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O REILLY AUTOMOTIVE INC
Form 8-K
October 29, 2004

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K
CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of report (Date of earliest event reported): October 26, 2004

O'REILLY AUTOMOTIVE, INC.
(Exact Name of Registrant as Specified in Its Charter)

Missouri

44-0618012

(State or Other Jurisdiction
of Incorporation)

(IRS Employer Identification No.)

233 S. Patterson
Springfield, Missouri 65802

(Address of Principal Executive Offices) (Zip Code)

417-862-6708

(Registrant's Telephone Number, Including Area Code)

(Not Applicable)

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240-13e-4(c))

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Section 2 - Financial Information

Item 2.02 Results of Operations and Financial Condition.

On October 26, 2004, O'Reilly Automotive, Inc. issued a press release announcing thrid quarter earnings. The text of the press release is attached hereto as Exhibit 99.1.

Section 7 - Regulation FD

ITEM 7.01. REGULATION FD DISCLOSURE

On October 26, 2004, O'Reilly Automotive, Inc. issued a press release announcing thrid quarter earnings. The text of the press release is attached hereto as Exhibit 99.1.

Section 9 - Financial Statements and Exhibits

Item 9.01 Financial Statements and Exhibits

Exhibit

| Number | Description |
|--------|--------------------------------------|
| 99.1 | Press Release dated October 26, 2004 |

The information in this Current Report on Form 8-K, including the exhibit hereto, shall not be deemed "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: October 28, 2004

O'REILLY AUTOMOTIVE, INC.

By:/s/ James R. Batten

James R. Batten
Executive Vice President of Finance
Chief Financial Officer and Treasurer
(principal financial officer)

FOR IMMEDIATE RELEASE

For further information contact:

David O'Reilly
James R. Batten
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O'REILLY AUTOMOTIVE, INC. REPORTS RECORD THIRD QUARTER RESULTS
11.8% OPERATING MARGIN

Springfield, MO, October 26, 2004 -- O'Reilly Automotive, Inc. ("O'Reilly" or "the Company") (Nasdaq: ORLY) today announced record revenues and earnings for the third quarter of 2004, representing 44 quarters of record revenues and earnings for O'Reilly since becoming a public company in April 1993.

Net income for the third quarter ended September 30, 2004, totaled \$33.2 million, up 12.6% from \$29.5 million for the same period a year ago. Diluted earnings per share for the third quarter of 2004 increased 11.1% to \$0.60 on 55.8 million shares compared to \$0.54 for the third quarter of 2003 on 54.9 million shares. Product sales for the third quarter ended September 30, 2004, totaled \$455.2 million, up 10.4% from \$412.2 million for the same period a year ago. Gross profit for the third quarter of 2004 increased to \$195.8 million (or 43.0% of product sales) from \$175.7 million (or 42.6% of product sales) for the same period a year ago, representing an increase of 11.5%.

Net income for the first nine months of 2004 totaled \$93.0 million, up 22.1% from \$76.2 million for the same period a year ago. Diluted earnings per common share for the first nine months of 2004 increased 19.3% to \$1.67 on 55.6 million shares compared to \$1.40 a year ago on 54.3 million shares. Product sales for the first nine months of 2004 totaled \$1.29 billion, up 13.0% from \$1.14 billion for the same period a year ago. Gross profit for the first nine months of 2004 increased to \$552.9 million (or 42.7% of product sales) from \$482.3 million (or 42.1% of product sales) for the same period a year ago, representing an increase of 14.6%.

Comparable store product sales for stores open at least one year increased 3.4% and 6.2% for the third quarter and first nine months of 2004, respectively.

"We are very pleased with the company's performance this past quarter, particularly in light of the aftermarket's continued relative softness in sales and with the challenging circumstances that many of our stores in the southeast faced with the hurricane season," said David O'Reilly, co-chairman and chief executive officer. "Team O'Reilly fired on all eight cylinders throughout the quarter achieving a 3.4% comparable store sales increase and opening 35 new stores, driving a net income increase of 12.6%".

The Company will host a conference call Wednesday, October 27, 2004, at 10:00 a.m. central time to discuss its results, as well as future expectations. The call will be available by web cast at www.oreillyauto.com, www.vcall.com or www.streetevents.com. Investors may listen to the conference call live on the Company's web site, www.oreillyauto.com, by clicking "News". A replay will also be available on the web site shortly after the call.

O'Reilly Automotive, Inc. is one of the largest specialty retailers of automotive aftermarket parts, tools, supplies, equipment and accessories in the United States, serving both the do-it-yourself and professional installer markets. Founded in 1957 by the O'Reilly family, the Company operated 1,205 stores within the states of Alabama, Arkansas, Florida, Georgia, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Mississippi, Missouri, Nebraska, North Carolina, Oklahoma, Tennessee, Texas and Virginia as of September 30, 2004.

The Company claims the protection of the safe-harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. These statements discuss, among other things, expected growth, store development and expansion strategy, business strategies, future revenues and future

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performance. These forward-looking statements are based on estimates, projections, beliefs and assumptions and are not guarantees of future events and results. Such statements are subject to risks, uncertainties and assumptions, including, but not limited to, competition, product demand, the market for auto parts, the economy in general, inflation, consumer debt levels, governmental approvals, our ability to hire and retain qualified employees, risks associated with the integration of acquired businesses, weather, terrorist activities, war and the threat of war. Actual results may materially differ from anticipated results described in these forward-looking statements. Please refer to the Risk Factors sections of the Company's Form 10-K for the year ended December 31, 2003, for more details.

O'REILLY AUTOMOTIVE, INC. AND SUBSIDIARIES CONDENSED CONSOLIDATED BALANCE SHEETS (In thousands, except per share data)

| | September 30, 2004 | December 31, 2003 |
|---|--------------------------------|--------------------------------|
| | ----- (Unaudited) | ----- (Note) |
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 83,619 | \$ 21,094 |
| Accounts receivable, net | 61,493 | 52,235 |
| Amounts receivable from vendors, net | 44,276 | 50,695 |
| Inventory | 612,699 | 554,309 |
| Deferred income taxes | 5,854 | 4,753 |
| Other current assets | 6,143 | 4,399 |
| Total current assets | ----- 814,084 | ----- 687,485 |
| Property and equipment, at cost | 747,749 | 626,142 |
| Accumulated depreciation and amortization | 208,080 | 177,084 |
| Net property and equipment | ----- 539,669 | ----- 449,058 |
| Notes receivable, less current portion | 22,082 | 24,313 |
| Other assets, net | 29,493 | 26,736 |
| Total assets | ----- \$ 1,405,328 ===== | ----- \$ 1,187,592 ===== |
| Liabilities and shareholders' equity | | |
| Current liabilities: | | |
| Income taxes payable | \$ 17,128 | \$ 6,872 |
| Accounts payable | 268,153 | 176,513 |
| Accrued payroll | 15,415 | 17,307 |
| Accrued benefits and withholdings | 36,979 | 27,368 |
| Other current liabilities | 26,032 | 16,883 |
| Current portion of long-term debt | 592 | 925 |
| Total current liabilities | ----- 364,299 | ----- 245,868 |
| Long-term debt, less current portion | 100,469 | 120,977 |
| Deferred income taxes | 38,120 | 29,448 |
| Other liabilities | 7,770 | 7,014 |

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| | | |
|--|--------------|--------------|
| Shareholders' equity: | | |
| Common stock, \$0.01 par value: | | |
| Authorized shares - 90,000,000 | | |
| Issued and outstanding shares - | | |
| 55,208,493 at September 30, 2004, | 552 | 547 |
| and 54,664,976 at December 31, 2003 | | |
| Additional paid-in capital | 320,050 | 302,691 |
| Retained earnings | 574,068 | 481,047 |
| | ----- | ----- |
| Total shareholders' equity | 894,669 | 784,285 |
| | ----- | ----- |
| Total liabilities and shareholders' equity | \$ 1,405,328 | \$ 1,187,592 |
| | ===== | ===== |

O'REILLY AUTOMOTIVE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)
(In thousands, except per share data)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|-------------------------------------|------------|------------------------------------|--------------|
| | 2004 | 2003 | 2004 | 2003 |
| | ----- | ----- | ----- | ----- |
| Product sales | \$ 455,162 | \$ 412,182 | \$ 1,293,623 | \$ 1,144,800 |
| Cost of goods sold, including warehouse and distribution expenses | 259,314 | 236,529 | 740,679 | 666,100 |
| Gross profit | 195,848 | 175,653 | 552,944 | 478,700 |
| Operating, selling, general and administrative expenses | 142,039 | 127,291 | 402,798 | 355,100 |
| Operating income | 53,809 | 48,362 | 150,146 | 123,600 |
| Other expense, net | (791) | (1,179) | (1,675) | (1,100) |
| Income before income taxes | 53,018 | 47,183 | 148,471 | 122,500 |
| Provision for income taxes | 19,775 | 17,650 | 55,450 | 44,000 |
| Net income | \$ 33,243 | \$ 29,533 | \$ 93,021 | \$ 78,500 |
| Net income per common share | \$ 0.60 | \$ 0.55 | \$ 1.69 | \$ 1.55 |
| Net income per common share - assuming dilution | \$ 0.60 | \$ 0.54 | \$ 1.67 | \$ 1.54 |
| Weighted-average common shares outstanding | 55,140 | 54,090 | 54,923 | 51,000 |
| Adjusted weighted-average common shares outstanding - assuming dilution | 55,778 | 54,864 | 55,627 | 51,000 |

O'REILLY AUTOMOTIVE, INC. AND SUBSIDIARIES
SELECTED FINANCIAL INFORMATION

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(Unaudited)

| | September 30, | |
|---|---------------|--------|
| | 2004 | 2003 |
| Inventory turnover (1) | 1.65 | 1.64 |
| Inventory turnover, net of payables (2) | 2.61 | 2.16 |
| AP to inventory (3) | 43.8% | 28.7% |
| Debt-to-capital (4) | 10.2% | 12.9% |
| Return on equity (5) | 14.2% | 13.8% |
| Return on assets (6) | 9.2% | 9.0% |
| Square footage (in thousands) | 8,016 | 7,082 |
| Store count: | | |
| New stores, net (three months ended) | 35 | 33 |
| Total stores | 1,205 | 1,074 |
| Total employment | 17,320 | 15,660 |

| | Three Months Ended September 30, | |
|---|-------------------------------------|-----------|
| | 2004 | 2003 |
| Other information (in thousands): | | |
| Capital expenditures | \$ 44,472 | \$ 32,448 |
| Depreciation & amortization | \$ 12,512 | \$ 10,651 |
| Interest expense | \$ 1,542 | \$ 1,546 |
| Lease & rental expense | \$ 8,478 | \$ 8,559 |
| Sales per weighted-average square foot (7) | \$ 56.65 | \$ 57.63 |
| Sales per weighted-average store (in thousands) (8) | \$ 376 | \$ 380 |