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O REILLY AUTOMOTIVE INC
Form 8-K
July 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): July 27, 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.)

ITEM 9. REGULATION FD DISCLOSURE

The press release is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

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: July 29, 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)

EXHIBIT INDEX

| Exhibit Number | Description |
|-------------------|-----------------------------------|
| ----- | ----- |
| 99.1 | Press Release dated July 27, 2004 |

FOR IMMEDIATE RELEASE

For further information contact:

David O'Reilly
James R. Batten
(417) 862-3333

O'REILLY AUTOMOTIVE, INC. REPORTS SECOND QUARTER RESULTS 12.1% OPERATING MARGIN 21.3% INCREASE IN NET INCOME

Springfield, MO, July 27, 2004 -- O'Reilly Automotive, Inc. ("O'Reilly" or "the Company") (Nasdaq: ORLY) today announced record revenues and earnings for the second quarter of 2004, representing 43 quarters of record revenues and earnings for O'Reilly since becoming a public company in April 1993.

Net income for the second quarter ended June 30, 2004, totaled \$32.7 million, up 21.3% from \$26.9 million for the same period in 2003. Diluted earnings per share for the second quarter of 2004 increased 18% to \$0.59 on 55.7 million shares compared to \$0.50 for the second quarter of 2003 on 54.2 million shares. Product sales for the second quarter ended June 30, 2004, totaled \$435.2 million, up 10.7% from \$393.1 million for the same period a year ago. Gross profit for the second quarter of 2004 increased to \$187.8 million (or 43.2% of product sales) from \$165.7 million (or 42.2% of product sales) for the second quarter of 2003, representing an increase of 13.3%.

Net income for the first six months of 2004 totaled \$59.8 million, up 28.1% from \$46.7 million for the same period a year ago. Diluted earnings per common share for the first six months of 2004 increased 25.6% to \$1.08 on 55.6 million shares compared to \$0.86 a year ago on 54.0 million shares. Product sales for the first six months of 2004 totaled \$838.5 million, up 14.5% from \$732.6 million for the same period a year ago. Gross profit for the first six months of 2004 increased to \$357.1 million (or 42.6% of product sales) from \$306.7 million (or 41.9% of product sales) for the same period a year ago, representing an increase of 16.5%.

Comparable store product sales for stores open at least one year increased 3.8% and 7.8% for the second quarter and first six months of 2004, respectively.

"We are pleased with our overall performance this quarter," said David O'Reilly,

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co-chairman and chief executive officer. "Despite unusually high amounts of rainfall in the South and significantly cooler temperatures throughout our markets, we posted a 3.8% increase in comparable store product sales for the quarter. We continue to generate positive free cash flow and ended the quarter with \$88 million in cash."

The Company will host a conference call Wednesday, July 28, 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 1,170 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 June 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 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

| | June 30, 2004 | December 31, 2003 |
|--------------------------------------|---------------------------------------|----------------------|
| | ----- | ----- |
| | (Unaudited) | (Note) |
| | (In thousands, except per share data) | |
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 88,117 | \$ 21,094 |
| Accounts receivable, net | 60,573 | 52,235 |
| Amounts receivable from vendors, net | 51,603 | 50,695 |
| Inventory | 582,993 | 554,309 |
| Deferred income taxes | 2,393 | 4,753 |
| Other current assets | 7,084 | 4,399 |
| | ----- | ----- |
| Total current assets | 792,763 | 687,485 |

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| | | |
|--|--------------|--------------|
| Property and equipment, at cost | 704,045 | 626,142 |
| Accumulated depreciation | 196,512 | 177,084 |
| | ----- | ----- |
| Net property and equipment | 507,533 | 449,058 |
| Notes receivable | 22,456 | 24,313 |
| Other assets, net | 29,963 | 26,736 |
| | ----- | ----- |
| Total assets | \$ 1,352,715 | \$ 1,187,592 |
| | ===== | ===== |
| Liabilities and shareholders' equity | | |
| Current liabilities: | | |
| Income taxes payable | \$ 17,380 | \$ 6,872 |
| Accounts payable | 258,987 | 176,513 |
| Accrued payroll | 19,447 | 17,307 |
| Accrued benefits and withholdings | 32,831 | 27,368 |
| Other current liabilities | 21,442 | 16,883 |
| Current portion of long-term debt | 776 | 925 |
| | ----- | ----- |
| Total current liabilities | 350,863 | 245,868 |
| Long-term debt, less current portion | 100,616 | 120,977 |
| Deferred income taxes | 35,400 | 29,448 |
| Other liabilities | 7,691 | 7,014 |
| Shareholders' equity: | | |
| Common stock, \$0.01 par value: | | |
| Authorized shares - 90,000,000 | | |
| Issued and outstanding shares - | | |
| 55,108,052 at June 30, 2004, | | |
| and 54,664,976 at December 31, 2003 | | |
| | 551 | 547 |
| Additional paid-in capital | 316,769 | 302,691 |
| Retained earnings | 540,825 | 481,047 |
| | ----- | ----- |
| Total shareholders' equity | 858,145 | 784,285 |
| | ----- | ----- |
| Total liabilities and shareholders' equity | \$ 1,352,715 | \$ 1,187,592 |
| | ===== | ===== |

Note: The balance sheet at December 31, 2003, has been derived from the audited financial statements at that date, but does not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements.

O'REILLY AUTOMOTIVE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

| Three Months Ended June 30, | | Six Months Ended June 30, | |
|--------------------------------|-------|------------------------------|-------|
| ----- | ----- | ----- | ----- |
| 2004 | 2003 | 2004 | 2003 |
| ----- | ----- | ----- | ----- |

(In thousands, except per share data)

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| | | | | |
|---|------------|------------|------------|------------|
| Product sales | \$ 435,167 | \$ 393,112 | \$ 838,461 | \$ 732,587 |
| Cost of goods sold, including warehouse and distribution expenses | 247,409 | 227,399 | 481,365 | 425,928 |
| Gross profit | 187,758 | 165,713 | 357,096 | 306,659 |
| Operating, selling, general and administrative expenses | 135,193 | 120,987 | 260,759 | 228,592 |
| Operating income | 52,565 | 44,726 | 96,337 | 78,067 |
| Other expense, net | (438) | (1,652) | (884) | (3,415) |
| Income before income taxes | 52,127 | 43,074 | 95,453 | 74,652 |
| Provision for income taxes | 19,475 | 16,150 | 35,675 | 28,000 |
| Net income | \$ 32,652 | \$ 26,924 | \$ 59,778 | \$ 46,652 |
| Net income per common share | \$ 0.59 | \$ 0.50 | \$ 1.09 | \$ 0.87 |
| Net income per common share - assuming dilution | \$ 0.59 | \$ 0.50 | \$ 1.08 | \$ 0.86 |
| Weighted-average common shares outstanding | 54,934 | 53,634 | 54,814 | 53,518 |
| Adjusted weighted-average common shares outstanding - assuming dilution | 55,720 | 54,222 | 55,551 | 53,988 |

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

| | June 30, | |
|---|----------|--------|
| | 2004 | 2003 |
| Inventory turnover (1) | 1.7 | 1.6 |
| Inventory turnover, net of payables (2) | 2.6 | 2.1 |
| AP to inventory (3) | 44.4% | 27.0% |
| Debt-to-capital (4) | 10.6% | 16.1% |
| Return on equity (5) | 14.4% | 13.6% |
| Return on assets (6) | 9.3% | 8.8% |
| Square footage (in thousands) | 7,768 | 6,851 |
| Store count: | | |
| New stores, net (three months ended) | 38 | 30 |
| Total stores | 1,170 | 1,041 |
| Total employment | 17,203 | 15,568 |

Three Months Ended
 June 30,

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| | 2004 ----- | 2003 ----- |
|---|---------------|---------------|
| Other information (in thousands): | | |
| Capital expenditures | \$ 41,669 | \$ 35,409 |
| Depreciation & amortization | \$ 11,670 | \$ 10,211 |
| Interest expense | \$ 975 | \$ 2,075 |
| Lease & rental expense | \$ 8,833 | \$ 7,943 |
| Sales per weighted-average square foot (7) | \$ 55.98 | \$ 57.04 |
| Sales per weighted-average store (in thousands) (8) | \$ 371 | \$ 375 |

O'REILLY AUTOMOTIVE, INC. AND SUBSIDIARIES
RECONCILIATION OF FREE CASH FLOW TO OPERATING CASH FLOW
(Unaudited)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|--------------------------------|---------------|------------------------------|---------------|
| | 2004 ----- | 2003 ----- | 2004 ----- | 2003 ----- |
| | (In thousands) | | | |
| Net cash provided by operating activities | \$ 78,867 | \$ 55,611 | \$ 160,878 | \$ 112,955 |
| Capital expenditures | 41,669 | 35,409 | 81,747 | 67,599 |
| Free cash flow (1) (2) | \$ 37,198 | \$ 20,202 | \$ 79,131 | \$ 45,356 |
| | ===== | ===== | ===== | ===== |