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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained here, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer x Accelerated filer
Non-accelerated filer Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No x

At February 18, 2019, an aggregate of 78,375,610 shares of common stock of the registrant was outstanding.

At June 30, 2018, the aggregate market value of the voting stock held by non-affiliates of the Company was \$16,890,003,772 based on the last price of the common stock reported by The NASDAQ Global Select Market.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive proxy statement for the 2019 Annual Meeting of Shareholders to be filed with the Securities and Exchange Commission within 120 days after December 31, 2018, are incorporated by reference into Part III.

O'REILLY AUTOMOTIVE, INC. AND SUBSIDIARIES
 FORM 10-K
 FOR THE YEAR ENDED DECEMBER 31, 2018

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Forward-Looking Statements

We claim the protection of the safe-harbor for forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. You can identify these statements by forward-looking words such as “estimate,” “may,” “could,” “will,” “believe,” “expect,” “would,” “consider,” “should,” “anticipate,” “project,” “plan,” “intend” or similar words. statements contained within this annual report that are not historical facts are forward-looking statements, such as statements discussing, among other things, expected growth, store development, integration and expansion strategy, business strategies, future revenues and future 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, the economy in general, inflation, tariffs, product demand, the market for auto parts, competition, weather, risks associated with the performance of acquired businesses, our ability to hire and retain qualified employees, consumer debt levels, our increased debt levels, credit ratings on public debt, governmental regulations, information security and cyber attacks, terrorist activities, war and the threat of war. Actual results may materially differ from anticipated results described or implied in these forward-looking statements. Please refer to the “Risk Factors” section of our annual report on Form 10-K for the year ended December 31, 2018, for additional factors that could materially affect our financial performance. Forward-looking statements speak only as of the date they were made and we undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law.

PART I

Item 1. Business

GENERAL INFORMATION

O’Reilly Automotive, Inc. and its subsidiaries, collectively “we,” “us,” “our,” the “Company,” or “O’Reilly,” is one of the large specialty retailers of automotive aftermarket parts, tools, supplies, equipment and accessories in the United States, selling our products to both do-it-yourself (“DIY”) and professional service provider customers, our “dual market strategy.” The business was founded in 1957 by Charles F. O’Reilly and his son, Charles H. “Chub” O’Reilly, Sr., and initially operated from a single store in Springfield, Missouri. Our common stock has traded on The NASDAQ Global Select Market under the symbol “ORLY” since April 22, 1993.

At December 31, 2018, we operated 5,219 stores in 47 states. Our stores carry an extensive product line, including new and remanufactured automotive hard parts, such as alternators, batteries, brake system components, belts, chassis parts, driveline parts, engine parts, fuel pumps, hoses, starters, temperature control and water pumps; maintenance items, such as antifreeze, appearance products, engine additives, filters, fluids, lighting, oil and wiper blades; and accessories, such as floor mats, seat covers and truck accessories.

Our stores offer many enhanced services and programs to our customers, such as

- battery diagnostic testing;
- battery, wiper and bulb replacement;
- check engine light code extraction;
- custom hydraulic hoses;
- drum and rotor resurfacing;
- electrical and module testing;
- loaner tool program;
- machine shops;
- professional paint shop mixing and related materials; and

•used oil, oil filter and battery recycling.

See the “Risk Factors” section of Item 1A of this annual report on Form 10-K for a description of certain risks relevant to our business. These risk factors include, among others, deteriorating economic conditions, competition in the automotive aftermarket business, our sensitivity to regional economic and weather conditions, future growth assurance, our dependence upon key and other personnel, our relationships with key suppliers and availability of key products, our acquisition strategies, complications in our distribution centers (“DCs”), failure to achieve high levels of service and product quality, unanticipated fluctuations in our quarterly results, the volatility of the market price of our common stock, our increased debt levels, a downgrade in our credit ratings, data security, and environmental legislation and other regulations.

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OUR BUSINESS

Our goal is to continue to achieve growth in sales and profitability by capitalizing on our competitive advantages and executing our growth strategy. We remain confident in our ability to continue to gain market share in our existing markets and grow our business in new markets by focusing on our dual market strategy and the core O'Reilly values, including superior customer service and expense control. Our intent is to be the dominant auto parts provider in all the markets we serve, by providing a higher level of customer service and a better value position than our competitors to both DIY and professional service provider customers.

Competitive Advantages

We believe our effective dual market strategy, superior customer service, technically proficient store personnel, strategic distribution network and experienced management team make up our key competitive advantages, which cannot be easily duplicated.

Proven Ability to Execute Our Dual Market Strategy:

For more than 35 years, we have established a track record of effectively serving, at a high level, both DIY and professional service provider customers. We believe our proven ability to effectively execute a dual market strategy is a unique competitive advantage. The execution of this strategy enables us to better compete by targeting a larger base of automotive aftermarket parts consumers, capitalizing on our existing retail and distribution infrastructure, operating profitably in both large markets and less densely populated geographic areas that typically attract fewer competitors, and enhancing service levels offered to DIY customers through the offering of a broad inventory and the extensive product knowledge required by professional service provider customers.

In 2018, we derived approximately 57% of our sales from our DIY customers and approximately 43% of our sales from our professional service provider customers. Historically, we have increased our sales to professional service provider customers at a faster pace than the increase in our sales to DIY customers due to the more fragmented nature of the professional service provider business, which offers a greater opportunity for consolidation. We believe we will continue to have a competitive advantage on the professional service provider portion of our business, due to our systems, knowledge and experience serving the professional service provider side of the automotive aftermarket, supported by our approximately 790 full-time sales staff dedicated solely to calling upon and servicing the professional service provider customer. We will also continue to expand and enhance the level of offerings focused on growing our DIY business and will continue to execute our proven dual market strategy in both existing and new markets.

Superior Customer Service:

We seek to provide our customers with an efficient and pleasant in-store experience by maintaining attractive stores in convenient locations with a wide selection of automotive products. We believe the satisfaction of DIY and professional service provider customers is substantially dependent upon our ability to provide, in a timely fashion, the specific automotive products needed to complete their repairs. Accordingly, each O'Reilly store carries, or has same or next day availability to, a broad selection of automotive products designed to cover a wide range of vehicle applications. We continuously refine the inventory levels and assortments carried in each of our stores and within our network, based in large part on the sales movement tracked by our inventory control system, market vehicle registration data, failure rates and management's assessment of the changes and trends in the marketplace. We have no material backorders for the products we sell.

We seek to attract new DIY and professional service provider customers and retain existing customers by offering superior customer service, the key elements of which are identified below:

- superior in-store service through highly-motivated, technically-proficient store personnel (“Professional Parts People”);

- an extensive selection and availability of products;
- many enhanced service programs, including battery and electrical testing, battery, wiper and bulb replacement and check engine light code extractions;
- attractive stores in convenient locations;
- competitive pricing, supported by a good, better, best product assortment designed to meet all of our customers' quality and value preferences; and
- a robust point-of-sale system integrated with our proprietary electronic catalog, which contains a wide variety of product images, schematics and technical specifications and equips our Team Members with highly effective tools to source products in our extensive supply network.

Technically Proficient Professional Parts People:

Our highly-motivated, technically-proficient Professional Parts People provide us with a significant competitive advantage, particularly over less specialized retail operators. We require our Professional Parts People to undergo extensive and ongoing training and to be knowledgeable, particularly with respect to hard part repairs, in order to better serve the technically-oriented professional service provider customers with whom they interact on a daily basis. Such technical proficiency also enhances the customer service we provide to our DIY customers who value the expert assistance provided by our Professional Parts People.

Strategic Regional Tiered Distribution Network:

We believe our commitment to a robust, regional, tiered distribution network provides superior replenishment and access to hard-to-find parts and enables us to optimize product availability and inventory levels throughout our store network. Our strategic, regional, tiered distribution network includes DCs and Hub stores. Our inventory management and distribution systems electronically link each of our stores to one or more DCs, which provides for efficient inventory control and management. We currently operate 27 regional DCs, which provide our stores with same-day or overnight access to an average of 156,000 stock keeping units (“SKUs”), many of which are hard-to-find items not typically stocked by other auto parts retailers. To augment our robust distribution network, we operate a total of 342 Hub stores that also provide delivery service and same-day access to an average of 66,000 SKUs from a Super Hub or 42,000 SKUs from a Hub to other stores within the surrounding area. We believe this timely access to a broad range of products is a key competitive advantage in satisfying customer demand and generating repeat business.

Experienced Management Team:

Our Company philosophy is to “promote from within” and the vast majority of our senior management, district managers and store managers have been promoted from within the Company. We augment this promote from within philosophy by pursuing strategic hires with a strong emphasis on automotive aftermarket experience. We have a strong management team comprised of 194 senior managers who average 20 years of service; 254 corporate managers who average 16 years of service; and 518 district managers who average 13 years of service. Our management team has demonstrated the consistent ability to successfully execute our business plan and growth strategy by generating 26 consecutive years of record revenues and earnings and positive comparable store sales results since becoming a public company in April of 1993.

Growth Strategy

Aggressively Open New Stores:

We intend to continue to consolidate the fragmented automotive aftermarket. During 2018, we opened 200 net, new stores, and in 2019, we plan to open approximately 200 to 210 net, new stores, which will increase our penetration in existing markets and allow for expansion into new, contiguous markets. The sites for these new stores have been identified, and to date, we have not experienced significant difficulties in locating suitable sites for construction of new stores or identifying suitable acquisition targets for conversion to O’Reilly stores. In addition, after the close of business on December 31, 2018, we acquired the 33 Bennett Auto Supply, Inc. stores that were not included in our 2018 store count and were not operated by the Company in 2018. We typically open new stores by

- (i) constructing a new facility or renovating an existing one on property we purchase or lease and stocking the new store with fixtures and inventory;
- (ii) acquiring an independently owned auto parts store, typically by the purchase of substantially all of the inventory and other assets (other than realty) of such store; or
- (iii) purchasing multi-store chains.

New store sites are strategically located in clusters within geographic areas that complement our distribution network in order to achieve economies of scale in management, advertising and distribution. Other key factors we consider in the site selection process include population density and growth patterns, demographic lifestyle segmentation, age and per capita income, vehicle traffic counts, vehicles in operation, number and type of existing automotive repair

facilities and competing auto parts stores within a predetermined radius.

We target both small and large markets for expansion of our store network. While we have, and continue to face, aggressive competition in the more densely populated markets, we believe we have competed effectively, and are well positioned to continue to compete effectively, in such markets and to achieve our goal of continued profitable sales growth within these markets. We also believe that with our dual market strategy, we are better able to operate stores in less densely populated areas, which would not otherwise support a national chain store selling primarily to the retail automotive aftermarket. Therefore, we continue to pursue opening new stores in less densely populated market areas as part of our growth strategy.

Grow Sales in Existing Stores:

Profitable comparable store sales growth is also an important part of our growth strategy. To achieve improved sales and profitability at existing O'Reilly stores, we continually strive to improve the service provided to our customers. We believe that while competitive pricing is an essential component of successful growth in the automotive aftermarket business, it is customer satisfaction, whether of the DIY consumer or professional service provider, resulting from superior customer service, that generates increased sales and profitability.

Selectively Pursue Strategic Acquisitions:

The automotive aftermarket industry is still highly fragmented, and we believe the ability of national auto parts chains, like O'Reilly, to operate more efficiently and effectively than smaller independent operators, will result in continued industry consolidation. Our intention is to continue to selectively pursue strategic acquisitions that will strengthen our position as a leading automotive aftermarket parts supplier in existing markets and provide a springboard for expansion into new markets.

Continually Enhance Store Design and Location:

Our current prototype store design features optimized square footage, high ceilings, convenient interior store layouts, in-store signage, bright lighting, convenient ingress, egress and parking, and dedicated counters to serve professional service provider customers, each designed to increase sales and operating efficiencies to enhance overall customer service. We continually update the location and condition of our store network through systematic renovation and relocation of our existing stores to enhance store performance. During 2018, we relocated 18 stores and performed minor to major updates or renovations to approximately 1,000 additional stores. We believe that our ability to consistently achieve growth in comparable store sales is due in part to our commitment to maintaining an attractive store network, which is strategically located to best serve our customers.

Enhance and Improve Customer Omnichannel Experience:

Regardless of how our customers begin their interaction, whether in-store, over the telephone or digitally, and complete their transaction, whether in-store or delivery to their home or business, our goal is to provide excellent customer service and a seamless experience. Our user-friendly websites, www.OReillyAuto.com and www.FirstCallOnline.com, allow our customers to search product and repair content, check the in-store availability of our products, and place orders for either delivery or in-store pickup. We continue to improve the functionality of our websites to provide our customers with a user-friendly and convenient shopping experience, as well as a robust product and repair content information resource, which will continue to enhance the O'Reilly Brand.

Team Members

As of January 31, 2019, we employed 79,174 Team Members (49,476 full-time Team Members and 29,698 part-time Team Members), of whom 67,369 were employed at our stores, 8,372 were employed at our DCs and 3,433 were employed at our corporate and regional offices. A union represents 48 stores (506 Team Members) in the Greater Bay Area in California and has for many years. In addition, approximately 62 Team Members who drive over-the-road trucks in two of our DCs are represented by labor unions. Except for these Team Members, our Team Members are not represented by labor unions. Our tradition for 62 years has been to treat all of our Team Members with honesty and respect and to commit significant resources to instill in them our "Live Green" culture, which emphasizes the importance of each Team Member's contribution to the success of O'Reilly. This focus on professionalism and respect has created an industry-leading team, and we consider our relations with our Team Members to be excellent.

Store Network

New Store Site Selection:

In selecting sites for new stores, we seek to strategically locate store sites in clusters within geographic areas in order to achieve economies of scale in management, advertising and distribution. Other key factors we consider in the site

selection process are

• population density;

• demographics, including age, ethnicity, life style and per capita income;

• market economic strength, retail draw and growth patterns;

• number, age and percent of makes and models of registered vehicles;

• the number, type and sales potential of existing automotive repair facilities;

• the number of auto parts stores and other competitors within a predetermined radius;

• physical location, traffic count, size, economics and presentation of the site;

• financial review of adjacent existing locations; and

• the type and size of store that should be developed.

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When entering new, more densely populated markets, we generally seek to initially open several stores within a short span of time in order to maximize the effect of initial promotional programs and achieve economies of scale. After opening this initial cluster of new stores, we begin penetrating the less densely populated surrounding areas. As these store clusters mature, we evaluate the need to open additional locations in the more densely populated markets where we believe opportunities exist to expand our market share or to improve the level of service provided in high volume areas. This strategy enables us to achieve additional distribution and advertising efficiencies in each market.

Store Locations and Size:

As a result of our dual market strategy, we are able to profitably operate in both large, densely populated markets and small, less densely populated areas that would not otherwise support a national chain selling primarily to the retail automotive aftermarket. Our stores, on average, carry approximately 23,000 SKUs and average approximately 7,400 total square feet in size. At December 31, 2018, we had a total of approximately 38 million square feet in our 5,219 stores. Our stores are served primarily by the nearest DC, which averages 156,000 SKUs, but also have same-day access to the broad selection of inventory available at one of our 342 Hub stores, which are comprised of 84 Super Hubs that average approximately 15,600 square feet and carry an average of 66,000 SKUs and 258 Hubs that average approximately 10,000 square feet and carry an average of 42,000 SKUs.

We believe that our stores are “destination stores” generating their own traffic rather than relying on traffic created by the presence of other stores in the immediate vicinity. Consequently, most of our stores are freestanding buildings or prominent end caps situated on or near major traffic thoroughfares and offer ample parking, easy customer access and are generally located in close proximity to our professional service provider customers.

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The following table sets forth the geographic distribution and activity of our stores as of December 31, 2018 and 2017:

State	December 31, 2017		December 31, 2018 Net, New Stores		December 31, 2018		Cumulative	
	Store Total	% of	Store Total	% of	Store Total	% of	% of Total	
	Count	Store	Change	Store	Count	Store	Store	Count
	Count		Change		Count		Count	
Texas	690	13.7 %	16	8.0 %	706	13.5 %	13.5 %	
California	541	10.8 %	12	6.0 %	553	10.6 %	24.1 %	
Georgia	196	3.9 %	9	4.5 %	205	3.9 %	28.0 %	
Illinois	193	3.8 %	10	5.0 %	203	3.9 %	31.9 %	
Missouri	200	4.0 %	1	0.5 %	201	3.9 %	35.8 %	
Florida	180	3.6 %	20	10.0 %	200	3.8 %	39.6 %	
Ohio	180	3.6 %	16	8.0 %	196	3.8 %	43.4 %	
Tennessee	167	3.3 %	9	4.5 %	176	3.4 %	46.8 %	
North Carolina	162	3.2 %	11	5.5 %	173	3.3 %	50.1 %	
Michigan	162	3.2 %	6	3.0 %	168	3.2 %	53.3 %	
Washington	156	3.1 %	—	0.0 %	156	3.0 %	56.3 %	
Alabama	132	2.6 %	7	3.5 %	139	2.7 %	59.0 %	
Arizona	137	2.7 %	2	1.0 %	139	2.7 %	61.7 %	
Indiana	126	2.5 %	11	5.5 %	137	2.6 %	64.3 %	
Minnesota	122	2.4 %	3	1.5 %	125	2.4 %	66.7 %	
Louisiana	116	2.3 %	5	2.5 %	121	2.3 %	69.0 %	
Oklahoma	121	2.4 %	—	0.0 %	121	2.3 %	71.3 %	
Wisconsin	120	2.4 %	1	0.5 %	121	2.3 %	73.6 %	
Arkansas	110	2.2 %	2	1.0 %	112	2.1 %	75.7 %	
South Carolina	104	2.1 %	4	2.0 %	108	2.1 %	77.8 %	
Colorado	101	2.0 %	1	0.5 %	102	2.0 %	79.8 %	
Kentucky	88	1.8 %	7	3.5 %	95	1.7 %	81.5 %	
Kansas	84	1.7 %	1	0.5 %	85	1.6 %	83.1 %	
Mississippi	75	1.5 %	3	1.5 %	78	1.5 %	84.6 %	
Virginia	74	1.5 %	4	2.0 %	78	1.5 %	86.1 %	
Iowa	74	1.5 %	3	1.5 %	77	1.5 %	87.6 %	
Oregon	69	1.4 %	1	0.5 %	70	1.3 %	88.9 %	
Utah	61	1.2 %	3	1.5 %	64	1.2 %	90.1 %	
New Mexico	53	1.1 %						