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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 third 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 third 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
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99.1	Press Release dated October 26, 2004
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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

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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  
(417) 862-3333

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### O'REILLY AUTOMOTIVE, INC. REPORTS RECORD THIRD QUARTER RESULTS 11.8% OPERATING MARGIN

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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](http://www.oreillyauto.com), [www.vcall.com](http://www.vcall.com) or [www.streetevents.com](http://www.streetevents.com). Investors may listen to the conference call live on the Company's web site, [www.oreillyauto.com](http://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	\$ 1,140,000
Cost of goods sold, including warehouse and distribution expenses	259,314	236,529	740,679	660,000
	-----	-----	-----	-----
Gross profit	195,848	175,653	552,944	480,000
Operating, selling, general and administrative expenses	142,039	127,291	402,798	350,000
	-----	-----	-----	-----
Operating income	53,809	48,362	150,146	130,000
Other expense, net	(791)	(1,179)	(1,675)	(1,000)
	-----	-----	-----	-----
Income before income taxes	53,018	47,183	148,471	129,000
Provision for income taxes	19,775	17,650	55,450	40,000
	-----	-----	-----	-----
Net income	\$ 33,243	\$ 29,533	\$ 93,021	\$ 89,000
	=====	=====	=====	=====
Net income per common share	\$ 0.60	\$ 0.55	\$ 1.69	\$ 1.60
	=====	=====	=====	=====
Net income per common share - assuming dilution	\$ 0.60	\$ 0.54	\$ 1.67	\$ 1.58
	=====	=====	=====	=====
Weighted-average common shares outstanding	55,140	54,090	54,923	55,000
	=====	=====	=====	=====
Adjusted weighted-average common shares outstanding - assuming dilution	55,778	54,864	55,627	55,000
	=====	=====	=====	=====

## 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