

Henderson State University

Analysis Report- O'Reilly Automotive

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Date: October 15, 2009

Market Profile

O'Reilly	
Ticker Symbol	ORLY
Exchange	S&P
Industry	Auto Parts
Sector	Services
Peer	AutoZone
Shares Owned	-
Purchase Date	-
Purchase Price	-
Current Price	29.07
52-wk Low	20
52-wk High	31.77
52-wk Change	-5.06%
52-wk Relative	35.76%
1 Year Target Price	
Market/Book	1.88
Market Cap.	3.91B
Beta	.66
EPS (ttm)	1.53
Price/Earnings	19.05
PEG	1.36
Dividend & (Yield)	N/A
Dividend Payout	N/A
Interest Coverage	
ROE	9.84%
Recommendation:	
Buy at lower price	

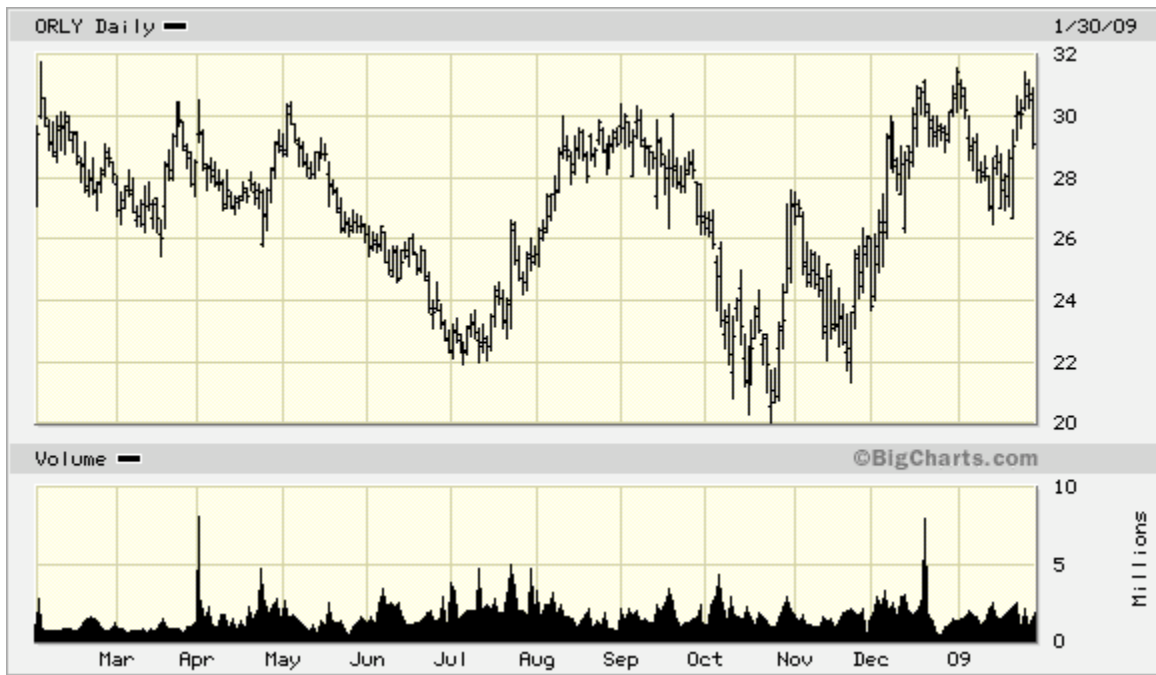
Company History:

O'Reilly Automotive, Inc. is a specialty retailer of automotive aftermarket parts, tools, supplies, equipment and accessories in the United States. The Company sells its products to both do-it-yourself (DIY) customers and professional installers. Its stores carry a product line consisting of new and remanufactured automotive hard parts, such as alternators, starters, fuel pumps, water pumps, brake shoes and pads, belts, hoses, chassis parts and engine parts; maintenance items, such as oil, antifreeze, fluids, filters, wiper blades, lighting, engine additives and appearance products; accessories, such as floor mats and seat covers, and a line of auto body paint and related materials, automotive tools and professional service equipment. At December 31, 2007, O'Reilly Automotive, Inc. operated 1,830 stores in Alabama, Arkansas, Florida, Georgia, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Minnesota, Mississippi, Missouri, Montana, Nebraska, North Carolina, North Dakota, Ohio, Oklahoma, South Carolina, South Dakota, Tennessee, Texas, Virginia, Wisconsin and Wyoming. As of July 14, 2008, the Company had acquired approximately 90.5% interest in CSK Auto Corporation.

Product Mix

O'Reilly carries auto parts for numerous makes and models. Some of their products are alternators, starters, fuel pumps, water pumps, brake shoes and pads, belts, hoses, chassis parts and engine parts; maintenance items, such as oil, antifreeze, fluids, filters, wiper blades, lighting, engine additives and appearance products; accessories, such as floor mats and seat covers, and a line of auto body paint and related materials, automotive tools and professional service equipment.

Stock Chart- Six Months



Recent Headlines

Fri, Jan 30, 2009

- [\[video\] Heard on the Street: Time to Buy Auto-Parts Vendors \[3.0 min\]](#)
at **MarketWatch** (Fri 10:42am)
- [The Beautiful Side of Car Parts](#)
at **SmartMoney.com** (Fri 5:04am)

Wed, Jan 28, 2009

- [\[\\$\\$\] Auto Retailers Ready to Hit Open Road](#)
at **The Wall Street Journal Online** (Wed, Jan 28)
- [\[video\] The Beauty Part of Car Parts \[1.1 min\]](#)
at **MarketWatch** (Wed, Jan 28)

Tue, Jan 27, 2009

- [The Beautiful Side of Car Parts](#)
at **Barron's Online** (Tue, Jan 27)

Mon, Jan 26, 2009

- [\[\\$\\$\] Auto-Parts Retailer Gets Barron's Bounce](#)
at **Barron's Online** (Mon, Jan 26)

Sun, Jan 25, 2009

- [O'Reilly Automotive could jump 50 pct - Barron's at Reuters](#) (Sun, Jan 25)
- [O'Reilly Revs Up Auto Parts - Barron's at Seeking Alpha](#) (Sun, Jan 25)

Sat, Jan 24, 2009

- [\[video\] Extreme Stock Plays at TheStreet.com](#) (Sat, Jan 24)

Thu, Jan 22, 2009

- [O REILLY AUTOMOTIVE INC Files SEC form 8-K, Regulation FD Disclosure, Financial Statements and Exhibits](#)
EDGAR Online (Thu, Jan 22)
- [O'Reilly Automotive Earnings Call scheduled for Thu, Feb 19](#)
CCBN (Thu, Jan 22)
- [O'Reilly Automotive, Inc. Announces Dates for the 2008 Fourth Quarter Earnings Release and Conference Call](#)
GlobeNewswire (Thu, Jan 22)
- [Pep Boys: A No Brainer Takeover Target at Seeking Alpha](#) (Thu, Jan 22)
- [Ahead of the Bell: Auto parts retailers](#)
AP (Thu, Jan 22)

Wed, Jan 21, 2009

- [Driving Away From Auto at Investopedia](#) (Wed, Jan 21)

Sun, Jan 18, 2009

- [The Mortgage Meltdown: Is the Other Shoe About to Drop? at Seeking Alpha](#) (Sun, Jan 18)

Industry Overview

Current Rank: 79

Portfolio Percentage Rank:

Monetary Policy Indicator: expansive

Industry Opinion:

According to the rotation rule, this industry should rotate to the top in the future. While demand for parts remains muted right now, the picture is not entire cloudy for ORLY. The recent decline in oil prices is a bright spot for an industry that has been burdened by high energy prices over the past years.

Key Issues Affecting the Industry:

Making enough profit to stay alive during this recession.

Porter's Five Forces**1. Rivalry**

The threat of new entries into this industry is low because of the economic situation. Rivalry between competitors is high. The companies have to compete with prices.

2. Threats of Substitutes

The threat of substitutes is low, because auto parts really do not have substitutes.

3. Buying Power

Buying power is higher, because customers have many auto part stores to choose from.

4. Supplier Power

Supplier power is lower, because of the higher number of auto part stores.

5. Barriers to Enter

High cost to start and has many competitors.

Economic Outlook- 10K

On July 11, 2008, in connection with the acquisition of CSK (see Note 2 "Business Combination"), the Company entered into a Credit Agreement for a five-year \$1.2 billion asset-based revolving credit facility arranged by Bank of America, N.A. ("BA") and Lehman Brothers Inc., which the Company used to refinance debt, fund the cash portion of the acquisition, pay for other transaction-related expenses and provide liquidity for the combined Company going forward.

The Credit Agreement is comprised of a five-year \$1.075 billion tranche A revolving credit facility and a five-year \$125 million first-in-last-out revolving credit facility (FILO tranche) both of which mature on July 11, 2013. On the date of the transaction, the amount of the borrowing base available, as described in the Credit Agreement, under the credit facility was \$1.050 billion of which the Company borrowed \$588 million. The Company used borrowings under the credit facility to repay certain existing debt of CSK, repay the Company's \$75 million 2006-A Senior Notes and purchase all of the properties that had been leased under the Company's synthetic lease facility. As of September 30, 2008 the amount of the borrowing base available under the credit facility was \$1.087 billion of which the Company had outstanding borrowings of \$544 million. The available borrowings under the credit facility are also reduced by stand-by letters of credit issued by the Company primarily to satisfy the requirements of workers compensation, general liability and other insurance policies. As of September 30, 2008, the Company had stand-by letters of credit outstanding in the amount of \$62.1 million and the aggregate availability for additional borrowings under the credit facility was \$480.9 million.

Borrowings under the tranche A revolver currently bear interest, at our option, at a rate equal to either a base rate plus 1.50% per annum or LIBOR plus 2.50% per annum, with each rate being subject to

adjustment based upon certain excess availability thresholds. Borrowings under the FILO tranche currently bear interest, at our option, at a rate equal to either a base rate plus 2.75% per annum or LIBOR plus 3.75% per annum, with each rate being subject to adjustment based upon certain excess availability thresholds. The base rate is equal to the higher of the prime lending rate established by BA from time to time and the federal funds effective rate as in effect from time to time plus 0.50%, subject to adjustment based upon remaining available borrowings. Fees related to unused capacity under the credit facility are assessed at a rate of 0.50% of the remaining available borrowings under the facility, subject to adjustment based upon remaining unused capacity. In addition, the Company paid customary commitment fees, letter of credit fees, underwriting fees and other administrative fees in respect to the credit facility.

On July 24, 2008, the Company entered into interest rate swap transactions with Branch Banking and Trust Company ("BBT"), BA and SunTrust Bank ("SunTrust"). The Company entered into the interest rate swap transactions to mitigate the risk associated with its floating interest rate based on LIBOR on an aggregate of \$250 million of its debt that is outstanding under the Credit Agreement, dated as of July 11, 2008, with BA as administrative agent, and the other parties thereto (the "Credit Facility"). Each interest rate swap has an effective date of August 1, 2008, and maturity dates of (i) August 1, 2010, for the BBT Swap, (ii) August 1, 2011, for the BA Swap and (iii) August 1, 2011, for the SunTrust Swap. The Company is required to make certain monthly fixed rate payments calculated on notional amounts of (i) \$100

Financial Ratios

Valuation Ratios

	Company	Industry	Sector	S&P 500
P/E Ratio (TTM)	19.87	2.28	7.09	17.93
P/E High - Last 5 Yrs.	29.19	1.00	0.28	28.52
P/E Low - Last 5 Yrs.	13.55	0.42	0.12	8.08
Beta	.76	0.68	0.87	0.99
Price to Sales (TTM)	1.34	0.14	0.38	2.29
Price to Book (MRQ)	1.88	22.34	2.22	6.84
Price to Tangible Book (MRQ)	2.68	2.28	2.10	8.73
Price to Cash Flow (TTM)	14.63	1.30	2.12	12.01
Price to Free Cash Flow (TTM)	55.78	29.35	11.56	158.61
% Owned Institutions	--	--	--	--

Dividends

	Company	Industry	Sector	S&P 500
Dividend Yield	0	0.14	0.04	2.55
Dividend Yield - 5 Year Avg.	0	0.81	1.35	1.79
Dividend 5 Year Growth Rate	--	21.13	23.98	11.04
Payout Ratio(TTM)	0	4.67	12.83	34.69

Growth Rates

	Company	Industry	Sector	S&P 500
Sales (MRQ) vs Qtr. 1 Yr. Ago	67.92	6.11	7.20	12.88
Sales (TTM) vs TTM 1 Yr. Ago	23.82	0.01	4.04	13.82
Sales - 5 Yr. Growth Rate	13.96	9.15	10.19	15.02
EPS (MRQ) vs Qtr. 1 Yr. Ago	-31.85	-5.90	7.66	14.51

EPS (TTM) vs TTM 1 Yr. Ago	-8.06	--	--	--
EPS - 5 Yr. Growth Rate	16.96	12.38	16.33	19.70
Capital Spending - 5 Yr. Growth Rt.	22.55	10.67	14.71	13.30

Financial Strength

	Company	Industry	Sector	S&P 500
Quick Ratio (MRQ)	0.27	1.20	1.22	1.04
Current Ratio (MRQ)	1.71	1.76	1.53	1.28
LT Debt to Equity (MRQ)	30.00	402.48	35.83	151.80
Total Debt to Equity (MRQ)	30.38	424.29	66.01	197.45
Interest Coverage (TTM)	--	1.38	0.20	31.97

Profitability Ratios

	Company	Industry	Sector	S&P 500
Gross Margin (TTM)	45.11	4.18	12.98	35.50
Gross Margin - 5 Yr. Avg.	43.65	36.65	26.51	36.46
EBITD Margin (TTM)	13.55	--	--	--
EBITD - 5 Yr. Avg	14.81	12.28	12.49	19.58
Operating Margin (TTM)	10.39	1.08	3.57	--
Operating Margin - 5 Yr. Avg.	11.86	9.42	8.17	17.83
Pre-Tax Margin (TTM)	9.73	1.08	3.66	15.75
Pre-Tax Margin - 5 Yr. Avg.	11.79	9.76	8.53	17.59
Net Profit Margin (TTM)	6.00	0.74	2.17	11.18
Net Profit Margin - 5 Yr. Avg.	7.48	5.52	5.17	12.34
Effective Tax Rate (TTM)	38.30	4.13	21.29	26.44
Effective Tax Rate - 5 Yr. Avg.	36.56	38.18	36.88	30.50

Management Effectiveness

	Company	Industry	Sector	S&P 500
Return on Assets (TTM)	5.86	0.91	2.32	8.05
Return on Assets - 5 Yr. Avg.	9.51	5.67	4.52	7.50
Return on Investment (TTM)	7.87	1.56	3.71	10.94
Return on Investment - 5 Yr. Avg.	12.31	8.19	6.78	10.00
Return on Equity (TTM)	9.84	2.25	6.51	19.09
Return on Equity - 5 Yr. Avg.	14.06	9.84	10.24	20.10

Efficiency

	Company	Industry	Sector	S&P 500
Revenue/Employee (TTM)	165,294	15,891,359	31,508,262	857,796
Net Income/Employee (TTM)	9,925	188,638	1,503,350	98,793
Receivable Turnover (TTM)	20.27	2.55	5.19	10.70
Inventory Turnover (TTM)	1.42	0.80	5.18	9.71
Asset Turnover (TTM)	0.98	0.24	0.51	0.79

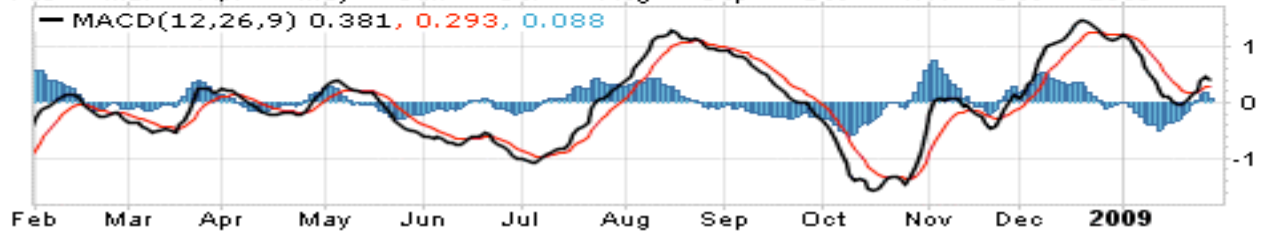
DCF Model	
Beta	.66
Valueline Safety Rating	2
Expected Growth (EPS)	13%
Projected Growth & Dividend Yield	13%
Required Rate Return	8.88%
Projected Future P/E	16
Annualized HPR	10.16%
PV of Future Price	31.11
Recommendation	Undervalued

P/E Sensitivity					
Present Value	Price 2014	P/E 20014	EPS 2014	HPR 2014	Annual Return
19.45	31.90	10.0	3.19	1.10	1.61%
23.33	38.28	12.0	3.19	1.32	4.84%
27.22	44.66	14.0	3.19	1.54	7.66%
31.11	51.04	16.0	3.19	1.76	10.16%
35.00	57.42	18.0	3.19	1.98	12.41%
38.89	63.80	20.0	3.19	2.19	14.46%
42.78	70.18	22.0	3.19	2.41	16.35%
19.45	31.90	10.0	3.19	1.10	1.61%

Earnings Sensitivity					
Present Value	Price 2014	P/E 20014	EPS 2014	HPR 2014	Annual Return
25.26	41.44	16.0	2.59	1.43	6.28%
27.21	44.64	16.0	2.79	1.54	7.65%
29.16	47.84	16.0	2.99	1.65	8.94%
31.11	51.04	16.0	3.19	1.76	10.16%
33.06	54.24	16.0	3.39	1.87	11.31%
35.01	57.44	16.0	3.59	1.98	12.41%
36.97	60.64	16.0	3.79	2.09	13.47%
25.26	41.44	16.0	2.59	1.43	6.28%

Momentum

ORLY (O'Reilly Automotive, Inc.) Nasdaq GS © StockCharts.com
 30-Jan-2009 **Op** 30.76 **Hi** 30.95 **Lo** 28.96 **Cl** 29.07 **Vol** 1.9M **Chg** -1.48 (-4.84%) ▼



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Momentum Indicator: +0

Analyst's Opinion

Why Buy GLW?

Stable company, potential growth.

Why not buy GLW?

Has performed better than the market, and we like the buy companies that's been beaten up.

Final Discussion:

Wait to buy at lower price.

Works Cited

In Order of Occurrence:

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