 | 102.8 | 55.6 | 88.7 | 91.1 | 102.4 | 99.6 | 94.3 | 99.9 | 105.9 | |
| Sales per New Store | 0.4 | 0.6 | 0.8 | 0.7 | 0.5 | 0.4 | 0.3 | 0.4 | 0.4 | 0.4 | 0.4 | 0.5 | 0.5 | 0.5 | |
| Sales per New Store as % of Weighted Average | 27.6% | 45.9% | 56.1% | 42.8% | 32.6% | 27.4% | 18.1% | 26.4% | 25.1% | 24.3% | 24.3% | 24.3% | 24.3% | 24.3% | |
| TAM Analysis | | | | | | | | | | | | | | | |
| Sales | | | | | | | | | | \$7,966.7 | \$8,714.1 | \$9,404.1 | \$10,004.2 | \$10,604.1 | \$11,240.0 |
| Total Addressable Market | | | | | | | | | | 139,715.0 | 144,479.3 | 149,406.2 | 154,501.2 | 159,770.1 | 165,218.9 |
| DIFM at 55% | | | | | | | | | | 76,843.3 | 79,532.8 | 82,316.4 | 85,197.5 | 88,179.4 | 91,265.7 |
| Forecasted Growth | | | | | | | | | | 3.5% | 3.5% | 3.5% | 3.5% | 3.5% | 3.5% |
| DIY at 45% | | | | | | | | | | \$62,871.8 | \$64,946.5 | \$67,089.8 | \$69,303.7 | \$71,590.7 | \$73,953.2 |
| Forecasted Growth | | | | | | | | | | 3.3% | 3.3% | 3.3% | 3.3% | 3.3% | 3.3% |
| ORLY Implied Market Share | | | | | | | | | | 5.7% | 6.0% | 6.3% | 6.5% | 6.6% | 6.8% |
| Store Leasing Economics | | | | | | | | | | | | | | | |
| Stores Owned | | | 975 | 1,064 | 1,172 | 1,286 | 1,359 | 1,469 | 1,612 | 1,774 | 1,887 | 1,997 | 2,103 | 2,214 | 2,331 |
| % Owned | | | 29.7% | 31.1% | 32.8% | 34.4% | 34.2% | 35.3% | 36.9% | 38.8% | 39.3% | 39.8% | 40.3% | 40.8% | 41.3% |
| YoY Δ | | | | 1.4% | 1.7% | 1.6% | (0.2%) | 1.1% | 1.7% | 1.9% | 0.5% | 0.5% | 0.5% | 0.5% | 0.5% |
| Stores Leased | | | 2,310 | 2,357 | 2,398 | 2,454 | 2,617 | 2,697 | 2,754 | 2,797 | 2,913 | 3,019 | 3,114 | 3,211 | 3,311 |
| % Leased | | | 70.3% | 68.9% | 67.2% | 65.6% | 65.8% | 64.7% | 63.1% | 61.2% | 60.7% | 60.2% | 59.7% | 59.2% | 58.7% |
| Rent per Leased Store (in thousands) | | | \$57.3 | \$97.2 | \$94.6 | \$94.1 | \$92.0 | \$94.5 | \$95.5 | \$97.7 | \$99.7 | \$101.6 | \$103.7 | \$105.8 | \$107.9 |
| YoY Δ | | | | 69.7% | (2.7%) | (0.6%) | (2.2%) | 2.7% | 1.1% | 2.3% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% |

KEY INVESTMENT FACTOR DRIVERS

| | Actual FYE December 31, | | | | | | | | | | Projected Fiscal Years Ending December 31, | | | | |
|--|-------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--|--------|--------|--------|--------|
| | 2006A | 2007A | 2008A | 2009A | 2010A | 2011A | 2012A | 2013A | 2014A | 2015A | 2016E | 2017E | 2018E | 2019E | 2020E |
| New Store Sales Growth | | | | | | | | | | | | | | | |
| Bull | | | | | | | | | | | 6.0% | 5.5% | 5.0% | 5.0% | 5.0% |
| Base | | | | | | | | | | | 5.0% | 4.5% | 4.0% | 4.0% | 4.0% |
| Bear | | | | | | | | | | | 4.0% | 3.5% | 3.0% | 3.0% | 3.0% |
| Comparable Store Sales Increase | | | | | | | | | | | | | | | |
| Bull | | | | | | | | | | | 7.5% | 6.0% | 5.0% | 5.0% | 5.0% |
| Base | | | | | | | | | | | 6.5% | 5.0% | 4.0% | 4.0% | 4.0% |
| Bear | | | | | | | | | | | 5.0% | 4.0% | 3.0% | 3.0% | 3.0% |
| Incremental EBIT Margin | | | | | | | | | | | | | | | |
| Bull | | | | | | | | | | | 31.3% | 31.9% | 31.9% | 31.9% | 31.9% |
| Base | | | | | | | | | | | 30.3% | 30.3% | 30.3% | 30.3% | 30.3% |
| Bear | | | | | | | | | | | 28.3% | 28.3% | 28.3% | 28.3% | 28.3% |
| Accounts Payable to Inventory Ratio | | | | | | | | | | | | | | | |
| Bull | | | | | | | | | | | 103.0% | 107.0% | 111.0% | 115.0% | 115.0% |
| Base | | | | | | | | | | | 101.0% | 103.0% | 105.0% | 107.0% | 107.0% |
| Bear | | | | | | | | | | | 99.0% | 99.0% | 99.0% | 99.0% | 99.0% |