

# O'Reilly Automotive, Inc.

## This Is No Jalopy, 1Q Wasn't Sloppy

### Solid sales momentum despite more challenging compares

While ORLY's 6.1% comp represented a slight sequential slowdown, underlying trends suggest its execution hasn't missed a beat. In fact, on a 3-yr stack basis ORLY's 19.6% growth was its highest since 2Q'12. Really, the only considerable deceleration occurred in March, when a late start to spring delayed some seasonal sales in areas such as the Midwest. Plus, Easter cost it 30 bps of comp, which should in turn benefit 2Q. Further, the company's dual model strategy continues to pay dividends, as both segments contributed positive comps. Encouragingly, ORLY's 2Q has started strong as it's benefitted from the arrival of more seasonal weather in most of the country. While ORLY confronts more difficult compares in May & June, we think it can easily approach the top end of its 2Q comp guidance, with room for plenty of upside.

### When adjusting for LIFO, ORLY's core GM expansion was even stronger

Although MSD comp growth helps, we think ORLY's stellar margin performance reinforces how sound it is with expense management as SG&A per store only grew 2%. Further, its underlying GM expansion was even stronger than it initially appeared. Ex LIFO impact, its GM expansion would have been ~65 bps instead of ~45 bps. This underscores ORLY's ability to drive steady gains across each of its line items.

### The outlook for the rest of '16 and beyond is bright

While ORLY didn't raise its FY EPS guidance, this was due to several unforeseen NT factors that should ultimately benefit it in the long term. For instance, we expect the ~100 bps 2Q LIFO GM headwind will be partially offset by corresponding tailwinds in the second half of '16 and into '17 as it enjoys lower inventory acquisition costs. Further, while we est. interest expense from the new bond issuance will cost ORLY ~\$0.10 in FY'16, it gives the retailer a more appropriate leverage ratio. It could use the added financial flexibility to make an acquisition or reinvest in its supply chain. Or, it could simply use the cash to buy back shares, which we est. could lead to ~\$0.15 of accretion in '16 (or a \$0.05 net benefit) if completed in 2Q. The key takeaway is there are multiple ways for it to win here.

### Valuation: ORLY has the components to command attention and a premium

Our \$305 PT is 25x our CY'17 EPS est. (DCF & multiple blend analysis).

### Equities

Americas  
Retailers, Broadline

**12-month rating** **Buy**

**12m price target** **US\$305.00**

**Price** **US\$265.03**

**RIC:** ORLY.O **BBG:** ORLY US

### Trading data and key metrics

<b>52-wk range</b>	US\$277.82-217.38
<b>Market cap.</b>	US\$26.1bn
<b>Shares o/s</b>	98.5m (COM)
<b>Free float</b>	97%
<b>Avg. daily volume ('000)</b>	911
<b>Avg. daily value (m)</b>	US\$238.4
<b>Common s/h equity (12/16E)</b>	US\$2.27bn
<b>P/BV (12/16E)</b>	11.2x
<b>Net debt / EBITDA (12/16E)</b>	0.6x

### EPS (UBS, diluted) (US\$)

	12/16E	
	UBS	Cons.
<b>Q1</b>	2.59	2.59
<b>Q2E</b>	2.61	2.77
<b>Q3E</b>	3.00	2.89
<b>Q4E</b>	2.52	2.51
<b>12/16E</b>	10.72	10.69
<b>12/17E</b>	12.35	12.10
<b>12/18E</b>	13.76	13.77

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Highlights (US\$m)	12/13	12/14	12/15	12/16E	12/17E	12/18E	12/19E	12/20E
<b>Revenues</b>	6,649	7,216	7,967	8,561	9,071	9,523	9,989	10,470
<b>EBIT (UBS)</b>	1,103	1,270	1,533	1,697	1,874	2,005	2,143	2,283
<b>Net earnings (UBS)</b>	670	778	943	1,043	1,156	1,239	1,327	1,416
<b>EPS (UBS, diluted) (US\$)</b>	6.03	7.34	9.29	10.72	12.35	13.76	15.28	16.88
<b>DPS (US\$)</b>	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Net (debt) / cash</b>	(1,170)	(1,151)	(1,279)	(1,167)	(1,185)	(1,124)	(1,011)	(814)
Profitability/valuation	12/13	12/14	12/15	12/16E	12/17E	12/18E	12/19E	12/20E
<b>EBIT margin %</b>	16.6	17.6	19.2	19.8	20.7	21.1	21.5	21.8
<b>ROIC (EBIT) %</b>	36.3	40.5	48.0	51.1	53.9	56.0	57.7	59.1
<b>EV/EBITDA (core) x</b>	10.8	12.1	14.3	14.3	12.6	11.7	11.0	10.4
<b>P/E (UBS, diluted) x</b>	18.9	21.1	25.0	24.7	21.5	19.3	17.3	15.7
<b>Equity FCF (UBS) yield %</b>	4.0	4.6	3.7	4.1	4.1	4.4	5.4	5.7
<b>Net dividend yield %</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: Company accounts, Thomson Reuters, UBS estimates. Metrics marked as (UBS) have had analyst adjustments applied. Valuations: based on an average share price that year, (E): based on a share price of US\$265.03 on 28 Apr 2016 18:44 EDT

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**UBS Research THESIS MAP** a guide to our thinking and what's where in this report**PIVOTAL QUESTIONS****Q: Can ORLY keep up its comp growth momentum?**

Even with AAP and AZO adding more frequent deliveries to a greater percentage of their stores, ORLY's better developed DC and hub store network allow it to get products to customers quicker...

["2016 Outlook - Looking Hard and Broad" 1/8/2016](#) →

**Q: Will ORLY face margin pressure as online competition and commodity prices likely go up?**

We think it's unlikely. While ORLY has acknowledged that online retailers have undercut its prices on select items, particularly in the DIY market, the company historically hasn't fully matched such discounts. ORLY continues to have a distinct advantage relative to the competition with its ability...

["2016 Outlook - Looking Hard and Broad" 1/8/2016](#) →

**Q: Can ORLY maintain its balance in growing DIFM and DIY?**

We think it can. Over the course of the past few years, ORLY's DIY and DIFM growth has been remarkably balanced. During this timeframe, both sides of the business have contributed positively...

["Everything in Alignment" 4/19/2016](#) →

**UBS VIEW**

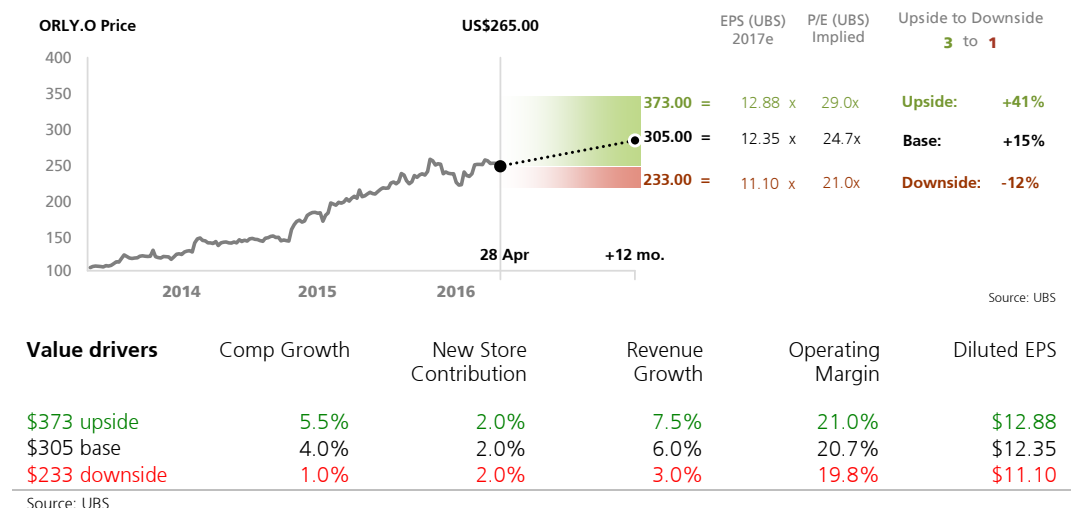
ORLY has put together a strong run of simultaneously generating comp increases, gross margin expansion, expense leverage, and free cash flow growth. This consistent combination is what accounts for its premium multiple versus its peer group. We believe it will maintain its algorithm even against slower industry trends as it still stands to benefit from price optimization, a more selective promotional posture and improving terms with vendors.

**EVIDENCE**

ORLY's deep culture of service and superior supply chain position it above the competition. We model 4.9% comp sales for ORLY in CY'16E, which equates to 12.4% on a 2-year stack. While competitors such as AAP and AZO are ramping up their supply chain investments, we think ORLY's considerable head start and its success in executing its dual market strategy will allow it to continue to gain share in a still fragmented industry for the foreseeable future.

**WHAT'S PRICED IN?**

Investors expect continued solid performance from ORLY. The company has outperformed the market's expectations the past few years, so expectations tend to skew toward the upper end of company guidance. As ORLY continues to grow its sales and geographical footprint, it should be able to generate further leverage and improve upon its impressive ~19-20% operating margin.

**UPSIDE / DOWNSIDE SPECTRUM**

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**COMPANY DESCRIPTION**

O'Reilly Automotive is a leading specialty retailer of automotive aftermarket parts, tools, supplies, equipment, and accessories in the US. The company operates more than 4,500...

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## PIVOTAL QUESTIONS

[return](#) ↑**Q: What are the implications of ORLY's 1Q results on its longer-term outlook?****UBS VIEW**

In our view, ORLY's 1Q results were quite strong and consistent with our positive outlook on the company. We now model \$10.72 in EPS for 2016E (\$10.65 prior to earnings) and \$12.35 in EPS for 2017E (\$12.11 prior to earnings).

**EVIDENCE**

It's 6.1% comp sales during the quarter demonstrates that it can maintain elevated growth rates on difficult compares even as the size of the business grows. Further, it saw an impressive 155 bps of operating profit margin expansion while facing another difficult compare.

**WHAT'S PRICED IN?**

Investor expectations were elevated heading into the print, with some looking for another quarter of comp growth in excess of 7%. But, the margin expansion during the period was probably better than even the bulls were anticipating. We think the long-term bull case will remain intact following this print.

**Summary**

Even when going up against difficult compares, ORLY continues to impress. Its 6.1% comp growth considerably topped the high end of its 3%-5% guidance range, despite a tougher weather backdrop. Further, it managed to generate an impressive 155 bps of operating margin expansion as it was able to leverage its distribution costs and show prudent expense discipline. We see this as evidence that the company continues to execute on its best in class business model. Here are what we consider to be some of the key points from the company's 1Q earnings call:

**ORLY's underlying sales trends remained strong.** While the company saw a slight slowdown from its recent 7%+ SSS trend, its 6.1% comp still beat the top end of its guidance range by 110 bps. Its growth was strongest in January and February. Though, the retailer experienced a slowdown in March as it lapped last year's earlier spring weather in much of the country. Growth was again pretty balanced, with DIFM contributing slightly more than DIY to its gains. Traffic and ticket were also both positive, with the latter continuing to benefit from increasing parts complexity as inflation remains muted. Geographically, all of ORLY's regions contributed to the positive comp growth, with the strongest performance coming from the Southeast and Mid-Atlantic.

Encouragingly, ORLY's second quarter has started off strong, as the retailer has benefitted from the arrival of more seasonal spring weather in most of the country. ORLY should also benefit from the Easter shift, which moved an estimated 30 bps of comp into 2Q.

To us, these results suggest that ORLY's superior distribution network and top notch associate base should help it continue to grow share at the expense of its competitors. In turn, this should support MSD comp growth for the foreseeable future.

**ORLY generated solid operating margin expansion in 1Q.** This was driven primarily driven by an impressive SG&A margin, as this metric leveraged ~110 bps despite a tough 1Q'15 compare (~70 bps leverage). Its SG&A line was helped by its strong comp performance along with solid expense discipline (SG&A/store increased only 2% despite higher variable costs & increased customer counts). Further, its gross margin expanded by ~45 bps, which was a touch below our 60 bps estimate. However, this included a ~20 bps LIFO impact, suggesting its underlying progress was even better. Overall, its operating margin expanded by 155 bps to 20.0% (including a 12 bp benefit from the leap day). This beat our 19.5% estimate and the consensus estimate of 19.7%. We think ORLY's best-in-class execution and tight expense management should ensure that its margins move even higher in the coming few years.

**The company's new San Antonio DC should help improve availability in the competitive Texas market.** Notably, the new facility will open in May and have the capacity to serve 250 stores. It should also help free up capacity at its Dallas and Houston DCs. Both of these facilities are over capacity, which has impacted service levels and led to a less than optimal cost structure. In addition to freeing up resources and improving efficiencies at its existing locations, the new DC should also allow the retailer better serve customers in both the San Antonio and Austin regions. As of now, these metropolitan areas are served by hub stores, which has held back availability levels and product delivery speeds. Finally, it will allow the retailer to grow its store count and share in the rapidly growing state. We think the new distribution center should help support ORLY's push to maintain the most efficient supply chain in the industry. Currently, ~14% of ORLY's store base is in the state.

**We're not concerned about ORLY maintaining its FY guidance.** [As we suspected](#), this was due to the company's \$23 mm LIFO headwind in 2Q and interest expense from its new \$500 mm debt offering. Neither of these were contemplated in its initial guidance. Though, both were wise moves, in our view.

- While ORLY will be hit with the LIFO impact in 2Q, the more attractive vendor terms should act as a tailwind in 2H'16 and 1H'17.
- The bond offering gives the retailer additional flexibility to either invest in its existing store infrastructure, pursue an acquisition, or repurchase shares.

So while not bringing up guidance may have initially raised some eyebrows, these moves should improve the company's competitive positioning. Plus, the guidance still doesn't factor in additional share buybacks. We forecast ORLY will repurchase an additional 2.2 mm shares spread out over the course of the year, which suggests an incremental ~\$0.11 to EPS.

## What to do with the stock?

We remain positive on ORLY. 1Q marked the tenth consecutive quarter of 5%+ comp growth for the company. Really, the only knocks on the company were its slight comp slowdown and its move to reaffirm guidance on the back of LIFO and bond interest headwinds. Though, these headwinds should benefit the company

long term, as ORLY enjoys lower product acquisition costs and now has additional capital to strategically deploy. We view current valuations as an attractive buying opportunity. Our \$305 PT equates to 25x our CY'17 EPS estimate and is based on a blend of a DCF and multiple analysis.

We think it is useful to examine how our valuation would respond to various changes in our assumptions for ORLY's earnings outlook over the next few years and the valuation multiples that would be associated with those scenarios. The following figure highlights our base case, high case, and low case.

**Figure 1: ORLY price target sensitivity analysis**

	Base Case (Published estimates)					Upside Case			Downside Case		
	2014A	2015A	2016E	2017E	2018E	2016E	2017E	2018E	2016E	2017E	2018E
Comparable Store Sales Growth	6.0%	7.5%	4.9%	4.0%	3.0%	6.0%	5.5%	5.0%	1.5%	1.0%	1.0%
Growth Contribution from New Stores	2.6%	2.9%	2.6%	2.0%	2.0%	2.6%	2.0%	2.0%	2.6%	2.0%	2.0%
Total Sales Growth	8.5%	10.4%	7.5%	6.0%	5.0%	8.6%	7.5%	7.0%	4.1%	3.0%	3.0%
<b>Total Sales</b>	<b>7,216</b>	<b>7,967</b>	<b>8,561</b>	<b>9,071</b>	<b>9,523</b>	<b>8,649</b>	<b>9,295</b>	<b>9,943</b>	<b>8,291</b>	<b>8,536</b>	<b>8,790</b>
<b>Operating Income</b>	<b>1,270</b>	<b>1,533</b>	<b>1,697</b>	<b>1,874</b>	<b>2,005</b>	<b>1,729</b>	<b>1,951</b>	<b>2,172</b>	<b>1,616</b>	<b>1,690</b>	<b>1,766</b>
Operating Income Margin	17.6%	19.2%	19.8%	20.7%	21.1%	20.0%	21.0%	21.8%	19.5%	19.8%	20.1%
Operating Income Yr. / Yr. Change	101	164	58	83	40	75	100	85	25	30	30
Interest Expense	(51)	(55)	(57)	(54)	(54)	(57)	(54)	(54)	(57)	(54)	(54)
Other Income, Net	3	1	3	3	3	3	3	3	3	3	3
Provision for Income Taxes	444	536	601	667	715	613	695	776	571	599	627
Income Taxes Rate	36.3%	36.2%	36.6%	36.6%	36.6%	36.6%	36.6%	36.6%	36.6%	36.6%	36.6%
<b>Diluted Net Income</b>	<b>778</b>	<b>943</b>	<b>1,043</b>	<b>1,156</b>	<b>1,239</b>	<b>1,063</b>	<b>1,205</b>	<b>1,345</b>	<b>991</b>	<b>1,039</b>	<b>1,088</b>
<b>Diluted EPS - reported</b>	<b>\$7.34</b>	<b>\$9.29</b>	<b>\$10.72</b>	<b>\$12.35</b>	<b>\$13.76</b>	<b>\$10.93</b>	<b>\$12.88</b>	<b>\$14.94</b>	<b>\$10.19</b>	<b>\$11.10</b>	<b>\$12.08</b>
Shares outstanding - diluted	106.0	101.5	97.3	93.6	90.1	97.3	93.6	90.1	97.3	93.6	90.1
NTM PE Multiple:	28x 25x 22x					34x	29x	26x	23x	21x	20x
Estimated Value:	\$305 \$305 \$305					\$372	\$373	\$388	\$234	\$233	\$242
Dividend:	\$0.00 \$0.00 \$0.00					\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
<b>Upside / Downside (vs. \$265.03):</b>	<b>15% 15% 15%</b>					<b>40%</b>	<b>41%</b>	<b>47%</b>	<b>-12%</b>	<b>-12%</b>	<b>-9%</b>

Source: Company reports, UBS estimates

## What were the most important data points from ORLY's 1Q'16?

In our view, the most noteworthy points from ORLY's 1Q'16 included:

- **The 6.1% comp was above UBSe 5.5% (and consensus est. of 5.4%)**

ORLY reported sales growth of 10.2% to \$2,096 mm (vs. our \$2,075 mm est. and cons. \$2,059 mm), driven by 6.1% comp growth (vs. our 5.5% est & cons. est. of 5.4%) and 4.5% sq. ft. growth (vs. our 4.0% est.) due to the net addition of 52 stores. 1Q marked the 10<sup>th</sup> consecutive quarter of 5%+ comp growth. Sales trends were solid throughout the quarter, with the strongest outperformance coming in the first two months of the quarter.

**Figure 2: ORLY sales trends, 1Q'14 – 4Q'17E**

Comp & New Store Productivity	2014					2015					2016E					2017E				
	Mar-14	Jun-14	Sep-14	Dec-14	FY'14	Mar-15	Jun-15	Sep-15	Dec-15	FY'15	Mar-16	Jun-16 E	Sep-16 E	Dec-16 E	FY'16 E	Mar-17 E	Jun-17 E	Sep-17 E	Dec-17 E	FY'17 E
Consolidated Comparable Store Sales	6.3%	5.1%	6.2%	6.3%	6.0%	7.2%	7.2%	7.9%	7.7%	7.5%	6.1%	4.5%	4.5%	4.5%	4.9%	4.0%	4.0%	4.0%	4.0%	4.0%
Contrib. from New Stores (Rev Growth - Comp)	2.7%	2.6%	2.4%	2.5%	2.6%	2.9%	3.0%	2.9%	2.8%	2.9%	4.1%	2.3%	2.0%	2.0%	2.6%	0.9%	2.2%	2.4%	2.3%	2.0%
New Space Productivity	58%	57%	53%	53%	53%	56%	57%	57%	55%	61%	89%	55%	55%	55%	57%	55%	55%	55%	55%	46%
<b>Total Retail Sales</b>	<b>1,728</b>	<b>1,847</b>	<b>1,877</b>	<b>1,764</b>	<b>7,216</b>	<b>1,902</b>	<b>2,036</b>	<b>2,080</b>	<b>1,949</b>	<b>7,967</b>	<b>2,096</b>	<b>2,173</b>	<b>2,216</b>	<b>2,075</b>	<b>8,561</b>	<b>2,200</b>	<b>2,307</b>	<b>2,358</b>	<b>2,207</b>	<b>9,071</b>
Yr/Yr. Growth	9.0%	7.7%	8.6%	8.8%	8.5%	10.1%	10.2%	10.8%	10.5%	10.4%	10.2%	6.8%	6.5%	6.5%	7.5%	4.9%	6.2%	6.4%	6.3%	6.0%

Source: Company reports, UBS estimates

During 1Q'16 the company's comparable store sales growth of 6.1% was above the high end of ORLY's comparable sales guidance range of 3.0% to 5.0%. On a 2-year stacked basis, comp trends saw a slight deceleration going from 14.0% in

4Q'15 to 13.3% in 1Q'16. Both professional and DIY were strong contributors to comp growth, with professional being slightly higher.

**Figure 3: ORLY comparable store sales trends, 1Q'14 – 4Q'17E**

Comp Trends	2014					2015					2016E					2017E				
	Mar-14	Jun-14	Sep-14	Dec-14	FY'14	Mar-15	Jun-15	Sep-15	Dec-15	FY'15	Mar-16	Jun-16E	Sep-16E	Dec-16E	FY'16E	Mar-17E	Jun-17E	Sep-17E	Dec-17E	FY'17E
1-Year Comp	6.3%	5.1%	6.2%	6.3%	3.0%	7.2%	7.2%	7.9%	7.7%	7.5%	6.1%	4.5%	4.5%	4.5%	4.9%	4.0%	4.0%	4.0%	4.0%	4.0%
2-Year Comp	6.9%	11.6%	10.8%	11.7%	7.3%	13.5%	12.3%	14.1%	14.0%	10.5%	13.3%	11.7%	12.4%	12.2%	12.4%	10.1%	8.5%	8.5%	8.5%	8.9%
3-Year Comp	14.3%	14.1%	12.1%	15.9%	11.1%	14.1%	18.8%	18.7%	19.4%	14.8%	19.6%	16.8%	18.6%	18.5%	15.4%	17.3%	15.7%	16.4%	16.2%	16.4%

Source: Company reports, UBS estimates

- Operating margin expanded on strong SG&A leverage and gross margin improvements

ORLY's EBIT margin expanded 155 bps to 20.0% (vs. our estimate of 19.5%). The increase in EBIT margin can be attributed SG&A leverage of 108 bps YoY to 32.4% (vs. our 33.0% est. & the cons. of 32.9%). Further, gross margin increased by 47 bps YoY to 52.4% (vs. our 52.5% est. and the cons. of 52.6%). However, excluding LIFO from both the years, gross margin increased 66 bps year-over-year.

**Figure 4: ORLY margin trends, 1Q'14 – 4Q'17E**

Margin Drivers	2014					2015					2016E					2017E				
	Mar-14	Jun-14	Sep-14	Dec-14	FY'14	Mar-15	Jun-15	Sep-15	Dec-15	FY'15	Mar-16	Jun-16E	Sep-16E	Dec-16E	FY'16E	Mar-17E	Jun-17E	Sep-17E	Dec-17E	FY'17E
Gross Profit	50.8%	51.5%	51.6%	51.7%	51.4%	51.9%	52.0%	52.4%	52.7%	52.3%	52.4%	51.2%	53.0%	53.3%	52.5%	52.7%	52.4%	53.2%	53.5%	52.9%
Yr./Yr. - bps	41	64	71	117	73	110	54	78	102	85	47	(80)	60	60	21	30	120	20	20	48
SG&A	34.2%	33.3%	33.3%	34.5%	33.8%	33.5%	32.1%	32.4%	34.1%	33.0%	32.4%	31.9%	32.3%	34.0%	32.6%	32.0%	31.5%	32.0%	33.7%	32.3%
Yr./Yr. - bps	(37)	(30)	(22)	(23)	(28)	(71)	(113)	(87)	(41)	(79)	(108)	(25)	(10)	(10)	(37)	(35)	(35)	(35)	(35)	(35)
Operating Income	16.6%	18.2%	18.3%	17.2%	17.6%	18.4%	19.9%	20.0%	18.6%	19.2%	20.0%	19.3%	20.7%	19.3%	19.8%	20.6%	20.9%	21.2%	19.9%	20.7%
Yr./Yr. - bps	78	94	93	140	101	181	167	165	143	164	155	(55)	70	70	58	65	155	55	55	83

Source: Company reports, UBS estimates

- Inventory levels increased 6.9% YoY, as compared to sales growth of 10.2% YoY

Inventory per store increased by 1.4% YoY to \$584k while inventory per square foot increased by 2.2% YoY to \$82.3. ORLY's AP/Inventory ratio increased to 103.0%.

**Figure 5: ORLY inventory trends, 1Q'14 – 4Q'17E**

Inventory Analysis	2014					2015					2016E					2017E				
	Mar-14	Jun-14	Sep-14	Dec-14	FY'14	Mar-15	Jun-15	Sep-15	Dec-15	FY'15	Mar-16	Jun-16E	Sep-16E	Dec-16E	FY'16E	Mar-17E	Jun-17E	Sep-17E	Dec-17E	FY'17E
Total Sales (\$ mms)	1,727.9	1,847.1	1,876.9	1,764.2	7,216.1	1,901.9	2,035.5	2,080.2	1,949.1	7,966.7	2,096.2	2,173.3	2,215.9	2,075.4	8,560.7	2,199.8	2,307.4	2,357.8	2,206.5	9,071.5
Yr./Yr. Change	9.0%	7.7%	8.6%	8.8%	8.5%	10.1%	10.2%	10.8%	10.5%	10.4%	10.2%	6.8%	6.5%	6.5%	7.5%	4.9%	6.2%	6.4%	6.3%	6.0%
Inventory	2,397.0	2,462.8	2,517.9	2,554.8	2,554.8	2,528.0	2,561.0	2,606.8	2,631.0	2,631.0	2,701.8	2,780.0	2,741.9	2,723.8	2,723.8	2,848.8	2,878.8	2,905.1	2,861.3	2,861.3
Yr./Yr. Change	4.4%	5.0%	6.5%	7.6%	7.6%	5.5%	4.0%	3.5%	3.0%	3.0%	6.9%	8.6%	5.2%	3.5%	3.5%	6.4%	3.6%	6.0%	5.0%	5.0%
Inventory per Store	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.584	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Yr./Yr. Change	0.1%	0.8%	2.1%	2.6%	2.6%	0.3%	-0.9%	-1.3%	-1.6%	-1.6%	1.2%	-0.9%	1.6%	0.8%	0.8%	0.4%	0.4%	0.4%	-0.3%	-0.3%
Inventory per Square Foot	78.7	80.0	80.8	81.3	78.8	79.2	79.5	79.4	79.9	82.1	82.1	82.1	82.0	80.0	80.0	82.4	82.5	82.4	79.7	79.7
Yr./Yr. Change	-0.2%	0.4%	1.9%	2.4%	2.6%	0.1%	-1.0%	-1.6%	-1.9%	-1.6%	2.0%	-0.9%	1.6%	0.8%	0.8%	0.4%	0.4%	0.4%	-0.3%	-0.3%

Source: Company reports, UBS estimates

- FCF generation for 1Q was up 22% YoY as ORLY generated \$384.2 mm in FCF

ORLY ended the quarter with \$716.0 mm in cash and equivalents and \$1,885.9 mm in total debt on the balance sheet.

**Figure 6: ORLY cash flow trends, 1Q'14 – 4Q'17E**

(\$ millions)	2014					2015					2016E					2017E				
	Mar-14	Jun-14	Sep-14	Dec-14	FY'14	Mar-15	Jun-15	Sep-15	Dec-15	FY'15	Mar-16	Jun-16E	Sep-16E	Dec-16E	FY'16 E	Mar-17E	Jun-17E	Sep-17E	Dec-17E	FY'17 E
Net Income	173.9	205.6	217.0	181.7	778.2	212.9	233.5	266.3	218.6	931.2	255.4	255.1	290.1	242.0	1042.6	277.6	294.4	318.3	265.9	1156.2
Depreciation & Amortization	48.0	47.0	48.5	52.8	196.3	55.5	50.5	52.1	54.3	212.4	52.8	54.7	55.8	52.3	215.5	72.6	76.1	77.8	72.8	299.4
Other NCC	223.4	254.9	267.1	234.7	980.1	269.7	286.3	320.5	273.9	1150.4	310.2	311.9	347.9	296.3	1266.3	352.3	372.5	398.1	340.8	1463.7
Working Capital	138.7	62.9	68.9	-35.6	234.9	156.1	23.3	63.7	-48.2	194.9	190.9	-35.1	77.3	-11.6	221.4	34.4	-29.4	82.8	5.7	93.5
<b>Cash Flow from Operations</b>	<b>345.5</b>	<b>310.0</b>	<b>327.4</b>	<b>207.5</b>	<b>1190.4</b>	<b>406.0</b>	<b>292.4</b>	<b>364.3</b>	<b>218.8</b>	<b>1281.5</b>	<b>488.2</b>	<b>282.5</b>	<b>430.9</b>	<b>290.3</b>	<b>1491.9</b>	<b>392.1</b>	<b>349.3</b>	<b>487.0</b>	<b>352.4</b>	<b>1580.7</b>
Yr./Yr. Growth	53%	45%	17%	10%	31%	18%	-6%	11%	5%	8%	20%	-3%	18%	33%	16%	-20%	24%	13%	21%	6%
Capital Expenditures	-93.1	-111.8	-122.2	-112.8	-430.0	-91.1	-95.4	-109.9	-117.5	-414.0	-104.0	-107.8	-109.9	-102.9	-424.6	-121.0	-126.9	-129.7	-121.4	-498.9
<b>Free Cash Flow</b>	<b>262.5</b>	<b>198.1</b>	<b>205.2</b>	<b>94.6</b>	<b>760.4</b>	<b>314.9</b>	<b>197.0</b>	<b>254.3</b>	<b>101.2</b>	<b>867.5</b>	<b>384.2</b>	<b>174.7</b>	<b>321.0</b>	<b>187.3</b>	<b>1067.2</b>	<b>271.1</b>	<b>222.4</b>	<b>357.3</b>	<b>231.1</b>	<b>1081.8</b>
Yr./Yr. Growth	72%	80%	30%	3%	48%	20%	-1%	24%	7%	14%	22.0%	-11%	26%	85%	23%	-29%	27%	11%	23%	1%
Cash Balance	511.8	453.4	298.3	250.6	250.6	473.6	260.0	276.9	116.3	116.3	716.0	665.7	761.7	724.0	724.0	1020.1	967.5	1049.8	1005.9	1005.9
Yr./Yr. Growth	149%	24%	-18%	8%	8%	-7%	-43%	-7%	-54%	-54%	51%	156%	175%	523%	523%	42%	45%	38%	39%	39%

Source: Company reports, UBS estimates

▪ **ORLY provided 2Q guidance and reiterated its FY'16 guidance**

For 2Q'16, ORLY provided the following guidance:

- Diluted EPS to range from \$2.54 to \$2.64.
- Comparable store sales to range from 3% to 5%.

For FY'16, ORLY reiterated the following guidance:

- Diluted EPS of \$10.10 to \$10.50.
- Free cash flow of \$750 mm to \$800 mm.
- Operating margin range of 19.3% to 19.7%. This includes a \$23 mm LIFO headwind in 2Q.
- Comparable store sales of 3.0% to 5.0%.
- Revenue range of \$8.4 bn to \$8.6 bn.
- Gross profit margin of 52.3% to 52.7%.
- Capital expenditures of \$460 mm to \$490 mm.

Figure 7: ORLY 1Q'16 results vs. our estimates and 1Q'15 results

	Mar-16A	Mar-15E	Diff.	Variance %	Mar-15A	Diff.	Variance %
<b>Total Sales</b>	<b>2,096.2</b>	<b>2,074.7</b>	<b>21.5</b>	<b>2%</b>	<b>1,901.9</b>	<b>194.2</b>	<b>10%</b>
Costs of Sales	998.6	985.6	13.0	1%	914.9	83.6	8%
<b>Gross Profit</b>	<b>1,097.6</b>	<b>1,089.1</b>	<b>8.5</b>	<b>3%</b>	<b>987.0</b>	<b>110.6</b>	<b>13%</b>
Selling/Gen./Admin.	679.0	684.0	(5.1)	2%	636.6	42.4	9%
<b>Operating Income</b>	<b>418.6</b>	<b>405.0</b>	<b>13.6</b>	<b>4%</b>	<b>350.4</b>	<b>68.3</b>	<b>20%</b>
Interest Expense (Income)	(14.1)	(14.2)	0.1	-2%	(13.8)	(0.2)	0%
Other Income, net	1.0	0.8	0.3	-39%	1.1	(0.1)	-13%
Net Income Before Taxes	405.6	391.6	14.0	4%	337.7	67.9	21%
Provision for Income Taxes	150.2	144.7	5.5	5%	124.8	25.4	21%
<b>Net Income-Continuing Operations</b>	<b>255.4</b>	<b>246.8</b>	<b>8.5</b>	<b>4%</b>	<b>212.9</b>	<b>42.5</b>	<b>20%</b>
<b>Diluted EPS - reported</b>	<b>\$2.59</b>	<b>\$2.50</b>	<b>10%</b>	<b>4%</b>	<b>\$2.06</b>	<b>53%</b>	<b>24%</b>
Diluted Weighted Average Shares	98.5	98.9	-0.4	0%	103.3	-4.7	-3%
<b>Margin Analysis - as a % of Revenues</b>			+/-		+/-		
Cost of sales	47.6%	47.5%	13		48.1%	(47)	
<b>Gross margin</b>	<b>52.4%</b>	<b>52.5%</b>	<b>(13)</b>		<b>51.9%</b>	<b>47</b>	
Selling, General And Administrative	32.4%	33.0%	(58)		33.5%	(108)	
<b>Operating Income</b>	<b>20.0%</b>	<b>19.5%</b>	<b>45</b>		<b>18.4%</b>	<b>155</b>	
Tax Rate	37.0%	37.0%	7		37.0%		
Net Income	12.2%	11.9%	28		11.2%		
<b>Year/Year Growth Rates</b>							
Consolidated Comparable Store Sales	6.1%	5.5%	60		7.2%		
<b>Net sales</b>	<b>10.2%</b>	<b>9.1%</b>	<b>113</b>		<b>10.1%</b>		
Cost of sales	9.1%	7.7%	142		7.6%		
<b>Gross profit</b>	<b>11.2%</b>	<b>10.3%</b>	<b>86</b>		<b>12.4%</b>		
Selling, general and administrative	6.7%	7.5%	(80)		7.8%		
<b>Operating Income</b>	<b>19.5%</b>	<b>15.6%</b>	<b>388</b>		<b>22.0%</b>		
Pre-tax earnings	20.1%	16.0%	415		22.8%		
Net Income	20.0%	16.0%	401		22.4%		
<b>Diluted EPS</b>	<b>25.7%</b>	<b>21.1%</b>	<b>466</b>		<b>28.1%</b>		
Shares outstanding - diluted	-4.6%	-4.2%	(36)		-4.5%		
<b>Operating Metrics</b>							
No. of Stores	4,623	4,636	-13	0%	4,433	190	5%
Sales per Store	\$0.5	\$0.4	\$0.0	2%	\$0.4	\$0.0	6%
Inventory per Store	\$0.6	\$0.6	\$0.0	-1%	\$0.6	\$0.0	-2%

Source: Company reports, UBS estimates



## UPSIDE / DOWNSIDE SPECTRUM

[return](#) ↑

ONLY is trading  
at US\$265.03  
(as of 28 April).

Value drivers	Comp Growth	New Store Contribution	Revenue Growth	Operating Margin	Diluted EPS
\$373 upside	5.5%	2.0%	7.5%	21.0%	\$12.88
\$305 base	4.0%	2.0%	6.0%	20.7%	\$12.35
\$233 downside	1.0%	2.0%	3.0%	19.8%	\$11.10

Source: UBS

### Risk to the current share price is skewed (3:1) to the upside

**Upside (US\$373):** In our upside case, we forecast 5.5% comp growth and 2.0% new store contribution driving 7.5% revenue growth. Further, we model a 21.0% operating margin, resulting in \$12.88 in EPS in CY'17E. We assign a 29x multiple to arrive at our upside case of \$373.

**Base (US\$305):** In our base case, we forecast 4.0% comp growth and 2.0% new store contribution driving 6.0% revenue growth. Further, we model a 20.7% operating margin, resulting in \$12.35 in EPS in CY'17E. We assign a 25x multiple to arrive at our price target of \$305.

**Downside (US\$233):** In our downside case, we forecast 1.0% comp growth and 2.0% new store contribution driving 3.0% revenue growth. Further, we model a 19.8% operating margin, resulting in \$11.10 in EPS in CY'17E. We assign a 21x multiple to arrive at our downside case of \$233.

## COMPANY DESCRIPTION

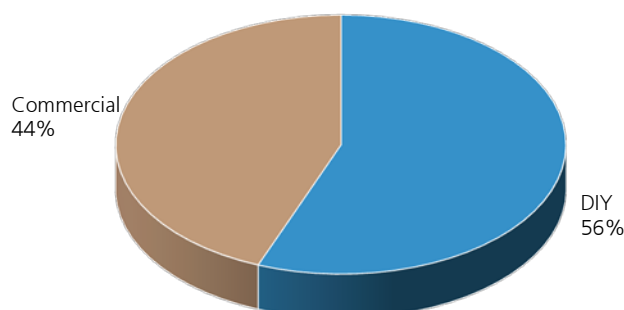
[return](#) ↑

<b>Market Cap</b>	US\$26.9bn
<b>Shares Outstanding</b>	98.5m (COM)
<b>Industry</b>	Retail
<b>Region</b>	Americas
<b>Website</b>	<a href="http://www.oreillyauto.com/">http://www.oreillyauto.com/</a>

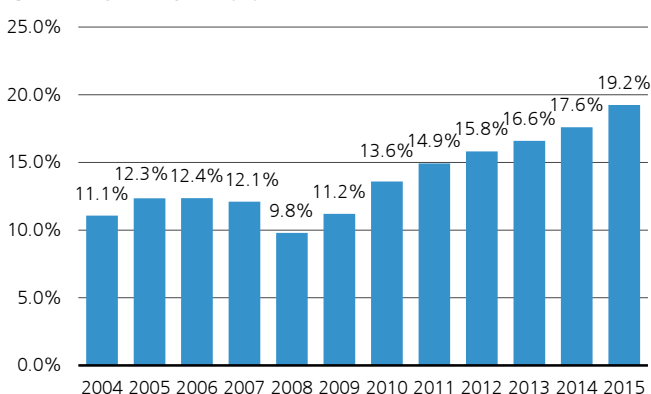
O'Reilly Automotive is a leading specialty retailer of automotive aftermarket parts, tools, supplies, equipment, and accessories in the US. The company operates more than 4,500 stores in the US. The company caters to the do-it-yourself and do-it-for-me segments.

**Industry outlook**

The Hardlines/Broadlines space won't be immune to challenges in 2016. Most notably, the group has typically underperformed as rates have risen. Additionally, real wage growth will be a double-edged sword, likely spurring further gains in spending, but also pressuring expenses for those exposed to low skilled workers. These factors add to the undertone of the shift from shopping at boxes to shopping through devices. Though, some sectors should benefit from continued momentum of the housing cycle.

**Revenues by business segment (%)**

Source: Company

**Operating margin by year (%)**

Source: Company

Figure 8: ORLY quarterly income statement (\$ millions)

	2014					2015					2016E					2017E				
	Mar-14	Jun-14	Sep-14	Dec-14	FY14	Mar-15	Jun-15	Sep-15	Dec-15	FY15	Mar-16	Jun-16E	Sep-16E	Dec-16E	FY16 E	Mar-17E	Jun-17E	Sep-17E	Dec-17E	FY17 E
Days in Period	90	91	91	92	365	90	91	92	92	365	91	91	92	92	366	90	91	92	92	365
<b>Net Sales</b>	<b>1,727.9</b>	<b>1,847.1</b>	<b>1,876.9</b>	<b>1,764.2</b>	<b>7,216.1</b>	<b>1,901.9</b>	<b>2,035.5</b>	<b>2,080.2</b>	<b>1,949.1</b>	<b>7,966.7</b>	<b>2,096.2</b>	<b>2,173.3</b>	<b>2,215.9</b>	<b>2,075.4</b>	<b>8,560.7</b>	<b>2,199.8</b>	<b>2,307.4</b>	<b>2,357.8</b>	<b>2,206.5</b>	<b>9,071.5</b>
<b>Cost of Sales</b>	<b>850.2</b>	<b>896.2</b>	<b>908.7</b>	<b>852.1</b>	<b>3,507.2</b>	<b>914.9</b>	<b>976.7</b>	<b>990.9</b>	<b>921.4</b>	<b>3,804.0</b>	<b>988.6</b>	<b>1,060.2</b>	<b>1,042.3</b>	<b>968.7</b>	<b>4,069.8</b>	<b>1,041.3</b>	<b>1,097.9</b>	<b>1,104.3</b>	<b>1,025.5</b>	<b>4,269.1</b>
<b>Gross Profit</b>	<b>877.7</b>	<b>950.9</b>	<b>968.2</b>	<b>912.1</b>	<b>3,708.9</b>	<b>987.0</b>	<b>1,058.8</b>	<b>1,089.3</b>	<b>1,027.6</b>	<b>4,162.6</b>	<b>1,097.6</b>	<b>1,113.1</b>	<b>1,173.6</b>	<b>1,106.7</b>	<b>4,491.0</b>	<b>1,158.4</b>	<b>1,209.4</b>	<b>1,253.5</b>	<b>1,181.0</b>	<b>4,802.4</b>
<b>Selling, General And Administrative</b>	<b>590.6</b>	<b>614.4</b>	<b>624.4</b>	<b>609.1</b>	<b>2,438.5</b>	<b>636.6</b>	<b>654.0</b>	<b>674.0</b>	<b>665.0</b>	<b>2,629.6</b>	<b>679.0</b>	<b>692.9</b>	<b>715.7</b>	<b>706.0</b>	<b>2,793.6</b>	<b>704.8</b>	<b>727.5</b>	<b>753.3</b>	<b>742.9</b>	<b>2,928.6</b>
<b>Operating Income</b>	<b>287.1</b>	<b>336.5</b>	<b>343.8</b>	<b>303.0</b>	<b>1,270.4</b>	<b>350.4</b>	<b>404.8</b>	<b>415.3</b>	<b>362.6</b>	<b>1,533.0</b>	<b>418.6</b>	<b>420.2</b>	<b>457.9</b>	<b>400.6</b>	<b>1,697.3</b>	<b>453.6</b>	<b>481.9</b>	<b>500.1</b>	<b>438.1</b>	<b>1,873.8</b>
Debt prepayment Cost	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interim Facility Commitment Fee	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest, Net	(12.8)	(12.3)	(12.4)	(13.5)	(51.0)	(13.8)	(13.7)	(13.7)	(13.5)	(54.8)	(14.1)	(14.3)	(14.3)	(14.3)	(57.0)	(13.5)	(13.5)	(13.5)	(13.5)	(54.0)
<b>Other Income, Net</b>	<b>0.6</b>	<b>0.6</b>	<b>1.0</b>	<b>0.6</b>	<b>2.8</b>	<b>1.1</b>	<b>0.2</b>	<b>(0.6)</b>	<b>0.5</b>	<b>1.1</b>	<b>1.0</b>	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>	<b>3.3</b>	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>	<b>3.2</b>
Net Income Before Taxes	275.0	324.8	332.3	290.1	1,222.2	337.7	391.2	400.9	349.6	1,479.4	405.6	406.7	444.3	387.1	1,643.6	440.9	469.2	487.4	425.4	1,823.0
Provision for Income Taxes	101.1	119.2	115.3	108.4	444.0	124.8	145.8	134.6	131.1	536.2	150.2	151.5	154.2	145.1	601.0	163.3	174.8	169.2	159.5	666.7
<b>Net Income before Extra</b>	<b>173.9</b>	<b>205.6</b>	<b>217.0</b>	<b>181.7</b>	<b>778.2</b>	<b>212.9</b>	<b>245.4</b>	<b>266.3</b>	<b>218.6</b>	<b>943.1</b>	<b>255.4</b>	<b>255.1</b>	<b>290.1</b>	<b>242.0</b>	<b>1,042.6</b>	<b>277.6</b>	<b>294.4</b>	<b>318.3</b>	<b>265.9</b>	<b>1,156.2</b>
Net Income After Extra	173.9	205.6	217.0	181.7	778.2	212.9	245.4	266.3	218.6	943.1	255.4	255.1	290.1	242.0	1,042.6	277.6	294.4	318.3	265.9	1,156.2
<b>Diluted EPS - reported</b>	<b>\$1.61</b>	<b>\$1.91</b>	<b>\$2.06</b>	<b>\$1.76</b>	<b>\$7.34</b>	<b>\$2.06</b>	<b>\$2.40</b>	<b>\$2.64</b>	<b>\$2.19</b>	<b>\$9.29</b>	<b>\$2.59</b>	<b>\$2.61</b>	<b>\$3.00</b>	<b>\$2.52</b>	<b>\$10.72</b>	<b>\$2.92</b>	<b>\$3.13</b>	<b>\$3.42</b>	<b>\$2.88</b>	<b>\$12.35</b>
Diluted Weighted Average Shares	108.1	107.6	105.2	103.3	106.0	103.3	102.1	100.8	99.9	101.5	98.5	97.7	96.8	96.0	97.3	95.0	94.1	93.1	92.2	93.6
<b>EBITDA</b>	<b>335.1</b>	<b>383.5</b>	<b>392.3</b>	<b>355.8</b>	<b>1,466.7</b>	<b>405.8</b>	<b>455.3</b>	<b>467.3</b>	<b>416.9</b>	<b>1,745.4</b>	<b>471.4</b>	<b>474.9</b>	<b>513.6</b>	<b>452.9</b>	<b>1,912.9</b>	<b>526.2</b>	<b>558.0</b>	<b>578.0</b>	<b>510.9</b>	<b>2,173.1</b>
Yr./Yr. Change	13%	12%	13%	17%	14%	21%	19%	19%	17%	19%	16%	4%	10%	9%	10%	12%	17%	13%	13%	14%
<b>EBITDA Margin</b>	<b>19.4%</b>	<b>20.8%</b>	<b>20.9%</b>	<b>20.2%</b>	<b>20.3%</b>	<b>21.3%</b>	<b>22.4%</b>	<b>22.5%</b>	<b>21.4%</b>	<b>21.9%</b>	<b>22.5%</b>	<b>21.9%</b>	<b>23.2%</b>	<b>21.8%</b>	<b>22.3%</b>	<b>23.9%</b>	<b>24.2%</b>	<b>24.5%</b>	<b>23.2%</b>	<b>24.0%</b>
Yr./Yr. Change (bp)	73	86	83	136	94	195	161	156	122	158	115	-51	72	43	44	143	233	133	133	161
<b>Margin Analysis - as a % of Revenues</b>																				
Cost of sales	49.2%	48.5%	48.4%	48.3%	48.6%	48.1%	48.0%	47.6%	47.3%	47.7%	47.6%	48.8%	47.0%	46.7%	47.5%	47.3%	47.6%	46.8%	46.5%	47.1%
<b>Gross margin</b>	<b>50.8%</b>	<b>51.5%</b>	<b>51.6%</b>	<b>51.7%</b>	<b>51.4%</b>	<b>51.9%</b>	<b>52.0%</b>	<b>52.4%</b>	<b>52.7%</b>	<b>52.3%</b>	<b>52.4%</b>	<b>51.2%</b>	<b>53.0%</b>	<b>53.3%</b>	<b>52.5%</b>	<b>52.7%</b>	<b>52.4%</b>	<b>53.2%</b>	<b>53.5%</b>	<b>52.9%</b>
Yr./Yr. Change (bp)	41	64	71	117	73	110	54	78	102	85	47	(80)	60	60	21	30	120	20	20	48
Selling, General And Administrative	34.2%	33.3%	33.3%	34.5%	33.8%	33.5%	32.1%	32.4%	34.1%	33.0%	32.4%	31.9%	32.3%	34.0%	32.6%	32.0%	31.5%	32.0%	33.7%	32.3%
Yr./Yr. Change (bp)	(37)	(30)	(22)	(23)	(28)	(71)	(113)	(87)	(41)	(79)	(108)	(25)	(10)	(10)	(37)	(35)	(35)	(35)	(35)	(35)
<b>Operating Income</b>	<b>16.6%</b>	<b>18.2%</b>	<b>18.3%</b>	<b>17.2%</b>	<b>17.6%</b>	<b>18.4%</b>	<b>19.9%</b>	<b>20.0%</b>	<b>18.6%</b>	<b>19.2%</b>	<b>20.0%</b>	<b>19.3%</b>	<b>20.7%</b>	<b>19.3%</b>	<b>19.8%</b>	<b>20.6%</b>	<b>20.9%</b>	<b>21.2%</b>	<b>19.9%</b>	<b>20.7%</b>
Yr./Yr. Change (bp)	78	94	93	140	101	181	167	165	143	164	155	(55)	70	70	58	65	155	55	55	83
Tax Rate	36.8%	36.7%	34.7%	37.4%	36.3%	37.0%	37.3%	33.6%	37.5%	36.2%	37.0%	37.3%	34.7%	37.5%	36.6%	37.0%	37.3%	34.7%	37.5%	36.6%
Net Income	10.1%	11.1%	11.6%	10.3%	10.8%	11.2%	12.1%	12.8%	11.2%	11.8%	12.2%	11.7%	13.1%	11.7%	12.2%	12.6%	12.8%	13.5%	12.1%	12.7%
<b>Year/Year Growth Rates</b>																				
Comparable Store Sales	6.3%	5.1%	6.2%	6.3%	6.0%	7.2%	7.2%	7.9%	7.7%	7.5%	6.1%	4.5%	4.5%	4.5%	4.9%	4.0%	4.0%	4.0%	4.0%	4.0%
<b>Net sales</b>	<b>9.0%</b>	<b>7.7%</b>	<b>8.6%</b>	<b>8.8%</b>	<b>8.5%</b>	<b>10.1%</b>	<b>10.2%</b>	<b>10.8%</b>	<b>10.5%</b>	<b>10.4%</b>	<b>10.2%</b>	<b>6.8%</b>	<b>6.5%</b>	<b>6.5%</b>	<b>7.5%</b>	<b>4.9%</b>	<b>6.2%</b>	<b>6.4%</b>	<b>6.3%</b>	<b>6.0%</b>
Cost of sales	8.1%	6.3%	7.0%	6.3%	6.9%	7.6%	9.0%	9.1%	8.1%	8.5%	9.1%	8.6%	5.2%	5.1%	7.0%	4.3%	3.6%	6.0%	5.9%	4.9%
<b>Gross profit</b>	<b>9.9%</b>	<b>9.1%</b>	<b>10.1%</b>	<b>11.3%</b>	<b>10.1%</b>	<b>12.4%</b>	<b>11.3%</b>	<b>12.5%</b>	<b>12.7%</b>	<b>11.2%</b>	<b>11.2%</b>	<b>5.1%</b>	<b>7.7%</b>	<b>7.7%</b>	<b>7.9%</b>	<b>5.5%</b>	<b>8.7%</b>	<b>6.8%</b>	<b>6.7%</b>	<b>6.9%</b>
Selling, general and administrative	7.9%	6.7%	7.9%	8.1%	7.6%	7.8%	6.4%	7.9%	9.2%	7.8%	6.7%	5.9%	6.2%	6.2%	6.2%	3.8%	5.0%	5.3%	5.2%	4.8%
<b>Operating Income</b>	<b>14.4%</b>	<b>13.6%</b>	<b>14.4%</b>	<b>18.5%</b>	<b>15.1%</b>	<b>22.0%</b>	<b>20.3%</b>	<b>20.8%</b>	<b>19.7%</b>	<b>20.7%</b>	<b>19.5%</b>	<b>3.8%</b>	<b>10.3%</b>	<b>10.5%</b>	<b>10.7%</b>	<b>8.4%</b>	<b>14.7%</b>	<b>9.2%</b>	<b>9.3%</b>	<b>10.4%</b>
Pre-tax earnings	14.3%	13.5%	15.3%	18.9%	15.4%	22.8%	20.4%	20.6%	20.5%	21.0%	20.1%	4.0%	10.8%	10.7%	11.1%	8.7%	15.4%	9.7%	9.9%	10.9%
Earnings from continuing operations	12.7%	16.1%	16.4%	19.3%	16.1%	22.4%	19.3%	22.7%	20.3%	21.2%	20.0%	4.0%	9.0%	10.7%	10.5%	8.7%	15.4%	9.7%	9.9%	10.9%
<b>Diluted EPS - continuing operations</b>	<b>18.2%</b>	<b>21.0%</b>	<b>21.9%</b>	<b>25.5%</b>	<b>21.6%</b>	<b>28.1%</b>	<b>25.7%</b>	<b>28.1%</b>	<b>24.4%</b>	<b>26.6%</b>	<b>25.7%</b>	<b>8.7%</b>	<b>13.4%</b>	<b>15.2%</b>	<b>15.4%</b>	<b>12.7%</b>	<b>19.8%</b>	<b>14.1%</b>	<b>14.4%</b>	<b>15.2%</b>
Shares outstanding - diluted	-4.7%	-4.0%	-4.5%	-5.0%	-4.5%	-4.5%	-5.1%	-4.2%	-3.3%	-4.3%	-4.6%	-4.3%	-3.9%	-3.9%	-4.2%	-3.6%	-3.7%	-3.8%	-3.9%	-3.8%
<b>Operating Metrics</b>																				
<b>No. of Stores</b>	<b>4,216</b>	<b>4,257</b>	<b>4,311</b>	<b>4,366</b>	<b>4,366</b>	<b>4,433</b>	<b>4,465</b>	<b>4,523</b>	<b>4,571</b>	<b>4,571</b>	<b>4,623</b>	<b>4,658</b>	<b>4,718</b>	<b>4,768</b>	<b>4,768</b>	<b>4,818</b>	<b>4,868</b>	<b>4,918</b>	<b>4,968</b>	<b>4,968</b>
Yr./Yr. Change	4%	4%	4%	5%	5%	5%	5%	5%	5%	5%	4%	4%	4%	4%	4%	4%	5%	4%	4%	4%
<b>Sales per Store</b>	<b>\$0.4</b>	<b>\$0.4</b>	<b>\$0.4</b>	<b>\$0.4</b>	<b>\$1.7</b>	<b>\$0.4</b>	<b>\$0.5</b>	<b>\$0.5</b>	<b>\$0.4</b>	<b>\$1.7</b>	<b>\$0.5</b>	<b>\$0.5</b>	<b>\$0.5</b>	<b>\$0.4</b>	<b>\$1.8</b>	<b>\$0.5</b>	<b>\$0.5</b>	<b>\$0.5</b>	<b>\$0.4</b>	<b>\$1.8</b>
Yr./Yr. Change	4.5%	3.4%	4.2%	3.8%	3.6%	4.7%	5.1%	5.6%	5.5%	5.5%	5.7%	2.3%	2.1%	2.1%	3.0%	0.7%	1.6%	2.1%	2.0%	1.7%
<b>SG&amp;A per Store</b>	<b>\$0.140</b>	<b>\$0.1</b>	<b>\$0.1</b>	<b>\$0.140</b>	<b>\$0.6</b>	<b>\$0.1</b>	<b>\$0.1</b>	<b>\$0.1</b>	<b>\$0.1</b>	<b>\$0.6</b>	<b>\$0.1</b>	<b>\$0.1</b>	<b>\$0.2</b>	<b>\$0.1</b>	<b>\$0.6</b>	<b>\$0.1</b>	<b>\$0.1</b>	<b>\$0.2</b>	<b>\$0.1</b>	<b>\$0.6</b>
Yr./Yr. Change	3.4%	2.5%	3.5%	3.1%	2.7%	2.5%	1.5%	2.9%	4.3%	3.0%	2.3%	1.6%	1.8%	1.8%	1.8%	-0.4%	0.5%	1.0%	1.0%	0.6%
<b>Inventory per Store</b>	<b>\$0.6</b>	<b>\$0.6</b>	<b>\$0.6</b>	<b>\$0.6</b>	<b>\$0.6</b>	<b>\$0.6</b>	<b>\$0.6</b>	<b>\$0.6</b>	<b>\$0.6</b>	<b>\$0.6</b>	<b>\$0.6</b>	<b>\$0.6</b>	<b>\$0.6</b>	<b>\$0.6</b>	<b>\$0.6</b>	<b>\$0.6</b>	<b>\$0.6</b>	<b>\$0.6</b>	<b>\$0.6</b>	<b>\$0.6</b>
Yr./Yr. Change	0%	1%	2%	3%	3%	0%	-1%	-1%	-2%	-2%	2%	4%	1%	-1%	-1%	1%	-1%	2%	1%	1%
<b>Sales Floor Square Feet (mm's)</b>	<b>30</b>	<b>31</b>	<b>31</b>	<b>32</b>	<b>31</b>	<b>32</b>	<b>32</b>	<b>33</b>	<b>33</b>	<b>33</b>	<b>34</b>	<b>34</b>	<b>34</b>	<b>34</b>	<b>34</b>	<b>35</b>	<b>35</b>	<b>35</b>	<b>36</b>	<b>36</b>
Yr./Yr. Change	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	4%	4%	4%	4%	3%	5%	4%	4%	4%
<b>Sales per Square Foot</b>	<b>\$57</b>	<b>\$60</b>	<b>\$60</b>	<b>\$56</b>	<b>\$230</b>	<b>\$59</b>	<b>\$63</b>	<b>\$63</b>	<b>\$59</b>	<b>\$242</b>	<b>\$62</b>	<b>\$65</b>	<b>\$65</b>	<b>\$60</b>	<b>\$249</b>	<b>\$63</b>	<b>\$66</b>	<b>\$67</b>	<b>\$62</b>	<b>\$254</b>

Figure 9: ORLY quarterly cash flow statement (\$ millions)

	2014					2015					2016E					2017E				
	Mar-14	Jun-14	Sep-14	Dec-14	FY'14	Mar-15	Jun-15	Sep-15	Dec-15	FY'15	Mar-16	Jun-16E	Sep-16E	Dec-16E	FY'16 E	Mar-17E	Jun-17E	Sep-17E	Dec-17E	FY'17 E
Days in Period	90	91	92	92	365	90	91	92	92	365	91	91	92	92	366	90	91	92	92	365
<b>Cash Flows from Operating Activities</b>																				
Net Income	173.9	205.6	217.0	181.7	778.2	212.9	233.5	266.3	218.6	931.2	255.4	255.1	290.1	242.0	1042.6	277.6	294.4	318.3	265.9	1156.2
Depreciation & Amortization	48.0	47.0	48.5	52.8	196.3	55.5	50.5	52.1	54.3	212.4	52.8	54.7	55.8	52.3	215.5	72.6	76.1	77.8	72.8	299.4
Deferred income taxes	-3.8	-8.9	-5.4	19.6	1.5	-4.4	-10.9	-7.5	0.1	(22.7)	-3.3				(3.3)					0.0
Share based compensation programs	5.1	7.0	5.3	5.7	23.1	5.9	5.4	5.4	5.2	21.9	5.2	5.8	5.7	5.6	22.2	5.4	6.1	6.1	5.9	23.6
Tax benefit of stock options exercised	(17.9)	(6.0)	(8.4)	(16.9)	(49.2)	(21.2)	(11.8)	(17.8)	(12.3)	(63.1)	(14.8)				(14.8)					0.0
Other Non-Cash Charges	1.5	2.2	1.6	0.2	5.6	1.4	2.3	2.1	1.1	6.8	2.0	2.0	2.0	2.0	8.1	2.0	2.0	2.0	2.0	8.1
Changes in operating assets and liabilities:	138.7	62.9	68.9	(35.6)	234.9	156.1	23.3	63.7	(48.2)	194.9	190.9	(35.1)	77.3	(11.6)	221.4	34.4	(29.4)	82.8	5.7	93.5
<b>Cash from Operating Activities</b>	<b>345.5</b>	<b>310.0</b>	<b>327.4</b>	<b>207.5</b>	<b>1,190.4</b>	<b>406.0</b>	<b>292.4</b>	<b>364.3</b>	<b>218.8</b>	<b>1,281.5</b>	<b>488.2</b>	<b>282.5</b>	<b>430.9</b>	<b>290.3</b>	<b>1,491.9</b>	<b>392.1</b>	<b>349.3</b>	<b>487.0</b>	<b>352.4</b>	<b>1,580.7</b>
<b>Cash Flows from Investing Activities</b>																				
Capital Expenditures	(83.1)	(111.8)	(122.2)	(112.8)	(430.0)	(91.1)	(95.4)	(109.9)	(117.5)	(414.0)	(104.0)	(107.8)	(109.9)	(102.9)	(424.6)	(121.0)	(126.9)	(129.7)	(121.4)	(498.9)
Sale of Property and Equipment	0.3	0.5	1.5	0.6	2.9	0.7	1.0	0.6	0.6	2.8	0.9	0.0	0.0	0.0	0.9	0.0	0.0	0.0	0.0	0.0
Payment Note Receivable	0.9	0.9	0.9	0.9	3.7	0.9	1.0	1.0	1.0	4.1	1.0	0.0	0.0	0.0	1.0	0.0	0.0	0.0	0.0	0.0
ST Investment Purchased	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Cash from Investing Activities</b>	<b>(81.9)</b>	<b>(110.4)</b>	<b>(115.8)</b>	<b>(111.3)</b>	<b>(423.4)</b>	<b>(85.5)</b>	<b>(93.4)</b>	<b>(108.3)</b>	<b>(115.9)</b>	<b>(407.2)</b>	<b>(102.1)</b>	<b>(107.8)</b>	<b>(109.9)</b>	<b>(102.9)</b>	<b>(422.7)</b>	<b>(121.0)</b>	<b>(126.9)</b>	<b>(129.7)</b>	<b>(121.4)</b>	<b>(498.9)</b>
<b>Cash Flows from Financing Activities</b>																				
Long Term Debt Issued	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	499.2	0.0	0.0	0.0	499.2	300.0	0.0	0.0	0.0	300.0
Borrowing Note Payable					0.0				0.0	0.0	0.0				0.0					0.0
Payment Note Payable	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt Repayment cost	0.0		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0				0.0					0.0
Payment on Long Term Debt	(0.0)	(0.0)	(0.0)	(0.0)	(0.1)	(0.0)	(0.0)	0.0	0.0	(0.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Common Stock Issued	21.1	13.6	16.3	18.6	69.6	20.3	15.8	17.3	11.3	64.6	16.1				16.1					0.0
Purch. Common Stock	(22.1)	(277.6)	(387.5)	(179.3)	(866.5)	(134.8)	(440.2)	(274.2)	(287.0)	(1136.2)	(312.7)	(225.0)	(225.0)	(225.0)	(987.7)	(275.0)	(275.0)	(275.0)	(275.0)	(1100.0)
Tax benefit of stock options exercised	17.9	6.0	8.4	16.9	49.2	21.2	11.8	17.8	12.3	63.1	11.0				11.0					0.0
Proceeds from Secondary Offering					0.0					0.0					0.0					0.0
<b>Cash from Financing Activities</b>	<b>16.9</b>	<b>(258.0)</b>	<b>(362.8)</b>	<b>(143.9)</b>	<b>(747.8)</b>	<b>(93.4)</b>	<b>(412.6)</b>	<b>(238.1)</b>	<b>(263.4)</b>	<b>(1,008.5)</b>	<b>213.6</b>	<b>(225.0)</b>	<b>(225.0)</b>	<b>(225.0)</b>	<b>(461.4)</b>	<b>25.0</b>	<b>(275.0)</b>	<b>(275.0)</b>	<b>(275.0)</b>	<b>(800.0)</b>
(Decrease) Increase in Cash and Equivalents	280.5	(58.4)	(155.1)	(47.7)	19.2	223.1	(213.6)	16.9	(160.6)	(134.3)	599.7	(50.3)	96.0	(37.7)	607.8	296.1	(52.6)	82.3	(43.9)	281.8
Foreign Exchange Effects	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net Change in Cash</b>	<b>280.5</b>	<b>(58.4)</b>	<b>(155.1)</b>	<b>(47.7)</b>	<b>19.2</b>	<b>223.1</b>	<b>(213.6)</b>	<b>16.9</b>	<b>(160.6)</b>	<b>(134.3)</b>	<b>599.7</b>	<b>(50.3)</b>	<b>96.0</b>	<b>(37.7)</b>	<b>607.8</b>	<b>296.1</b>	<b>(52.6)</b>	<b>82.3</b>	<b>(43.9)</b>	<b>281.8</b>
Net Cash - Beginning Balance	231.3	511.8	453.4	298.3	231.3	250.5	473.6	260.0	276.9	250.5	116.3	716.0	665.7	761.7	116.3	724.0	1,020.1	967.5	1,049.8	724.0
Net Cash - Ending Balance	511.8	453.4	298.3	250.5	250.5	473.6	260.0	276.9	116.3	116.3	716.0	665.7	761.7	724.0	724.0	1,020.1	967.5	1,049.8	1,005.9	1,005.9
Cash of Discontinued Operations																				
<b>Cash Flow Analysis</b>																				
Cash Flow from Operations	345.5	310.0	327.4	207.5	1,190.4	406.0	292.4	364.3	218.8	1,281.5	488.2	282.5	430.9	290.3	1,491.9	392.1	349.3	487.0	352.4	1,580.7
Yr./Yr. Change	53%	45%	17%	10%	31%	18%	-6%	11%	5%	8%	20%	-3%	18%	33%	16%	-20%	24%	13%	21%	6%
<b>FCF</b>																				
<b>Free Cash Flow (after Capex before Acqs)</b>	<b>262.5</b>	<b>198.1</b>	<b>205.2</b>	<b>94.6</b>	<b>760.4</b>	<b>314.9</b>	<b>197.0</b>	<b>254.3</b>	<b>101.2</b>	<b>867.5</b>	<b>384.2</b>	<b>174.7</b>	<b>321.0</b>	<b>187.3</b>	<b>1,067.2</b>	<b>271.1</b>	<b>222.4</b>	<b>357.3</b>	<b>231.1</b>	<b>1,081.8</b>
Yr./Yr. Change	72%	80%	30%	3%	48%	20%	-1%	24%	7%	14%	22%	-11%	26%	85%	23%	-29%	27%	11%	23%	1%
<b>Free Cash Flow (before Acqs) - Trailing 4Q's</b>	<b>621.7</b>	<b>709.9</b>	<b>1,007.3</b>	<b>760.4</b>		<b>812.9</b>	<b>811.8</b>	<b>860.9</b>	<b>867.5</b>		<b>936.8</b>	<b>914.4</b>	<b>981.1</b>	<b>1,067.2</b>		<b>954.1</b>	<b>1,001.8</b>	<b>1,038.1</b>	<b>1,081.8</b>	
Yr./Yr. Change	-19%	5%	-26%	48%		31%	14%	-15%	14%		15%	13%	14%	23%		2%	10%	6%	1%	
<b>Free Cash Flow (after Capex and Acquisitions)</b>	<b>262.5</b>	<b>198.1</b>	<b>205.2</b>	<b>94.6</b>	<b>760.4</b>	<b>314.9</b>	<b>197.0</b>	<b>254.3</b>	<b>101.2</b>	<b>867.5</b>	<b>384.2</b>	<b>174.7</b>	<b>321.0</b>	<b>187.3</b>	<b>1,067.2</b>	<b>271.1</b>	<b>222.4</b>	<b>357.3</b>	<b>231.1</b>	<b>1,081.8</b>
Yr./Yr. Change	72%	80%	30%	3%	48%	20%	-1%	24%	7%	14%	22%	-11%	26%	85%	23%	-29%	27%	11%	23%	1%
Free Cash Flow per Share	\$2.43	\$1.84	\$1.95	\$0.92	\$7.17	\$3.05	\$1.93	\$2.52	\$1.01	\$8.54	\$3.90	\$1.79	\$3.31	\$1.95	\$10.97	\$2.85	\$2.36	\$3.84	\$2.51	\$11.56
Free Cash Flow / Net Income	1.5x	1.0x	0.9x	0.5x	1.0x	1.5x	0.8x	1.0x	0.5x	0.9x	1.5x	0.7x	1.1x	0.8x	1.0x	1.0x	0.8x	1.1x	0.9x	0.9x
<b>EBITDA</b>																				
<b>EBITDA</b>	<b>335.1</b>	<b>383.5</b>	<b>392.3</b>	<b>355.8</b>	<b>1,466.7</b>	<b>405.8</b>	<b>455.3</b>	<b>467.3</b>	<b>416.9</b>	<b>1,745.4</b>	<b>471.4</b>	<b>474.9</b>	<b>513.6</b>	<b>452.9</b>	<b>1,912.9</b>	<b>526.2</b>	<b>558.0</b>	<b>578.0</b>	<b>510.9</b>	<b>2,173.1</b>
Yr./Yr. Change	13%	12%	13%	17%	14%	21%	19%	19%	17%	19%	16%	4%	10%	9%	10%	12%	17%	13%	13%	14%
<b>EBITDA - Trailing 4Q's</b>	<b>1,328.1</b>	<b>1,370.3</b>	<b>2,369.4</b>	<b>1,466.7</b>		<b>1,537.4</b>	<b>1,609.2</b>	<b>1,684.3</b>	<b>1,745.4</b>		<b>1,810.9</b>	<b>1,830.6</b>	<b>1,876.9</b>	<b>1,912.9</b>		<b>1,967.7</b>	<b>2,050.8</b>	<b>2,115.1</b>	<b>2,173.1</b>	
Yr./Yr. Change	14%	13%	12%	14%		16%	17%	-29%	19%		18%	14%	11%	10%		9%	12%	13%	14%	
<b>EBITDAR</b>					<b>1,729.7</b>					<b>2,018.6</b>					<b>2,193.2</b>					<b>2,458.9</b>

Source: Company reports, UBS estimates

Figure 10: ORLY quarterly balance sheet (\$ millions)

	2014					2015					2016E					2017E				
	Mar-14	Jun-14	Sep-14	Dec-14	FY'14	Mar-15	Jun-15	Sep-15	Dec-15	FY'15	Mar-16	Jun-16E	Sep-16E	Dec-16E	FY'16 E	Mar-17E	Jun-17E	Sep-17E	Dec-17E	FY'17 E
Days in Period	90	91	92	92	365	90	91	92	92	365	91	91	92	92	366	90	91	92	92	365
<b>Assets</b>																				
Cash and Equivalents	511.8	453.4	298.3	250.6	250.6	473.6	260.0	276.9	116.3	116.3	716.0	665.7	761.7	724.0	724.0	1,020.1	967.5	1,049.8	1,005.9	1,005.9
Accounts Receivable	142.7	156.6	152.8	143.9	143.9	162.0	175.3	163.9	161.1	161.1	178.3	267.3	256.5	248.8	248.8	261.8	283.7	272.9	264.6	264.6
Accounts Receivable - Vendors	69.0	60.6	67.1	69.3	69.3	69.5	75.0	76.9	72.6	72.6	68.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Inventories	2,397.0	2,462.8	2,517.9	2,554.8	2,554.8	2,528.0	2,561.0	2,606.8	2,631.0	2,631.0	2,701.8	2,780.0	2,741.9	2,723.8	2,723.8	2,848.8	2,878.8	2,905.1	2,861.3	2,861.3
Other Current Assets	40.7	38.5	34.7	48.4	48.4	40.9	37.7	33.1	29.0	29.0	36.9	38.3	39.0	36.6	36.6	38.8	40.6	41.5	38.9	38.9
<b>Total Current Assets</b>	<b>3,161</b>	<b>3,172</b>	<b>3,071</b>	<b>3,067</b>	<b>3,067</b>	<b>3,274</b>	<b>3,109</b>	<b>3,158</b>	<b>3,010</b>	<b>3,010</b>	<b>3,701</b>	<b>3,751</b>	<b>3,799</b>	<b>3,733</b>	<b>3,733</b>	<b>4,169</b>	<b>4,171</b>	<b>4,269</b>	<b>4,171</b>	<b>4,171</b>
Property and Equipment	3,676.1	3,784.7	3,895.2	3,993.5	3,993.5	4,080.4	4,166.6	4,275.3	4,372.3	4,372.3	4,473.7	4,581.5	4,691.5	4,794.4	4,794.4	4,915.4	5,042.3	5,172.0	5,293.3	5,293.3
Accumulated depreciation and amortiz	(1,213.0)	(1,255.8)	(1,294.1)	(1,334.9)	(1,334.9)	(1,381.5)	(1,422.7)	(1,470.2)	(1,510.7)	(1,510.7)	(1,559.8)	(1,614.5)	(1,670.3)	(1,722.6)	(1,722.6)	(1,795.2)	(1,871.3)	(1,949.1)	(2,021.9)	(2,021.9)
Net Property & Equipment	2,463.1	2,528.9	2,601.1	2,658.6	2,658.6	2,698.8	2,743.8	2,805.2	2,861.6	2,861.6	2,913.9	2,967.0	3,021.1	3,071.8	3,071.8	3,120.2	3,171.0	3,222.8	3,271.4	3,271.4
Goodwill	756.2	756.3	756.3	756.4	756.4	756.4	756.9	757.1	757.1	757.1	757.1	757.1	757.1	757.1	757.1	757.1	757.1	757.1	757.1	757.1
Notes Receivable	12.2	15.2	14.3	13.3	13.3	12.4	15.3	14.3	13.2	13.2	12.2	12.2	12.2	12.2	12.2	12.2	12.2	12.2	12.2	12.2
Other assets	37.0	35.4	32.7	45.0	45.0	43.9	43.1	41.2	34.7	34.7	35.1	35.1	35.1	35.1	35.1	35.1	35.1	35.1	35.1	35.1
<b>Total Assets</b>	<b>6,430</b>	<b>6,508</b>	<b>6,475</b>	<b>6,540</b>	<b>6,540</b>	<b>6,786</b>	<b>6,668</b>	<b>6,775</b>	<b>6,677</b>	<b>6,677</b>	<b>7,420</b>	<b>7,523</b>	<b>7,625</b>	<b>7,609</b>	<b>7,609</b>	<b>8,094</b>	<b>8,146</b>	<b>8,297</b>	<b>8,246</b>	<b>8,246</b>
<b>Liabilities and Shareholders' Equity</b>																				
Note Payable	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Taxes Payable	52.0	0.0	0.0	0.0	0.0	78.9	0.0	0.0	0.0	0.0	114.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accounts Payable	2,160.9	2,302.3	2,409.1	2,417.2	2,417.2	2,470.7	2,536.0	2,626.1	2,608.2	2,608.2	2,782.6	2,811.1	2,818.8	2,752.5	2,752.5	2,991.9	2,971.4	3,046.6	2,969.7	2,969.7
Self insurance reserves	68.6	67.6	65.6	64.9	64.9	67.7	65.9	69.3	72.7	72.7	71.1	70.4	73.8	77.5	77.5	74.6	74.7	78.5	82.3	82.3
Accrued Payroll	64.5	67.7	71.5	78.4	78.4	75.1	83.5	84.3	59.1	59.1	66.8	89.2	89.8	135.0	135.0	70.1	94.7	95.5	143.5	143.5
Accrued Benefits and Other Liabilities	42.4	51.3	58.6	62.9	62.9	42.4	53.0	65.0	72.2	72.2	49.2	56.6	69.3	62.3	62.3	51.6	60.1	73.7	66.2	66.2
Deferred Taxes	22.0	22.2	21.0	17.3	17.3	16.7	9.8	7.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Current Liabilities	187.4	216.0	220.1	189.8	189.8	200.9	258.7	251.8	234.1	234.1	231.7	239.1	243.7	228.4	228.4	242.0	253.8	259.4	242.8	242.8
Current Portion Long Term Debt	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total Current Liabilities</b>	<b>2,598</b>	<b>2,727</b>	<b>2,846</b>	<b>2,831</b>	<b>2,831</b>	<b>2,952</b>	<b>3,007</b>	<b>3,104</b>	<b>3,046</b>	<b>3,046</b>	<b>3,316</b>	<b>3,266</b>	<b>3,295</b>	<b>3,256</b>	<b>3,256</b>	<b>3,430</b>	<b>3,455</b>	<b>3,554</b>	<b>3,505</b>	<b>3,505</b>
Long Term Debt	1,396.2	1,396.4	1,396.5	1,396.6	1,396.6	1,396.7	1,396.9	1,397.0	1,390.0	1,390.0	1,885.9	1,885.9	1,885.9	1,885.9	1,885.9	2,185.9	2,185.9	2,185.9	2,185.9	2,185.9
Deferred Taxes	75.2	66.1	61.8	85.2	85.2	81.3	77.3	72.2	79.8	79.8	76.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Long Term Liabilities	197.3	200.8	194.6	209.5	209.5	211.8	217.1	200.1	199.2	199.2	201.9	201.9	201.9	201.9	201.9	201.9	201.9	201.9	201.9	201.9
<b>Total Liabilities</b>	<b>4,267</b>	<b>4,390</b>	<b>4,499</b>	<b>4,522</b>	<b>4,522</b>	<b>4,642</b>	<b>4,698</b>	<b>4,773</b>	<b>4,715</b>	<b>4,715</b>	<b>5,480</b>	<b>5,354</b>	<b>5,383</b>	<b>5,343</b>	<b>5,343</b>	<b>5,818</b>	<b>5,842</b>	<b>5,942</b>	<b>5,892</b>	<b>5,892</b>
<b>Shareholders' Equity</b>																				
Common Stock	1.1	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Paid-in Capital	1,162.4	1,168.0	1,168.7	1,194.9	1,194.9	1,234.1	1,242.8	1,268.4	1,281.5	1,281.5	1,301.1	1,235.4	989.9	748.6	748.6	461.0	173.0	(116.6)	(403.0)	(403.0)
Retained Earnings	999.7	948.5	806.6	822.5	822.5	908.4	726.2	732.7	678.8	678.8	637.8	932.2	1,250.5	1,516.4	1,516.4	1,814.2	2,129.7	2,470.6	2,755.9	2,755.9
Notes Receivable	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total Equity</b>	<b>2,163</b>	<b>2,118</b>	<b>1,976</b>	<b>2,018</b>	<b>2,018</b>	<b>2,144</b>	<b>1,970</b>	<b>2,002</b>	<b>1,961</b>	<b>1,961</b>	<b>1,940</b>	<b>2,169</b>	<b>2,241</b>	<b>2,266</b>	<b>2,266</b>	<b>2,276</b>	<b>2,304</b>	<b>2,355</b>	<b>2,354</b>	<b>2,354</b>
<b>Total Liabilities &amp; Shareholders' E</b>	<b>6,430</b>	<b>6,508</b>	<b>6,475</b>	<b>6,540</b>	<b>6,540</b>	<b>6,786</b>	<b>6,668</b>	<b>6,775</b>	<b>6,677</b>	<b>6,677</b>	<b>7,420</b>	<b>7,523</b>	<b>7,625</b>	<b>7,609</b>	<b>7,609</b>	<b>8,094</b>	<b>8,146</b>	<b>8,297</b>	<b>8,246</b>	<b>8,246</b>

Source: Company reports, UBS estimates

Figure 11: ORLY store count information

	2014					2015					2016E					2017E				
	Mar-14	Jun-14	Sep-14	Dec-14	FY'14	Mar-15	Jun-15	Sep-15	Dec-15	FY'15	Mar-16	Jun-16E	Sep-16E	Dec-16E	FY'16 E	Mar-17E	Jun-17E	Sep-17E	Dec-17E	FY'17 E
Days in Period	90	91	92	92	365	90	91	92	92	365	91	91	92	92	366	90	91	92	92	365
<b>Store Count</b>																				
<b>O'Reilly Stores beg. of period</b>	4,166	4,216	4,257	4,311	4,166	4,366	4,433	4,465	4,523	4,366	4,571	4,623	4,658	4,718	4,571	4,768	4,818	4,868	4,918	4,768
Stores opened or acquired	51	42	57	57	207	67	32	59	49	207	52	35	60	50	197	50	50	50	50	200
Converted CSK Stores	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Stores closures or dispositions	1	1	3	2	7	0	0	1	1	2	0	0	0	0	0	0	0	0	0	0
Net additions	50	41	54	55	200	67	32	58	48	205	52	35	60	50	197	50	50	50	50	200
<b>O'Reilly Stores, end of period</b>	<b>4,216</b>	<b>4,257</b>	<b>4,311</b>	<b>4,366</b>	<b>4,366</b>	<b>4,433</b>	<b>4,465</b>	<b>4,523</b>	<b>4,571</b>	<b>4,571</b>	<b>4,623</b>	<b>4,658</b>	<b>4,718</b>	<b>4,768</b>	<b>4,768</b>	<b>4,818</b>	<b>4,868</b>	<b>4,918</b>	<b>4,968</b>	<b>4,968</b>
<b>Total Stores beg. of period</b>	4,166	4,216	4,257	4,311	4,166	4,366	4,433	4,465	4,523	4,366	4,571	4,623	4,658	4,718	4,571	4,768	4,818	4,868	4,918	4,768
Stores opened or acquired	51	42	57	57	207	67	32	59	49	207	52	35	60	50	197	50	50	50	50	200
Stores closures or dispositions	1	1	3	2	7	0	0	1	1	2	0	0	0	0	0	0	0	0	0	0
Net additions	50	41	54	55	200	67	32	58	48	205	52	35	60	50	197	50	50	50	50	200
<b>Total Stores, end of period</b>	<b>4,216</b>	<b>4,257</b>	<b>4,311</b>	<b>4,366</b>	<b>4,366</b>	<b>4,433</b>	<b>4,465</b>	<b>4,523</b>	<b>4,571</b>	<b>4,571</b>	<b>4,623</b>	<b>4,658</b>	<b>4,718</b>	<b>4,768</b>	<b>4,768</b>	<b>4,818</b>	<b>4,868</b>	<b>4,918</b>	<b>4,968</b>	<b>4,968</b>
<b>Average Store Size (sq ft -'000's)</b>																				
Average Size of Stores - O'Reilly Brand	7.2	7.2	7.2	7.2	7.2	7.2	7.2	7.2	7.2	7.2	7.2	7.2	7.2	7.2	7.2	7.2	7.2	7.2	7.2	7.2
Average Size of Stores - CSK Brand	7.1	7.1	7.1	7.1	7.1	7.1	7.1	7.1	7.1	7.1	7.1	7.1	7.1	7.1	7.1	7.1	7.1	7.1	7.1	7.1
Average Size of Stores	7.2	7.2	7.2	7.2	7.2	7.2	7.2	7.2	7.3	7.2	7.3	7.2	7.2	7.2	7.2	7.2	7.2	7.2	7.2	7.2
Yr./Yr. Growth	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	-1%	-1%	-1%	0%	-1%	0%	0%	0%	0%
Average Size of New Stores	9.2	7.7	7.3	7.7	7.2	9.9	7.3	7.6	7.7	7.2	12.4	-0.6	7.2	7.2	7.2	7.2	7.2	7.2	7.2	7.2
Yr./Yr. Growth	26%	7%	-9%	-7%	0%	8%	-5%	5%	-1%	0%	25%	-108%	-6%	-6%	0%	-42%	-1332%	0%	0%	0%
<b>Square Footage (mm's)</b>																				
<b>Sales Floor Square Feet</b>	<b>30.5</b>	<b>30.8</b>	<b>31.2</b>	<b>31.6</b>	<b>31.4</b>	<b>32.1</b>	<b>32.3</b>	<b>32.8</b>	<b>33.1</b>	<b>32.9</b>	<b>33.6</b>	<b>33.5</b>	<b>34.0</b>	<b>34.3</b>	<b>34.3</b>	<b>34.7</b>	<b>35.1</b>	<b>35.4</b>	<b>35.8</b>	<b>35.8</b>
Yr./Yr. Growth	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	4%	4%	4%	4%	3%	5%	4%	4%	4%
<b>New Sales Floor Square Feet</b>	<b>0.5</b>	<b>0.3</b>	<b>0.4</b>	<b>0.4</b>	<b>1.4</b>	<b>0.7</b>	<b>0.2</b>	<b>0.4</b>	<b>0.4</b>	<b>1.5</b>	<b>0.6</b>	<b>0.0</b>	<b>0.4</b>	<b>0.4</b>	<b>1.4</b>	<b>0.4</b>	<b>0.4</b>	<b>0.4</b>	<b>0.4</b>	<b>1.4</b>
Yr./Yr. Growth	-3%	-5%	2%	66%	5%	45%	-26%	12%	-13%	2%	-3%	-109%	-2%	-2%	-4%	-44%	-1859%	-17%	0%	2%
<b>Avg Sales Floor Square Feet</b>	<b>30.2</b>	<b>30.6</b>	<b>31.0</b>	<b>31.4</b>	<b>30.7</b>	<b>31.8</b>	<b>32.2</b>	<b>32.6</b>	<b>33.0</b>	<b>32.2</b>	<b>33.2</b>	<b>33.5</b>	<b>33.8</b>	<b>34.2</b>	<b>33.6</b>	<b>34.5</b>	<b>34.9</b>	<b>35.2</b>	<b>35.6</b>	<b>35.1</b>
Yr./Yr. Growth	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	4%	4%	4%	4%	4%	4%	4%	4%	4%

Source: Company reports, UBS estimates



## O'Reilly Automotive, Inc. (ORLY.O)

	12/13	12/14	12/15	12/16E	% ch	12/17E	% ch	12/18E	12/19E	12/20E
<b>Income statement (US\$m)</b>										
<b>Revenues</b>	<b>6,649</b>	<b>7,216</b>	<b>7,967</b>	<b>8,561</b>	<b>7.5</b>	<b>9,071</b>	<b>6.0</b>	<b>9,523</b>	<b>9,989</b>	<b>10,470</b>
Gross profit	3,369	3,709	4,163	4,491	7.9	4,802	6.9	5,060	5,328	5,606
<b>EBITDA (UBS)</b>	<b>1,289</b>	<b>1,467</b>	<b>1,745</b>	<b>1,913</b>	<b>9.6</b>	<b>2,173</b>	<b>13.6</b>	<b>2,319</b>	<b>2,473</b>	<b>2,629</b>
Depreciation & amortisation	(185)	(196)	(212)	(216)	1.5	(299)	38.9	(314)	(330)	(346)
<b>EBIT (UBS)</b>	<b>1,103</b>	<b>1,270</b>	<b>1,533</b>	<b>1,697</b>	<b>10.7</b>	<b>1,874</b>	<b>10.4</b>	<b>2,005</b>	<b>2,143</b>	<b>2,283</b>
Associates & investment income	0	0	0	0	-	0	-	0	0	0
Other non-operating income	3	3	1	3	188.1	3	-2.1	3	3	3
Net interest	(47)	(51)	(55)	(57)	-4.0	(54)	5.2	(54)	(54)	(54)
Exceptionals (incl goodwill)	0	0	0	0	-	0	-	0	0	0
<b>Profit before tax</b>	<b>1,059</b>	<b>1,222</b>	<b>1,479</b>	<b>1,644</b>	<b>11.1</b>	<b>1,823</b>	<b>10.9</b>	<b>1,954</b>	<b>2,092</b>	<b>2,232</b>
Tax	(389)	(444)	(536)	(601)	-12.1	(667)	-10.9	(715)	(765)	(816)
<b>Profit after tax</b>	<b>670</b>	<b>778</b>	<b>943</b>	<b>1,043</b>	<b>10.5</b>	<b>1,156</b>	<b>10.9</b>	<b>1,239</b>	<b>1,327</b>	<b>1,416</b>
Preference dividends	0	0	0	0	-	0	-	0	0	0
Minorities	0	0	0	0	-	0	-	0	0	0
Extraordinary items	0	0	(12)	0	-	0	-	0	0	0
<b>Net earnings (local GAAP)</b>	<b>670</b>	<b>778</b>	<b>931</b>	<b>1,043</b>	<b>12.0</b>	<b>1,156</b>	<b>10.9</b>	<b>1,239</b>	<b>1,327</b>	<b>1,416</b>
<b>Net earnings (UBS)</b>	<b>670</b>	<b>778</b>	<b>943</b>	<b>1,043</b>	<b>10.5</b>	<b>1,156</b>	<b>10.9</b>	<b>1,239</b>	<b>1,327</b>	<b>1,416</b>
Tax rate (%)	36.7	36.3	36.2	36.6	0.9	36.6	0.0	36.6	36.6	36.6
<b>Per share (US\$)</b>										
EPS (UBS, diluted)	6.03	7.34	9.29	10.72	15.4	12.35	15.2	13.76	15.28	16.88
EPS (local GAAP, diluted)	6.03	7.34	9.17	10.72	16.9	12.35	15.2	13.76	15.28	16.88
EPS (UBS, basic)	6.19	7.54	9.56	11.05	15.5	12.75	15.4	14.22	15.81	17.49
Net DPS (US\$)	0.00	0.00	0.00	0.00	-	0.00	-	0.00	0.00	0.00
Cash EPS (UBS, diluted) <sup>1</sup>	7.70	9.19	11.38	12.94	13.7	15.55	20.2	17.25	19.07	21.00
Book value per share	17.84	19.53	19.63	23.74	20.9	25.64	8.0	28.62	32.81	38.25
Average shares (diluted)	111.10	106.05	101.52	97.26	-4.2	93.61	-3.8	90.06	86.86	83.86
<b>Balance sheet (US\$m)</b>										
Cash and equivalents	231	251	116	724	NM	1,006	38.9	1,067	1,180	1,377
Other current assets	2,604	2,816	2,894	3,009	4.0	3,165	5.2	3,285	3,407	3,531
<b>Total current assets</b>	<b>2,835</b>	<b>3,067</b>	<b>3,010</b>	<b>3,733</b>	<b>24.0</b>	<b>4,171</b>	<b>11.7</b>	<b>4,351</b>	<b>4,586</b>	<b>4,908</b>
Net tangible fixed assets	2,425	2,659	2,862	3,072	7.3	3,271	6.5	3,481	3,701	3,931
Net intangible fixed assets	756	756	757	757	0.0	757	0.0	757	757	757
Investments / other assets	51	58	48	47	-1.5	47	0.0	47	47	47
<b>Total assets</b>	<b>6,067</b>	<b>6,540</b>	<b>6,677</b>	<b>7,609</b>	<b>14.0</b>	<b>8,246</b>	<b>8.4</b>	<b>8,637</b>	<b>9,091</b>	<b>9,643</b>
Trade payables & other ST liabilities	2,423	2,831	3,046	3,256	6.9	3,505	7.6	3,723	3,916	4,117
Short term debt	0	0	0	0	-	0	-	0	0	0
<b>Total current liabilities</b>	<b>2,423</b>	<b>2,831</b>	<b>3,046</b>	<b>3,256</b>	<b>6.9</b>	<b>3,505</b>	<b>7.6</b>	<b>3,723</b>	<b>3,916</b>	<b>4,117</b>
Long term debt	1,396	1,397	1,390	1,886	35.7	2,186	15.9	2,186	2,186	2,186
Other long term liabilities	282	295	279	202	-27.6	202	0.0	202	202	202
Preferred shares	0	0	0	0	-	0	-	0	0	0
<b>Total liabilities (incl pref shares)</b>	<b>4,101</b>	<b>4,522</b>	<b>4,715</b>	<b>5,343</b>	<b>13.3</b>	<b>5,892</b>	<b>10.3</b>	<b>6,110</b>	<b>6,304</b>	<b>6,505</b>
Common s/h equity	1,966	2,018	1,961	2,266	15.5	2,354	3.9	2,526	2,787	3,139
Minority interests	0	0	0	0	-	0	-	0	0	0
<b>Total liabilities &amp; equity</b>	<b>6,067</b>	<b>6,540</b>	<b>6,677</b>	<b>7,609</b>	<b>14.0</b>	<b>8,246</b>	<b>8.4</b>	<b>8,637</b>	<b>9,091</b>	<b>9,643</b>
<b>Cash flow (US\$m)</b>										
Net income (before pref divs)	670	778	931	1,043	12.0	1,156	10.9	1,239	1,327	1,416
Depreciation & amortisation	185	196	212	216	1.5	299	38.9	314	330	346
Net change in working capital	52	235	195	221	13.6	93	-57.8	98	72	77
Other operating	0	(19)	(57)	12	-	32	158.3	33	224	232
<b>Operating cash flow</b>	<b>908</b>	<b>1,190</b>	<b>1,281</b>	<b>1,492</b>	<b>16.4</b>	<b>1,581</b>	<b>6.0</b>	<b>1,684</b>	<b>1,952</b>	<b>2,070</b>
Tangible capital expenditure	(396)	(430)	(414)	(425)	-2.6	(499)	-17.5	(524)	(549)	(576)
Intangible capital expenditure	0	0	0	0	-	0	-	0	0	0
Net (acquisitions) / disposals	2	3	3	1	-68.7	0	-	0	0	0
Other investing	5	4	4	1	-	0	-	0	0	0
<b>Investing cash flow</b>	<b>(389)</b>	<b>(423)</b>	<b>(407)</b>	<b>(423)</b>	<b>-3.8</b>	<b>(499)</b>	<b>-18.0</b>	<b>(524)</b>	<b>(549)</b>	<b>(576)</b>
Equity dividends paid	0	0	0	0	-	0	-	0	0	0
Share issues / (buybacks)	(864)	(797)	(1,072)	(972)	9.3	(1,100)	-13.2	(1,100)	(1,100)	(1,100)
Other financing	28	49	63	11	-82.50	0	-	0	0	0
Change in debt & pref shares	300	0	0	499	-	300	-39.90	0	0	0
<b>Financing cash flow</b>	<b>(536)</b>	<b>(748)</b>	<b>(1,009)</b>	<b>(461)</b>	<b>54.3</b>	<b>(800)</b>	<b>-73.4</b>	<b>(1,100)</b>	<b>(1,100)</b>	<b>(1,100)</b>
<b>Cash flow inc/(dec) in cash</b>	<b>(17)</b>	<b>19</b>	<b>(134)</b>	<b>608</b>	<b>-</b>	<b>282</b>	<b>-53.6</b>	<b>61</b>	<b>303</b>	<b>394</b>
FX / non cash items	0	0	0	0	-	0	-	0	(190)	(197)
<b>Balance sheet inc/(dec) in cash</b>	<b>(17)</b>	<b>19</b>	<b>(134)</b>	<b>608</b>	<b>-</b>	<b>282</b>	<b>-53.6</b>	<b>61</b>	<b>113</b>	<b>198</b>

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.<sup>1</sup>Cash EPS (UBS, diluted) is calculated using UBS net income adding back depreciation and amortization.



## O'Reilly Automotive, Inc. (ORLY.O)

Valuation (x)	12/13	12/14	12/15	12/16E	12/17E	12/18E	12/19E	12/20E
P/E (local GAAP, diluted)	18.9	21.1	25.3	24.7	21.5	19.3	17.3	15.7
P/E (UBS, diluted)	18.9	21.1	25.0	24.7	21.5	19.3	17.3	15.7
P/CEPS	14.4	16.4	19.8	19.9	16.5	14.9	13.4	12.2
Equity FCF (UBS) yield %	4.0	4.6	3.7	4.1	4.1	4.4	5.4	5.7
Net dividend yield (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
P/BV x	6.4	7.9	11.8	11.2	10.3	9.3	8.1	6.9
EV/revenues (core)	2.1	2.5	3.1	3.2	3.0	2.9	2.7	2.6
EV/EBITDA (core)	10.8	12.1	14.3	14.3	12.6	11.7	11.0	10.4
EV/EBIT (core)	12.6	14.0	16.3	16.1	14.6	13.6	12.7	11.9
EV/OpFCF (core)	16.3	17.9	19.4	18.9	16.7	15.6	14.5	13.6
EV/op. invested capital	4.6	5.7	7.8	8.2	7.9	7.6	7.3	7.1
<b>Enterprise value (US\$m)</b>	<b>12/13</b>	<b>12/14</b>	<b>12/15</b>	<b>12/16E</b>	<b>12/17E</b>	<b>12/18E</b>	<b>12/19E</b>	<b>12/20E</b>
Market cap.	12,856	16,660	23,719	26,115	26,115	26,115	26,115	26,115
Net debt (cash)	1,011	1,151	1,279	1,167	1,185	1,124	1,176	1,176
Buy out of minorities	0	0	0	0	0	0	0	0
Pension provisions/other	0	0	0	0	0	0	0	0
<b>Total enterprise value</b>	<b>13,868</b>	<b>17,811</b>	<b>24,998</b>	<b>27,282</b>	<b>27,300</b>	<b>27,240</b>	<b>27,291</b>	<b>27,291</b>
Non core assets	(13)	(13)	(13)	(12)	(12)	(12)	(12)	(12)
<b>Core enterprise value</b>	<b>13,855</b>	<b>17,797</b>	<b>24,984</b>	<b>27,270</b>	<b>27,288</b>	<b>27,227</b>	<b>27,279</b>	<b>27,279</b>
<b>Growth (%)</b>	<b>12/13</b>	<b>12/14</b>	<b>12/15</b>	<b>12/16E</b>	<b>12/17E</b>	<b>12/18E</b>	<b>12/19E</b>	<b>12/20E</b>
Revenue	7.6	8.5	10.4	7.5	6.0	5.0	4.9	4.8
EBITDA (UBS)	11.5	13.8	19.0	9.6	13.6	6.7	6.6	6.3
EBIT (UBS)	12.9	15.1	20.7	10.7	10.4	7.0	6.9	6.5
EPS (UBS, diluted)	27.2	21.6	26.6	15.4	15.2	11.4	11.0	10.5
Net DPS	-	-	-	-	-	-	-	-
<b>Margins &amp; Profitability (%)</b>	<b>12/13</b>	<b>12/14</b>	<b>12/15</b>	<b>12/16E</b>	<b>12/17E</b>	<b>12/18E</b>	<b>12/19E</b>	<b>12/20E</b>
Gross profit margin	50.7	51.4	52.3	52.5	52.9	53.1	53.3	53.5
EBITDA margin	19.4	20.3	21.9	22.3	24.0	24.4	24.8	25.1
EBIT margin	16.6	17.6	19.2	19.8	20.7	21.1	21.5	21.8
Net earnings (UBS) margin	10.1	10.8	11.8	12.2	12.7	13.0	13.3	13.5
ROIC (EBIT)	36.3	40.5	48.0	51.1	53.9	56.0	57.7	59.1
ROIC post tax	23.0	25.8	30.6	32.4	34.2	35.5	36.6	37.5
ROE (UBS)	32.9	39.1	47.4	49.3	50.1	50.8	49.9	47.8
<b>Capital structure &amp; Coverage (x)</b>	<b>12/13</b>	<b>12/14</b>	<b>12/15</b>	<b>12/16E</b>	<b>12/17E</b>	<b>12/18E</b>	<b>12/19E</b>	<b>12/20E</b>
Net debt / EBITDA	0.9	0.8	0.7	0.6	0.5	0.5	0.4	0.3
Net debt / total equity %	59.5	57.0	65.2	51.5	50.3	44.5	36.3	25.9
Net debt / (net debt + total equity) %	37.3	36.3	39.5	34.0	33.5	30.8	26.6	20.6
Net debt/EV %	8.4	6.5	5.1	4.3	4.3	4.1	3.7	3.0
Capex / depreciation %	NM	NM	195.0	197.0	166.7	166.7	166.7	166.7
Capex / revenue %	6.0	6.0	5.2	5.0	5.5	5.5	5.5	5.5
EBIT / net interest	23.4	24.9	28.0	29.8	34.7	37.1	39.7	42.3
Dividend cover (UBS)	-	-	-	-	-	-	-	-
Div. payout ratio (UBS) %	-	-	-	-	-	-	-	-
<b>Revenues by division (US\$m)</b>	<b>12/13</b>	<b>12/14</b>	<b>12/15</b>	<b>12/16E</b>	<b>12/17E</b>	<b>12/18E</b>	<b>12/19E</b>	<b>12/20E</b>
Others	6,649	7,216	7,967	8,561	9,071	9,523	9,989	10,470
<b>Total</b>	<b>6,649</b>	<b>7,216</b>	<b>7,967</b>	<b>8,561</b>	<b>9,071</b>	<b>9,523</b>	<b>9,989</b>	<b>10,470</b>
<b>EBIT (UBS) by division (US\$m)</b>	<b>12/13</b>	<b>12/14</b>	<b>12/15</b>	<b>12/16E</b>	<b>12/17E</b>	<b>12/18E</b>	<b>12/19E</b>	<b>12/20E</b>
Others	1,103	1,270	1,533	1,697	1,874	2,005	2,143	2,283
<b>Total</b>	<b>1,103</b>	<b>1,270</b>	<b>1,533</b>	<b>1,697</b>	<b>1,874</b>	<b>2,005</b>	<b>2,143</b>	<b>2,283</b>

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.

**Forecast returns**

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Forecast price appreciation	+15.1%
Forecast dividend yield	0.0%
Forecast stock return	+15.1%
Market return assumption	5.8%
Forecast excess return	+9.3%

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**Valuation Method and Risk Statement**

Investing in shares of O'Reilly Automotive entails certain risks including, but not limited to, changes in trends of consumer and professional installer spending, unfavorable weather, declines in average age of vehicle or miles driven, intensified competition from other retailers, and regional economic conditions.

Our PT is based on a DCF/Multiple blend.

## Required Disclosures

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### UBS Investment Research: Global Equity Rating Definitions

12-Month Rating	Definition	Coverage <sup>1</sup>	IB Services <sup>2</sup>
Buy	FSR is > 6% above the MRA.	49%	32%
Neutral	FSR is between -6% and 6% of the MRA.	38%	26%
Sell	FSR is > 6% below the MRA.	14%	19%
Short-Term Rating	Definition	Coverage <sup>3</sup>	IB Services <sup>4</sup>
Buy	Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.	<1%	<1%
Sell	Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.	<1%	<1%

Source: UBS. Rating allocations are as of 31 March 2016.

1:Percentage of companies under coverage globally within the 12-month rating category.

2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.

3:Percentage of companies under coverage globally within the Short-Term rating category.

4:Percentage of companies within the Short-Term rating category for which investment banking (IB) services were provided within the past 12 months.

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UBS Securities LLC: Michael Lasser; Mark Carden; Michael Goldsmith.

## Company Disclosures

Company Name	Reuters	12-month rating	Short-term rating	Price	Price date
O'Reilly Automotive, Inc. <sup>16</sup>	ORLY.O	Buy	N/A	US\$265.03	28 Apr 2016

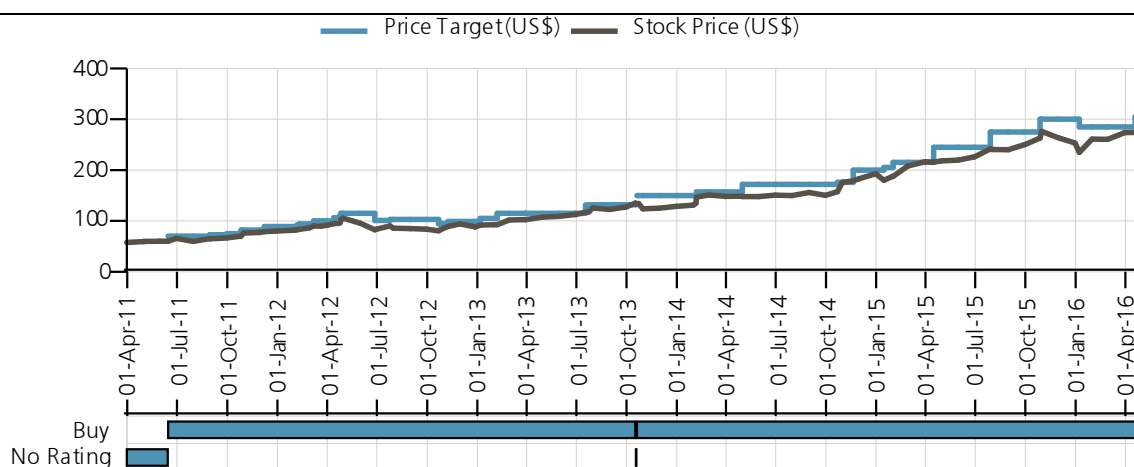
Source: UBS. All prices as of local market close.

Ratings in this table are the most current published ratings prior to this report. They may be more recent than the stock pricing date

16. UBS Securities LLC makes a market in the securities and/or ADRs of this company.

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## O'Reilly Automotive, Inc. (US\$)



Source: UBS; as of 28 Apr 2016

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