O'Reilly Automotive, Inc.

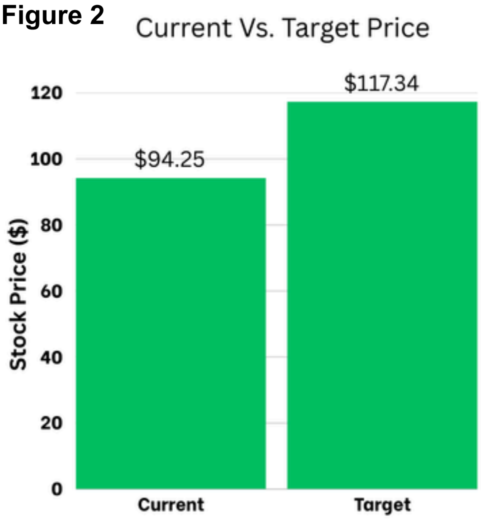
NASDAQ: ORLY
GICS Sector: Consumer Discretionary
GICS Industry: Specialty Retail
GICS SubIndustry: Automotive Retail

Valuation Date: December 9, 2025
Recommendation: BUY
Current Price: $94.25
Target Price: $117.34
Upside: 24.5%

Figure 1: NASDAQ: ORLY - BUY Rating

Date	Dec 9th, 2025
Current Price	$94.25
Target Price Upside	$117.34
Market Capitalization($ mn)	$79,930
Enterprise Value ($ mn)	$116,070
Diluted Shares Outstanding (mn)	880.58
52-week Low	$98.13
52-week High	$93.16

Figure 2



EXECUTIVE SUMMARY

We initiate coverage on O'Reilly Automotive, Inc. **(NASDAQ: ORLY)** with a **BUY** recommendation and a **12-month target price of $117.34**, representing **24.5% upside** from the December 9, 2025, closing price of $94.25. Our target price is derived from a discounted cash flow valuation with an explicit forecast period from 2025 through 2029 (Appendix E), with Monte Carlo simulation and relative valuation used as secondary cross-checks.

O'Reilly Automotive is a leading U.S. automotive aftermarket retailer serving both do-it-yourself and do-it-for-me customers. The company operates 6,483 stores across 48 states and maintains a dense, integrated distribution network that supports a broad product assortment and high service levels for professional installers. O'Reilly's scale, logistics capabilities, and execution consistency position it as a structurally advantaged consolidator in a stable but fragmented end market.

Our recommendation rests on our financial analysis, further supported by **three core investment pillars.**

An Irreplicable Distribution Advantage

O'Reilly operates a highly efficient hub-and-spoke distribution network anchored by regional distribution centers and hub stores (Figure 6), enabling same-day or next-day availability for over 150,000 SKUs. This capability is critical for professional do-it-for-me customers, where speed and part availability outweigh marginal price differences. The capital intensity, scale, and operational complexity required to replicate this network create a durable competitive moat, supporting customer retention and structurally higher service levels than smaller competitors.

A Fragmented Market Built for Consolidation

The U.S. automotive aftermarket remains highly fragmented, with thousands of independent retailers and service providers lacking scale, purchasing power, and logistics infrastructure. O'Reilly has consistently gained market share in a steady demand environment by leveraging its dense store footprint, professional installer relationships, and inventory depth. Revenue growth has outpaced peers over the past three years, providing a long runway for incremental share gains and dependable topline growth.

Disciplined Capital Allocation Driving Superior ROIC

O'Reilly demonstrates disciplined capital allocation focused on high-return store expansion, continued investment in its distribution network, and shareholder returns through share repurchases. The company consistently converts its operating advantages into strong free cash flow, resulting in industry-leading returns on invested capital and sustained per-share value creation. This discipline supports durable earnings compounding and financial resilience, even amid macroeconomic uncertainty.

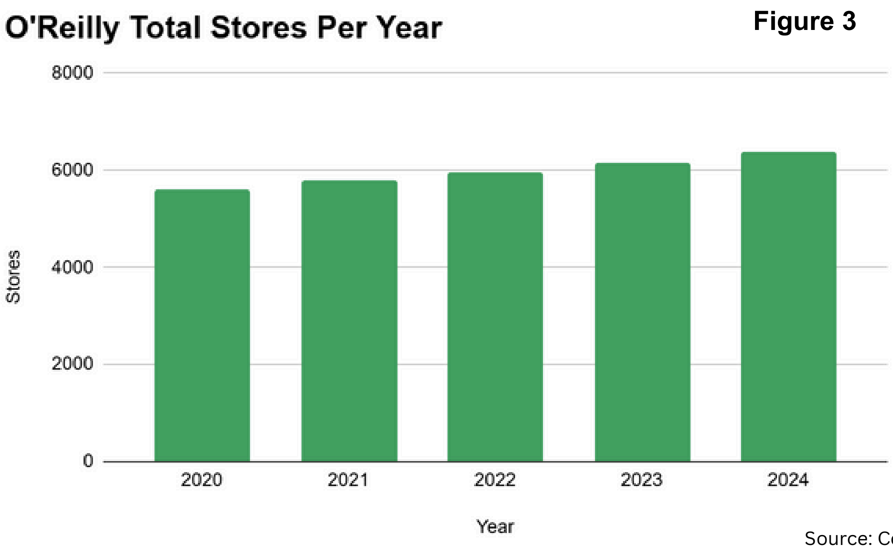


Figure 3

Source: Company Filings (10ks)

We believe the market underappreciates the durability of O'Reilly's competitive advantages and its ability to compound free cash flow through the cycle. Our valuation reflects these strengths and supports meaningful upside over the next 12 months.

BUSINESS DESCRIPTION

Company Description

O'Reilly Automotive, Inc. (NASDAQ: ORLY) is a leading specialty retailer in the U.S. automotive aftermarket, supplying replacement parts, tools, and maintenance products required to service an aging vehicle fleet. Founded in 1957 and headquartered in Springfield, Missouri, the company has expanded from a regional operator into one of the largest automotive aftermarket retailers in North America through disciplined store expansion and sustained investment in its distribution infrastructure. As of December 31, 2024, O'Reilly operated over 6,200 stores across 48 U.S. states (see Figure 6), Puerto Rico, Mexico, and Canada, providing dense geographic coverage that supports rapid fulfillment and consistent service levels across local markets.

Figure 4

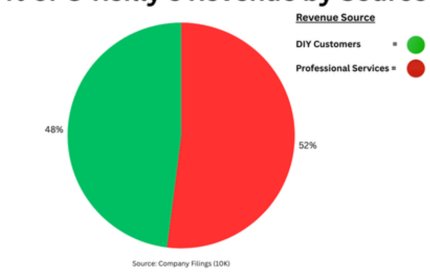
U.S. Distribution Centers	26
International Distribution Centers	5
Hub Stores	396
Retail Stores	6,483

Customer Segmentation

O'Reilly serves both do-it-yourself consumers and professional do-it-for-me customers, including independent repair shops and service centers. Professional customers account for approximately 52% of total revenue, with DIY customers contributing the remaining 48% (Figure 4). While DIY transactions tend to be more price-sensitive and episodic, professional customers exhibit higher purchase frequency and greater reliance on timely part availability. This revenue mix supports recurring demand, enhances revenue visibility, and contributes to stable cash flow generation across economic cycles. This customer mix supports recurring demand, reduces revenue volatility, and underpins structurally attractive margins and returns on invested capital.

Figure 5

% of O'Reilly's Revenue by Source



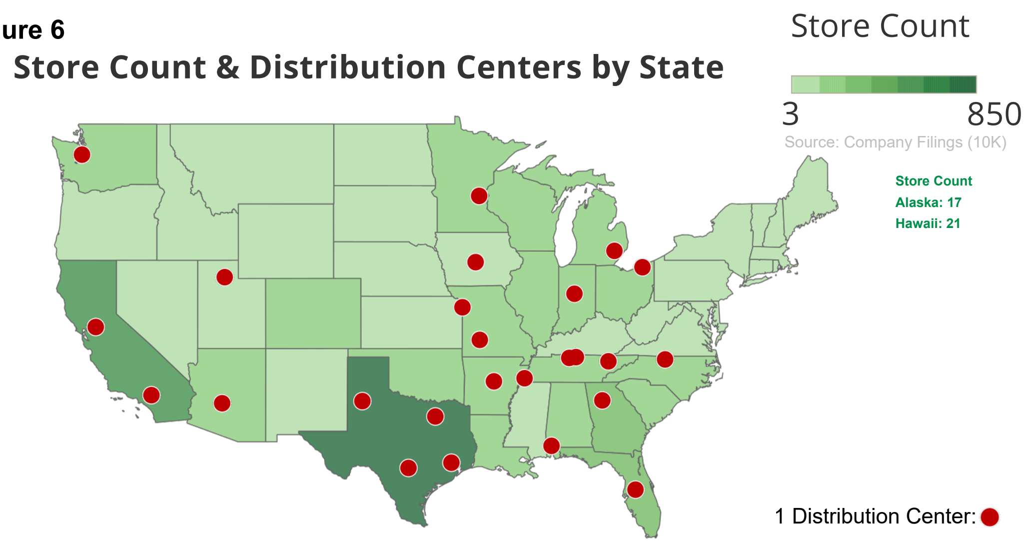
Product Mix & Services

O'Reilly's product assortment is centered on essential replacement parts and routine maintenance items, including engine components, braking systems, batteries, and consumables required for ongoing vehicle operation. Demand for these products is driven by vehicle age and usage rather than new vehicle sales, supporting non-discretionary purchase behavior. Value-added in-store services, such as diagnostic support and tool loan programs, are designed to increase customer convenience and reinforce repeat traffic, particularly among professional customers, without materially increasing operating complexity.

Distribution & Fulfillment Network

O'Reilly operates a centralized hub-and-spoke distribution network supported by regional distribution centers and hub stores that replenish nearby retail locations. This infrastructure enables same-day or next-day access to a broad assortment of SKUs while limiting store-level inventory requirements. The network is complemented by 396 strategically located hub stores that redistribute inventory to surrounding locations and provide same-day access to expanded SKU assortments. By centralizing inventory and leveraging scale logistics, O'Reilly improves inventory turns, reduces stock-out risk, and maintains high service levels for time-sensitive professional customers. The distribution network serves as a core operational foundation supporting margin stability, customer retention, and scalable growth as the store base expands (see Figure 6).

Figure 6



Demand Drivers

The U.S. automotive aftermarket is a large, mature industry driven by the ongoing maintenance and repair needs of the vehicle fleet. Demand for aftermarket parts is primarily non-discretionary, as vehicle owners must repair and maintain existing vehicles regardless of broader economic conditions. As a result, industry revenue tends to be resilient across economic cycles, supported by structural factors rather than discretionary consumer spending. These structural drivers are illustrated in Figures 7–10.

Aging Vehicle Fleet

The average age of vehicles on U.S. roads has increased steadily over the past decade, reaching record levels in recent years. Older vehicles require more frequent repairs and replacement parts as mechanical components experience wear over time. This trend structurally increases demand for aftermarket parts and services, benefiting retailers positioned to supply a broad range of components across vehicle vintages (Figure 10).

Rising Vehicle Miles Traveled(VMT)

Vehicle miles traveled in the United States have fully recovered from pandemic-era declines and reached new highs (Figure 8), reflecting increased vehicle usage. Higher miles driven accelerate wear on critical components such as brakes, suspension systems, and batteries, directly increasing demand for replacement parts. Sustained growth in VMT supports ongoing aftermarket demand even as new vehicle sales fluctuate.

Economic Conditions Favor Repairs Over Replacment

Elevated vehicle prices and higher borrowing costs have increased the total cost of purchasing new vehicles, leading many consumers to extend the useful life of existing vehicles. As affordability pressures persist, vehicle owners are more likely to repair aging vehicles rather than replace them, reinforcing demand for aftermarket parts and maintenance services.

Addressing the WFH Paradox

While remote and hybrid work arrangements theoretically reduce commuting, vehicle usage has continued to rise. As shown in Figure 7, the work-from-home index remains more than twice its pre-pandemic baseline, yet U.S. vehicle miles traveled have fully recovered and exceeded 2019 levels. Increased non-work travel, suburban migration, leisure driving, and reduced reliance on public transportation have offset declines in daily commuting. These behavioral shifts help explain why vehicle usage has remained resilient despite changes in work patterns, reinforcing long-term demand for aftermarket services.

Figure 7

Figure 8

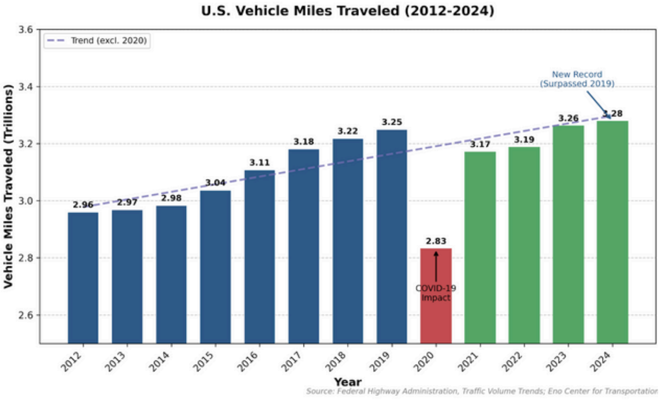


Figure 9

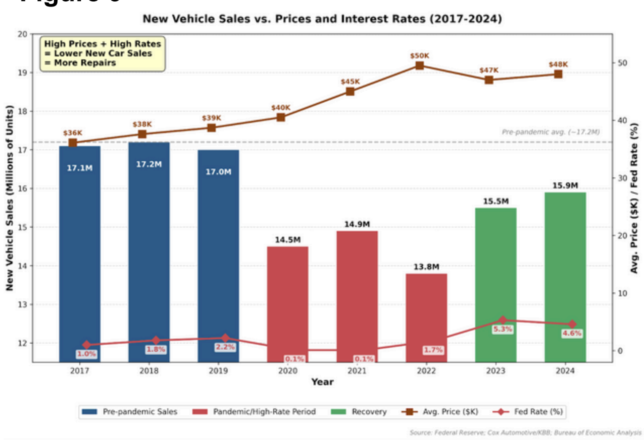
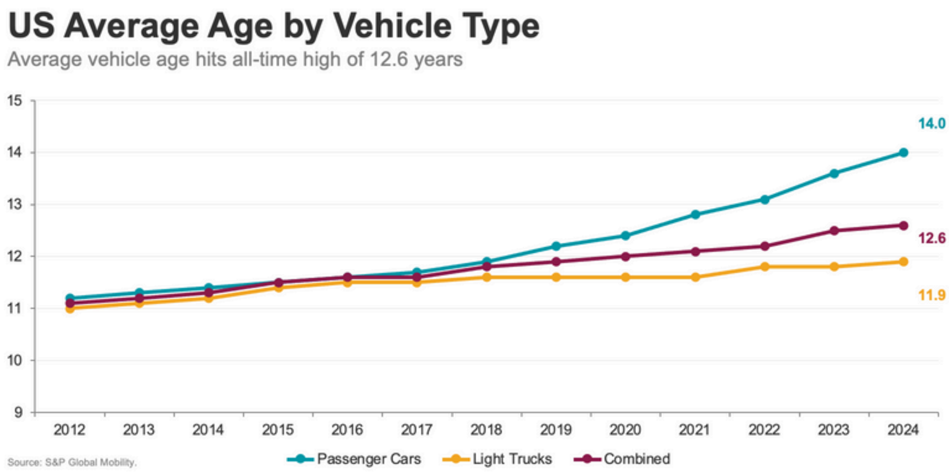
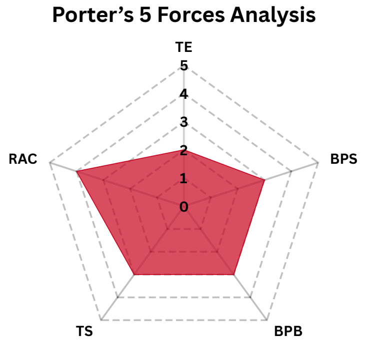


Figure 10



COMPETITIVE POSITIONING

Figure 11



RAC: Rivarly Among Competitors
TE: Threat of Entrants
TS: Threat of Subsitute
BPB: Bargaining Power of Buyer
BPS: Bargaining Power of suppliers

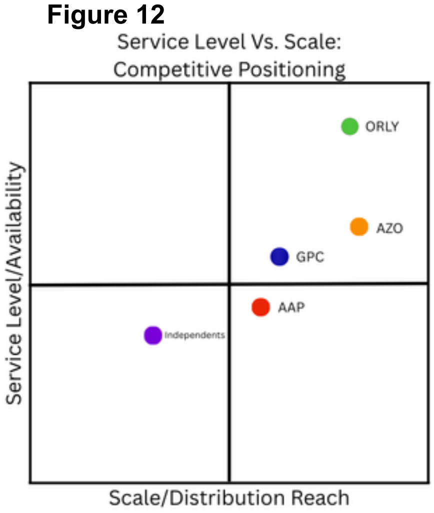
Competitive Landscape

The U.S. automotive aftermarket retail industry consists of a small number of national chains alongside a long tail of independent retailers and service providers. Major national operators include O'Reilly Automotive, AutoZone, Advance Auto Parts, and Genuine Parts Company (NAPA), each supported by extensive store networks and distribution infrastructure. Competition within the industry is driven primarily by inventory availability, delivery speed, and service reliability rather than product exclusivity or price leadership, reflecting the time-sensitive nature of vehicle repair and maintenance.

Industry Fragmentation

Despite ongoing consolidation among national retailers, the automotive aftermarket remains highly fragmented, with approximately 56% of 2024 U.S. automotive parts sales generated by companies outside the four largest national retailers (Figure 13). Many smaller competitors lack the scale, purchasing power, and logistics capabilities required to stock an expanding range of SKUs and meet increasingly compressed repair timelines. As vehicle complexity rises and professional installers demand faster fulfillment, fragmentation structurally disadvantages subscale operators and creates a long runway for share gains by retailers with national distribution networks.

Figure 12



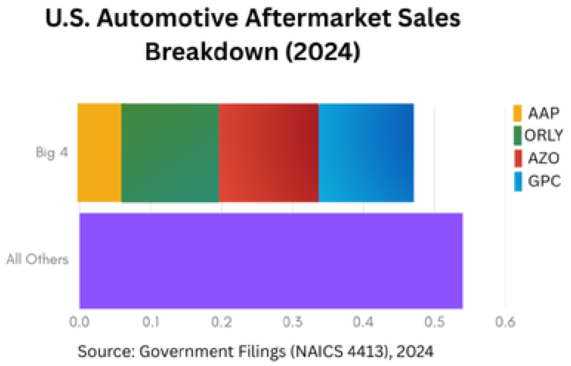
O'Reilly's Competitive Positioning

O'Reilly is positioned as a scaled, service-oriented operator within the automotive aftermarket, combining broad geographic coverage with deep inventory availability. Its dense store footprint and integrated distribution network enable rapid fulfillment for both DIY customers and professional installers. For professional DIFM customers in particular, O'Reilly's ability to consistently deliver the correct part on a same-day basis supports recurring demand and customer retention. These capabilities allow O'Reilly to compete on service and availability rather than price, reinforcing margin stability within a fragmented competitive environment.

Barriers to Entry

Meaningful barriers to entry exist in the automotive aftermarket retail industry, particularly at the national scale. Replicating O'Reilly's hub-and-spoke distribution network would require substantial capital investment, multi-year execution, and deep operational expertise. In addition, long-standing relationships with professional installers, proprietary private-label programs, and data-driven inventory management systems increase the complexity and cost of entry. Collectively, these factors create durable, time-intensive barriers that limit the threat of large-scale competitive disruption.

Figure 13



ENVIROMENTAL, SOCIAL, & GOVERNANCE

ESG Framework & Materiality

O'Reilly's ESG profile is evaluated using a materiality-based framework that focuses on factors most likely to influence long-term financial performance and risk. In the automotive aftermarket, material ESG considerations include supply chain emissions, labor practices, customer safety, and governance structures that support disciplined capital allocation. Rather than treating ESG as a standalone objective, these factors are assessed based on their impact on operational resilience, cost structure, and execution risk.

Environmental Factors

Environmental risk in the automotive aftermarket is primarily driven by indirect (Scope 3) emissions associated with supplier manufacturing and logistics rather than direct store-level operations. O'Reilly has demonstrated increased transparency and engagement with suppliers to address emissions across its value chain, positioning the company favorably relative to peers that focus primarily on Scope 1 and Scope 2 disclosures. While renewable energy adoption across store operations remains limited, the company's emphasis on supplier accountability addresses the most material source of environmental impact within the industry.

Social Factors

Social considerations for O'Reilly center on workforce management, employee retention, and customer service quality in a labor-intensive retail environment. The company's workforce metrics are broadly in line with industry averages, with no material labor controversies reported. Stable employee retention and strong relationships with professional installers support consistent service levels and customer loyalty. In addition, O'Reilly's emphasis on safety training and in-store service standards mitigates operational and reputational risk.

Governance Factors

O'Reilly exhibits strong governance practices supported by an independent and experienced board, well-defined committee oversight, and executive compensation structures aligned with long-term performance. Governance strength is particularly evident in the company's disciplined capital allocation strategy, which prioritizes high-return reinvestment and shareholder value creation. Transparent disclosure practices and internal controls further reduce governance-related risk and support consistent execution across economic cycles.

Figure 14

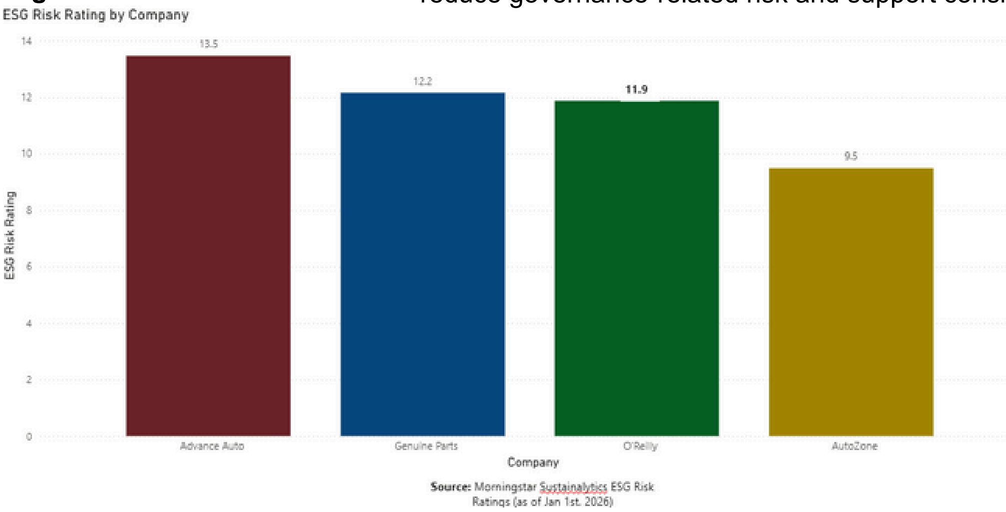
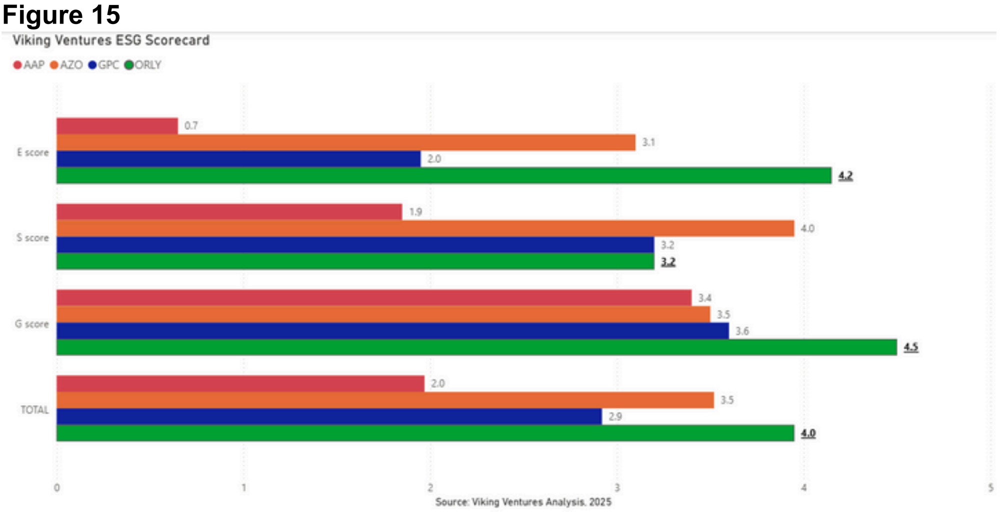


Figure 15



Investment Summary

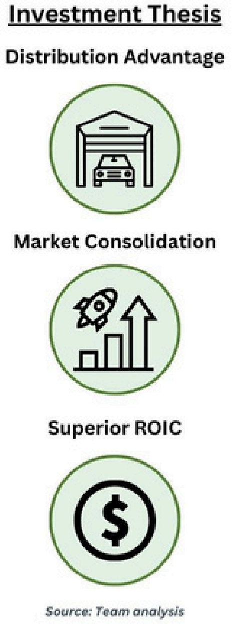
Figure 16


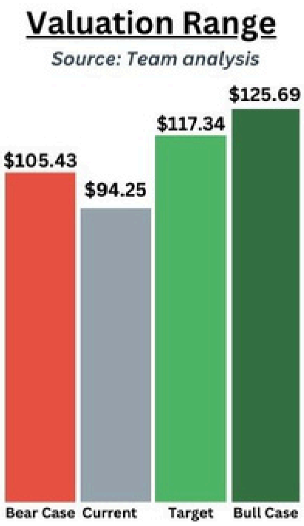
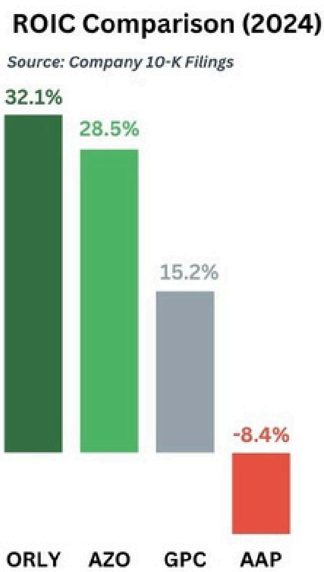
Figure 17


Figure 18


Pillar I: An Irreplicable Distribution Advantage Anchors Service Leadership

A) O'Reilly's competitive moat is rooted in a dense, **capital-intensive hub-and-spoke distribution network** that is difficult to replicate at scale as seen in the national store and distribution footprint (Figure 6). The company operates a nationwide logistics system anchored by regional distribution centers and approximately 396 hub stores, enabling same-day or next-day availability for over 150,000 SKUs across its store base.

B) This **infrastructure is strategically optimized for** professional do-it-for-me customers, where **speed, accuracy, and availability** are more critical than marginal price differences. Professional installers account for approximately 52 percent of total revenue, providing O'Reilly with recurring demand, higher purchase frequency, and greater revenue visibility relative to purely DIY-oriented peers

C) Replicating this network would require multi-year execution, significant capital investment, supplier relationships, and operational expertise. As vehicle complexity increases and repair timelines compress, these service-level advantages become more valuable, not less. This **distribution advantage** directly supports O'Reilly's margin stability, inventory efficiency, and customer retention, reinforcing its long-term competitive positioning.

Pillar II: A Fragmented Market Enables Consistent Share Gains Without Price Wars

A) The U.S. automotive aftermarket remains highly fragmented, consisting of a small number of national chains alongside thousands of independent retailers and service providers. Many subscale operators lack the purchasing power, inventory breadth, and logistics infrastructure required to meet rising service expectations from professional installers.

B) O'Reilly is structurally positioned to consolidate share in this environment without engaging in aggressive price competition. The company's growth has been driven by incremental share gains, professional customer penetration, and steady store expansion rather than cyclical tailwinds or promotional pricing. This dynamic results in repeatable, non-discretionary revenue growth tied to vehicle age and miles driven rather than consumer sentiment.

C) Importantly, this market structure supports rational competition. Service reliability, not price leadership, is the primary differentiator. As a result, O'Reilly has been able to outgrow peers while preserving gross and operating margins, reinforcing the durability of its earnings profile across economic cycles.

Pillar III: Disciplined Capital Allocation Converts Operational Strength Into Superior ROIC

A) O'Reilly's disciplined capital allocation allows the company to convert a rational competitive environment into consistently superior financial outcomes. Rather than relying on price leadership, management prioritizes reinvestment in high-return initiatives and shareholder returns, ensuring that operational advantages are reflected in sustained capital efficiency.

B) Despite reporting negative shareholders' equity due to aggressive buybacks, O'Reilly generates industry-leading returns on invested capital of approximately 32 percent (Figure 18), well above its estimated cost of capital. DuPont analysis and return-on-assets metrics confirm that this performance is driven by a combination of strong operating margins and efficient asset utilization, not leverage.

C) The company maintains a conservative capital structure, with debt-to-EBITDA of approximately 1.5x and fixed charge coverage near 2.0x, preserving financial flexibility while limiting downside risk. This discipline supports sustained free cash flow generation and long-term per-share value compounding, even in a mature industry.

FINANCIAL ANALYSIS

O’Reilly Automotive exhibits superior financial performance relative to its peer group, characterized by consistent profitability, disciplined leverage, and strong cash flow generation. This section evaluates the sustainability of O’Reilly’s growth, margin structure, capital efficiency, and financial flexibility to assess the validity of assumptions used in our valuation.

Revenue Growth & Market Share Trends

O’Reilly has delivered consistent revenue growth over the past several years, supported by steady same-store sales growth and disciplined store expansion. Relative to peers, the company has outpaced industry growth rates, indicating incremental market share gains (Figure 17) within a mature and fragmented automotive aftermarket. Growth has been driven primarily by increased penetration of professional installers, expanded inventory availability, and sustained demand for vehicle maintenance and repair.

Importantly, O’Reilly’s growth is not dependent on aggressive price competition or cyclical end-market tailwinds. Instead, incremental share gains and recurring repair demand provide a repeatable growth mechanism that supports moderate, sustainable forward revenue assumptions.

Profitability & Margin Structure

O’Reilly consistently generates industry-leading operating margins, reflecting scale advantages in procurement, logistics, and inventory management. Gross margins have remained stable at approximately 51% over the past three years, supported by private-label sourcing and purchasing leverage. While AutoZone reports slightly higher gross margins, O’Reilly’s margin consistency underscores operational resilience (Figure 18) across economic conditions. Operating margins benefit from efficient cost control and high sales productivity per store, enabling the company to maintain profitability even during periods of input cost inflation. Compared with peers, O’Reilly has demonstrated superior margin stability, supporting the assumption that operating margins are structurally resilient rather than subject to mean reversion toward industry averages.

Figure 19

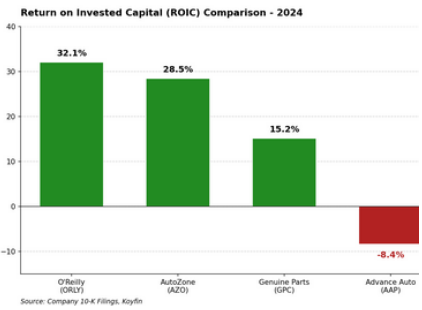


Figure 20

Financial Key Metrics

source: Company Filings (10K)

Metric	ORLY	AZO	GPC	AAP
ROIC(%)	~36%	~32%	~16%	~6%
Operating Margin (%)	~19%	~21%	~9%	~4%
FCF Conversion (% of EBIT)	~80%	~80%	~70%	~55%
Revenue CAGR	~8%	~6%	~5%	~3%
Net Debt / EBITDA	~1.5x	~2.5x	~1.9%	~3.8x

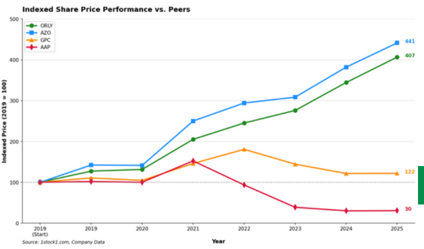
Peer metrics reflect consensus estimates and publicly reported financials; O'Reilly figures are derived from internal DCF modeling.

Returns on Capital & Capital Allocation

O’Reilly’s operational efficiency and disciplined reinvestment strategy have resulted in consistently high returns on invested capital. While traditional return on equity metrics are not meaningful due to negative shareholders’ equity from an aggressive share repurchase program, alternative measures such as return on assets and operating margins provide a clearer picture of underlying performance.

DuPont analysis highlights O’Reilly’s strong profitability, with a combination of high net margins and efficient asset turnover producing the highest return on assets among major peers (Figure 18). Returns on invested capital have consistently exceeded the company’s cost of capital, indicating that incremental reinvestment in stores, distribution infrastructure, and working capital has been value-accretive. This capital discipline supports long-term compounding of shareholder value.

Figure 21

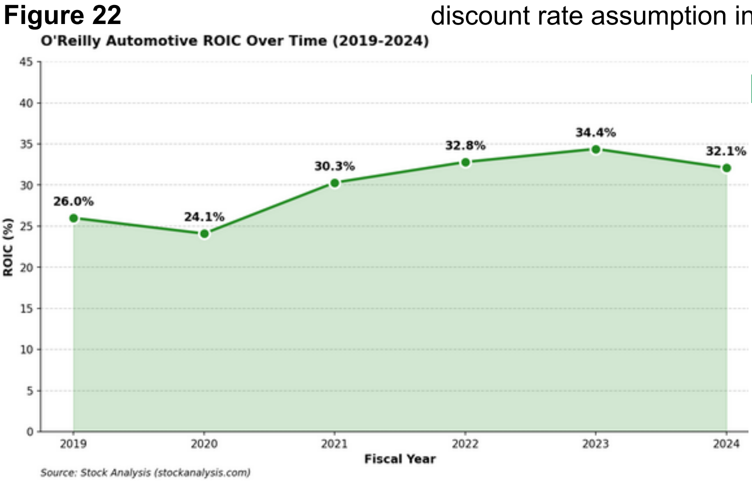


Capital Structure, Cash Flow, and Financial Flexibility

O’Reilly maintains a conservative capital structure, with a 2024 debt-to-EBITDA ratio of approximately 1.5x, the lowest among profitable peers and well within investment-grade parameters. Strong operating cash flow generation enables the company to fund growth initiatives and shareholder returns without reliance on excessive leverage.

Fixed charge coverage remains near 2.0x, providing a solid margin of safety for debt servicing and capital expenditures. Liquidity of approximately $1.9 billion, including cash and available credit facilities, offers flexibility to manage working capital, support store expansion, and pursue opportunistic investments. This financial strength reduces downside risk and supports a stable discount rate assumption in our valuation.

Figure 22



Implication for Valuation

O’Reilly’s financial profile is characterized by durable revenue growth, structurally resilient margins, value-accretive reinvestment, and conservative leverage. These attributes support our valuation assumptions of stable operating margins, moderate reinvestment requirements, and sustained free cash flow generation. The company’s ability to convert operational advantages into consistently high returns on capital underpins our confidence in long-term intrinsic value.

VALUATION

Figure 23

Weighted Average Cost of Capital (WACC)	
Equity (mm)	79,930
Debt (mm)	5,521
Cost of Debt	3.7%
Tax Rate	21.0%
D/(D+E)	6.5%
After Tax Cost of Debt	**2.9%**
Risk Free Rate (10-Yr Treasury Yield	4.14%
Expected Market Return	8.60%
Market Risk Premium	4.46%
Levered Beta	0.63
E/(D+E)	93.5%
Cost of Equity	**6.9%**
WACC	**6.7%**

Source: Koyfin, Team Analysis

Valuation Overview

We estimate the intrinsic value of O'Reilly Automotive using a discounted cash flow framework, which we believe is appropriate given the company's stable cash flow generation, asset-light retail model, and long-term growth profile. Our DCF incorporates a five-year explicit forecast period (Figure 24) followed by a terminal value, with key assumptions driven by industry demand fundamentals, margin sustainability, and disciplined capital allocation.

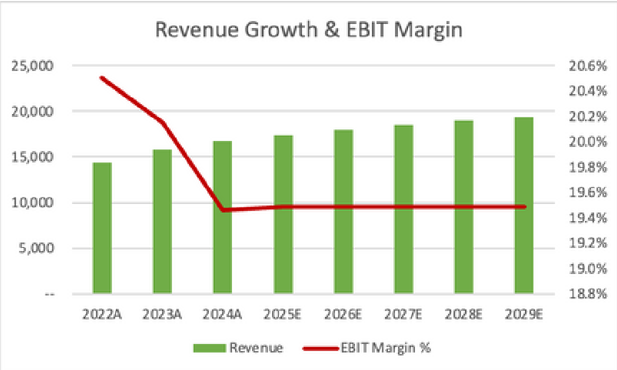
Discounted Cash Flow Analysis

Our DCF model is grounded in a 5-year explicit forecast period followed by a terminal value calculation.

WACC Assumptions: We utilized a Weighted Average Cost of Capital (WACC) of 6.7% to discount future cash flows. This rate is derived from a Cost of Equity of 6.95%, calculated using the Capital Asset Pricing Model (CAPM) with a risk-free rate of 4.14% (based on the 10-Year Treasury Yield), a levered beta of 0.63, and an Equity Risk Premium (ERP) of 4.46%. The After-Tax Cost of Debt was estimated at 2.95%, reflecting the company's strong credit profile and a marginal tax rate of 21%.

Terminal Value: We apply a terminal growth rate of 5%, reflecting long-term inflation and nominal GDP growth expectations for a mature U.S. automotive aftermarket industry. While industry demand is supported by structural drivers such as vehicle aging, we do not assume perpetual outperformance beyond the explicit forecast period, resulting in a conservative terminal value assumption.

Figure 24



Source: Company Filings, Team Analysis

Sensitivity Analysis

We performed a sensitivity analysis on the key drivers: WACC and the Terminal Growth Rate to evaluate our valuation. The analysis gave us a wide range under reasonable scenarios.

- **WACC Sensitivity:** When we increase the WACC to 7.21% under 5.1% growth rate. This results in a price of $92.45, which is approximately near the current trading price, reflecting the accuracy of the model.
- **Growth Sensitivity:** Conversely, with a slightly optimistic terminal growth rate of 5.1%, and WACC being at 6.7%, the target price increases up to $123.43, which is significantly higher, showcasing the long-term potential.

Figure 25

Sensitivity Table

		Growth Rate				
	105.43	4.10%	4.60%	5.10%	5.60%	6.10%
WACC	5.71%	115.34	167.30	304.94	1,734.66	-469.15
	6.21%	86.32	113.11	164.10	299.15	1,702.14
	6.71%	68.44	84.64	110.92	160.96	293.51
	7.21%	56.31	67.09	82.99	108.79	157.90
	7.71%	47.54	55.19	65.77	81.38	106.71

Source: Company Filings, Team Analysis

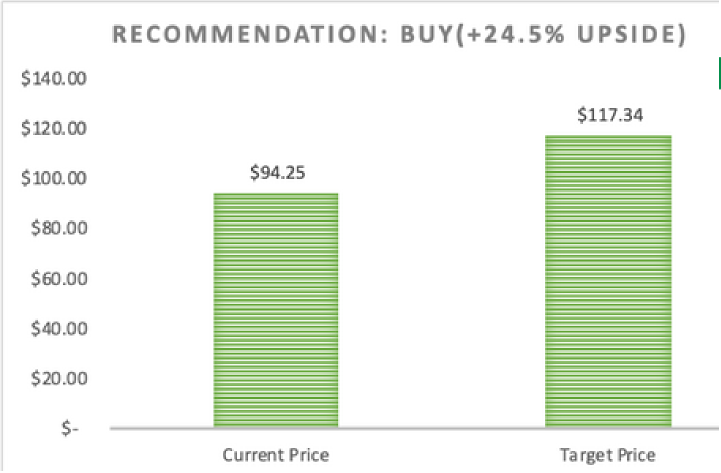
Scenario Analysis

Base Case: The base case assumes steady same-store sales growth, stable operating margins, and continued disciplined capital allocation, resulting in a 12-month target price of $117.34.

Bull Case: The bull case reflects stronger-than-expected professional segment growth, incremental operating leverage, and sustained share gains, yielding an upside valuation of $125.69.

Bear Case: The bear case assumes slower revenue growth and modest margin pressure due to competitive or macroeconomic factors, resulting in a downside valuation of $105.43.

Figure 26



Source: Yahoo Finance, Team Analysis

Relative Valuation

While DCF captures O'Reilly's intrinsic value, relative valuation benchmarks the company against peers AutoZone (AZO), Genuine Parts (GPC), and Advance Auto Parts (AAP). We analyzed P/E, EV/EBITDA, and P/S multiples using 2022-2024 actual data.

Rather than applying peer averages directly, we followed ORLY's own P/E trajectory, which expanded from 23.5x in 2022 to over 35x by late 2025. Using a 35x P/E with 2025E EPS of $2.97 yields an implied price of $103.95, while the trend-based projection suggests $94.25 (Fig. 26). ORLY trades at a 55-66% premium to peers, justified by superior fundamentals: 32.1% ROIC and 10.2% EPS CAGR versus peer averages of ~12% and -2%, respectively. Given these advantages, peer-based comparisons likely understate ORLY's fair value.

Figure 27

Source: Company Data, Koyfin, Team Analysis

Monte Carlo Simulation

We conducted a Monte Carlo simulation to assess the sensitivity of O'Reilly Automotive's intrinsic value to uncertainty in key valuation inputs, including revenue growth, operating margins, and discount rates. The simulation consists of 50,000 scenarios over a 12-month horizon, generating a distribution of implied equity values rather than a single point estimate. As shown in **Figure 29**, the distribution is moderately right-skewed, reflecting asymmetric upside relative to downside risk. The median implied value of $137.57 exceeds our base case target price of $117.34, placing the target at approximately the 25th percentile of simulated outcomes. This indicates that our valuation assumptions are conservative, with approximately 75 percent of simulated scenarios resulting in equity values above our stated target price.

Figure 28

Summary	
Min	$54.08
Max	$327.71
Mean	$140.85

Figure 29

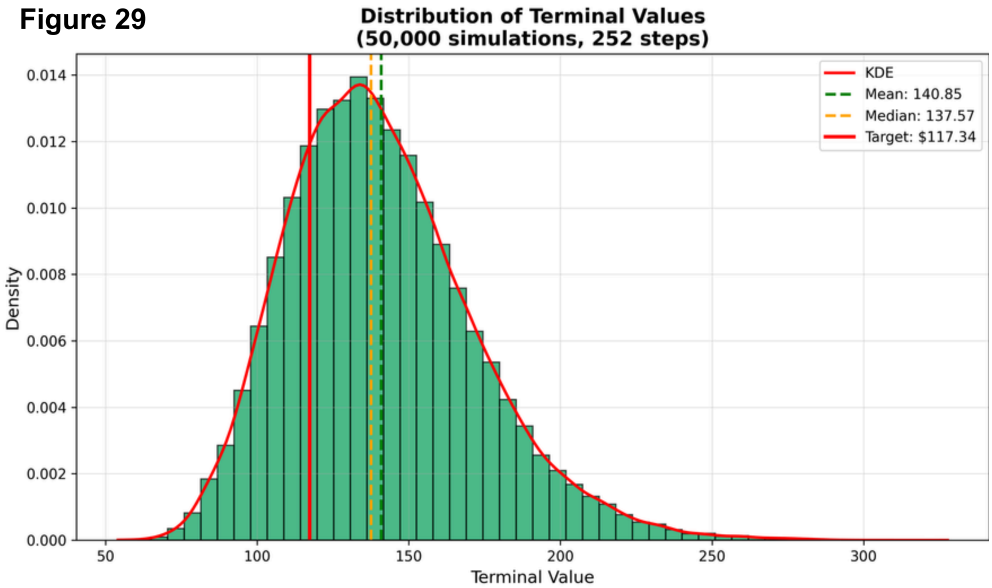


Figure 30

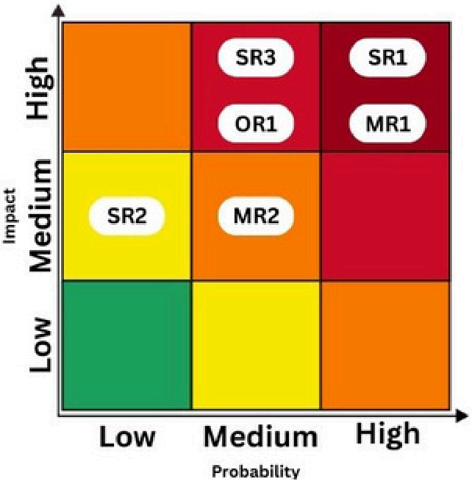
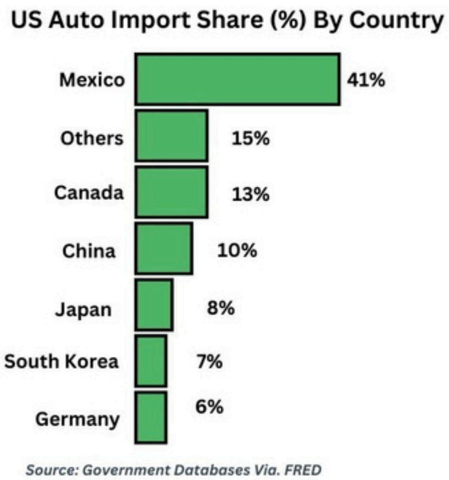


Figure 31



INVESTMENT RISKS

The following risks represent potential deviations from our base case assumptions. While several risks carry high long-term impact, we believe they are either gradual in nature, partially mitigated by O'Reilly's operating model, or already reflected in current market pricing. Our valuation incorporates these risks through explicit sensitivity and scenario analysis.

Industry & Structural Risks

[SR1] Electric Vehicle Adoption Risk: EVs eliminate many high-frequency aftermarket categories, reducing average maintenance spend per vehicle and long-run transaction volume. **Valuation:** Sensitivity analysis shows that lowering our growth rate would reduce our target price to $81.82. **Mitigation:** A large and aging population of internal combustion vehicles will continue to support aftermarket demand in the near to medium term, cushioning the pace of revenue erosion as EV adoption progresses.

[SR2] AVs Adoption Risk: The increased use of software-driven diagnostics and predictive maintenance may move repair activities to dealership and manufacturer-authorized service networks, lowering demand for independent aftermarket parts. **Valuation:** Reducing the Revenue CAGR to 2.5% lowers our valuation to $105.43. **Mitigation:** O'Reilly Automotive supports independent repair shops with advanced diagnostic tools, technical data access, and rapid parts availability, preserving their competitiveness as vehicles become more software-defined.

[SR3] OEMs Insourcing Risk: As OEMs internalize production and retain tighter control over proprietary parts for newer vehicles, particularly EVs, suppliers may discontinue independent aftermarket production due to insufficient scale. This dynamic risks limiting parts availability outside manufacturer-authorized channels and could redirect a greater share of repair activity toward dealerships rather than independent installers. **Valuation:** We increased our WACC to 7.2% in our sensitivity analysis to account for this structural threat. **Mitigation:** O'Reilly leverages its scale, supplier diversification, and expanding EV-compatible assortment to source alternative components and maintain parts access for independent installers outside OEM channels.

Operational & Competitive Risks

[OR1]Tariffs and Supply-Chain Disruption Risk: Sudden tariff increases or supply-chain disruptions could adversely affect O'Reilly's inventory availability given the industry-wide concentration of U.S. automotive parts imports. Industry data (Figure 31) indicate that Mexico accounts for approximately ~41% of U.S. auto-parts imports, creating sensitivity to border frictions or labor disruptions despite USMCA protections. In addition, China represents roughly ~11% of imports, exposing the sector to elevated geopolitical and tariff risk amid ongoing U.S.–China trade tensions. As a large national retailer operating within this supply ecosystem, O'Reilly is indirectly exposed to these structural risks. **Mitigation**: O'Reilly's diversified supplier relationships, private-label sourcing, and hub-and-spoke distribution network provide flexibility to rebalance sourcing and inventory, limiting disruption to professional installer fulfillment where availability is critical.

Market Risks

[MR1] Interest Rate Sensitivity Risk: Elevated interest rates create near-term volatility in discretionary driving and maintenance spending, leading to uneven demand patterns despite longer vehicle ownership trends supporting baseline aftermarket activity. **Mitigation:** O'Reilly's revenue mix is concentrated in essential maintenance categories, which stabilizes demand as delayed vehicle replacement shifts spending toward repairs rather than new purchases.

[MR2] Economic and Weather Sensitivity Risk: Regional economic slowdowns and extreme weather events can disrupt store traffic, logistics, and short-term sales visibility, contributing to quarterly volatility. **Mitigation:** O'Reilly's dense distribution network and broad geographic footprint enable rapid inventory rebalancing and operational continuity, limiting the duration and financial impact of localized disruptions.

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Appendix A: Executive Management

Brad Beckham
COO

Greg Henslee
Affiliated Director and Executive Chairman of the Board

David O'Reilly
Affiliated Director and Executive Vice Chairman of the Board

Thomas T. Hendrickson
Independent Lead Director of the Board

Kimberly A. deBeers
Independent Director of the Board

Gregory D. Johnson
Affiliated Director of the Board

John R. Murphy
Independent Director of the Board

Dana M. Perlman
Independent Director of the Board

Maria A. Sastre
Independent Director of the Board

Fred Whitfield
Independent Director of the Board

Name	Position	Year	Education	Work Experience
Brad Beckham	Executive Vice President & Chief Operating Officer	2018	B.S., Business	• O’Reilly Automotive: Senior operations leadership • Oversight of store operations, merchandising, and field execution
Greg Johnson	President & Chief Executive Officer	2016	B.S., Accounting	• O’Reilly Automotive: President & COO (prior) • Long-tenured executive with deep aftermarket experience
David O’Reilly	Executive Vice President	2019	B.S., Business	• O’Reilly Automotive: Senior leadership roles • Strategic and operational oversight
Thomas J. Hendrickson	Executive Vice President	2017	B.S., Business Administration	• O’Reilly Automotive: Long-tenured executive • Store operations and organizational leadership
Kimberly A. Anderson	Senior Vice President	2020	B.A., Business / Management	• O’Reilly Automotive: Functional leadership role • Organizational and operational support
John R. Murphy	Senior Vice President & General Counsel	2021	J.D.	• O’Reilly Automotive: Legal, governance, and compliance oversight • Risk management and regulatory affairs
Dan M. Petrowski	Senior Vice President, Finance	2021	B.S., Finance	• O’Reilly Automotive: Financial planning and analysis • Performance management and reporting
Maria A. Seiter	Senior Vice President, Merchandising	2019	B.S., Business	• O’Reilly Automotive: Category management and pricing strategy • Supplier and product mix optimization
Fred Mitchell	Executive Vice President, Store Operations	2018	B.S., Management	• O’Reilly Automotive: Field leadership • Store execution and customer service operations

Appendix B: Income Statement

Consolidated Statements Of Income
In millions

Year Ending	2021A	2022A	2023A	2024A	2025E	2026E	2027E	2028E	2029E
Sales	13,328	14,410	15,812	16,708	17,551	18,347	19,089	19,764	20,365
Cost of Goods Sold, Including Warehouse and Distribution Expenses	6,308	7,028	7,707	8,154	8,560	8,949	9,310	9,640	9,933
Gross Profit	**7,020**	**7,382**	**8,105**	**8,554**	**8,991**	**9,399**	**9,779**	**10,125**	**10,433**
Selling, General and Administrative Expenses	4,103	4,427	4,918	5,303	5,571	5,824	6,059	6,273	6,464
D&A	328	358	409	462	503	558	617	679	744
EBITDA	**3,245**	**3,312**	**3,595**	**3,713**	**3,923**	**4,134**	**4,337**	**4,530**	**4,712**
D&A	328	358	409	462	503	558	617	679	744
Operating Income (EBIT)	**2,917**	**2,954**	**3,186**	**3,251**	**3,420**	**3,575**	**3,720**	**3,851**	**3,969**
Interest Expense	135	156	182	206	194	194	194	194	194
Earnings Before Taxes (EBT)	**2,782**	**2,799**	**3,005**	**3,045**	**3,226**	**3,381**	**3,525**	**3,657**	**3,774**
Operating Taxes	617	626	658	658	718	751	781	809	833
Net Income	**2,164**	**2,173**	**2,347**	**2,387**	**2,508**	**2,630**	**2,744**	**2,848**	**2,941**

Fixed Assets Schedule

Fiscal Year	2022A	2023A	2024A	2025E	2026E	2027E	2028E	2029E
Beginning PP&E	4,214	4,424	5,037	5,605	6,223	6,879	7,568	8,290
D&A	358	409	462	503	558	617	679	744
CapEx	568	1,022	1,030	1,121	1,214	1,307	1,400	1,492
Ending PP&E	**4,424**	**5,037**	**5,605**	**6,223**	**6,879**	**7,568**	**8,290**	**9,038**

Assumptions

Fiscal Year	2022A	2023A	2024A	2025E	2026E	2027E	2028E	2029E
D&A as a % of Beginning PP&E	8.5%	9.2%	9.2%	9.0%	9.0%	9.0%	9.0%	9.0%
CapEx as a % of Beginning PP&E	13.5%	23.1%	20.4%	20.0%	19.5%	19.0%	18.5%	18.0%

Appendix C: Balance Sheet

Year Ending	2021A	2022A	2023A	2024A
Assets				
Cash and Cash Equivalents	362	109	279	130
Accounts Receivable, Net	273	343	375	357
Amounts Receivable from Suppliers	113	127	140	139
Inventory	3,686	4,359	4,658	5,096
Deferred Income Taxes	-	-	-	-
Other Current Assets	70	110	105	118
Total Current Assets	4,504	5,048	5,558	5,840
Land	-	-	-	-
Buildings	-	-	-	-
Leasehold Improvements	-	-	-	-
Furniture, Fixtures and Equipment	-	-	-	-
Vehicles	-	-	-	-
Property and Equipment, at Cost	6,948	7,438	8,312	9,192
Less: Accumulated Depreciation and Amortization	2,735	3,014	3,275	3,587
Net Property and Equipment	4,214	4,424	5,037	5,605
Notes Receivable, Less Current Portion	-	-	-	-
Operating Lease, Right-of-Use Assets	**1,982**	**2,112**	**2,201**	**2,325**
Goodwill	879	884	898	930
Deferred Income Taxes	-	-	-	-
Other Assets, Net	**139**	**159**	**179**	**194**
Total Assets	11,719	12,628	13,873	14,894
Liabilities and Shareholders' Deficit				
Accounts Payable	4,695	5,881	6,092	6,525
Self-Insurance Reserves	129	139	129	149
Accrued Payroll	108	127	138	108
Accrued Benefits and Withholdings	235	166	175	200
Deferred Income Taxes	-	-	-	-
Income Taxes Payable	-	-	8	6
Current Portion of Operating Lease Liabilities	**338**	**367**	**390**	**419**
Other Current Liabilities	370	384	731	877
Current Portion of Long-Term Debt	-	-	-	-
Total Current Liabilities	5,875	7,064	7,661	8,284
Long-Term Debt	3,827	4,372	5,570	5,521
Operating Lease Liabilities, Less Current Portion	**1,702**	**1,807**	**1,881**	**1,981**
Deferred Income Taxes	**175**	**245**	**295**	**248**
Other Liabilities	**207**	**201**	**204**	**232**
Issued and Outstanding Shares	1	-	1	-
Common Stock, $0.01 Par Value	-	1	-	9
Additional Paid-in Capital	1,306	1,311	1,352	1,455
Retained Earnings	(1,366)	(2,376)	(3,132)	(2,791)
Accumulated Other Comprehensive Income (Loss)	(7)	3	39	(43)

Appendix D: Statement of Cash Flow

CONSOLIDATED STATEMENTS OF CASH FLOWS
In millions

Year Ending	2022A	2023A	2024A
Net Income	2,173	2,347	2,387
Depreciation and Amortization of Property, Equipment and Intangibles	358	409	462
Amortization of Intangibles			
Amortization of Premium on Exchangeable Notes			
Amortization of Debt Discount and Issuance Costs	5	5	7
Write-Off of Asset-Based Revolving Credit Facility Debt Issuance Costs			
Excess Tax Benefit from Share-Based Compensation			
Deferred Income Taxes	70	48	(50)
Gain on Settlement of Note Receivable			
Stock Option Compensation Expense			
Other Share Based Compensation Expense			
Share-Based Compensation Programs	26	28	29
Other	1	2	6
Accounts Receivable	(76)	(36)	30
Inventory	(669)	(288)	(404)
Accounts Payable	1,185	207	421
Income Taxes Payable	151	34	(9)
Accrued Payroll	19	11	(31)
Accrued Benefits and Withholdings	(60)	(13)	71
Other	(34)	280	130
Net Cash Provided by Operating Activities	**3,148**	**3,034**	**3,050**
Purchases of Property and Equipment	(563)	(1,006)	(1,023)
Proceeds from Sale of Property and Equipment	15	18	16
Payments Received on Notes Receivable			
Purchase of Short-Term Investments			
Advances Made on Notes Receivable			
Investment in Tax Credit Equity Investments			
Other			
Return of Tax Credit Equity Investments	(188)	(4)	1
Other, Including Acquisitions, Net of Cash Acquired	(3)	(3)	(161)
Net Cash Provided by Investing Activities	**(740)**	**(996)**	**(1,167)**
Proceeds from Borrowings on Revolving Credit Facility	786	3,227	30
Payments on Revolving Credit Facility	(786)	(3,227)	(30)
Net Proceeds of Commercial Paper		747	(548)
Proceeds from the Issuance of Long-Term Debt	847	750	499
Principal Payments on Long-Term Debt	(300)	(300)	
Debt Prepayment Costs			
Issuance Cost of Equity Exchanged in CSK Acquisition			
Payment of Debt Issuance Costs	(7)	(5)	(4)
Principal Payments on Capital Leases			
Payment of Excise Tax on Share Repurchases			(29)
Repurchases of Common Stock	(3,282)	(3,151)	(2,077)
Excess Tax Benefit from Share-Based Compensation			
Net Proceeds from Issuance of Common Stock	79	91	129
Other	(0)	(0)	(1)
Net Cash Provided by Financing Activities	**(2,663)**	**(1,869)**	**(2,030)**
Effect of Exchange Rate Changes on Cash	1	1	(2)
Net Increase in Cash and Cash Equivalents	(254)	171	(149)
Cash and Cash Equivalents at Beginning of the Period	362	109	279
Cash and Cash Equivalents at End of the Period	109	279	130

Appendix E: Discounted Cash Flow (DCF)

Unlevered Free Cash Flow (mm)								
Fiscal Year	2022A	2023A	2024A	2025E	2026E	2027E	2028E	2029E
Revenue	14,410	15,812	16,708	17,551	18,347	19,089	19,764	20,365
COGS	7,028	7,707	8,154	8,560	8,949	9,310	9,640	9,933
Gross Profit	**7,382**	**8,105**	**8,554**	**8,991**	**9,399**	**9,779**	**10,125**	**10,433**
Operating Expenses								
Selling, General and Administrative Expenses	4,427	4,918	5,303	5,571	5,824	6,059	6,273	6,464
Operating Profit (EBIT)	**2,954**	**3,186**	**3,251**	**3,420**	**3,575**	**3,720**	**3,851**	**3,969**
Operating Taxes	626	658	658	718	751	781	809	833
NOPAT (Net Operating Profit After Taxes)	**2,328**	**2,528**	**2,593**	**2,702**	**2,825**	**2,939**	**3,043**	**3,135**
(+) Depreciation & Amortization	358	409	462	503	558	617	679	744
(-) Capital Expenditures	568	1,022	1,030	1,121	1,214	1,307	1,400	1,492
(-) Change in NWC	(363)	(228)	(142)	1,490	(29)	(27)	(25)	(22)
NWC	(1,757)	(1,985)	(2,127)	(637)	(666)	(693)	(718)	(739)
Current Assets	4,940	5,279	5,731	5,875	6,142	6,390	6,617	6,818
Current Liabilitites	6,697	7,264	7,858	6,513	6,808	7,083	7,334	7,557
Unlevered Free Cash Flow	**2,481**	**2,143**	**2,167**	**594**	**2,198**	**2,276**	**2,346**	**2,408**

Implied Share Price Calculation	
Sum of PV of FCF	7,550
Growth Rate	5.0%
WACC	6.7%
Terminal Value	139,863
PV of Terminal Value	101,171
Enterprise Value	108,721
(+) Cash	130
(-) Debt	5,521
Equity Value	103,330
Diluted Shares Outstanding (mm)	880.58
Implied Share Price	**117.34**

Sensitivity Table						
		Growth Rate				
	117.34	4.10%	4.60%	5.10%	5.60%	6.10%
WACC	5.71%	128.33	185.96	338.62	1,924.46	-519.99
	6.21%	96.14	125.85	182.41	332.22	1,888.40
	6.71%	76.31	94.28	123.43	178.94	325.96
	7.21%	62.86	74.82	92.45	121.07	175.55
	7.71%	53.14	61.62	73.36	90.67	118.76

Net Working Capital									
Fiscal Year	2021A	2022A	2023A	2024A	2025E	2026E	2027E	2028E	2029E
Accounts Receivable, Net	273	343	375	357	388	402	414	425	433
Amounts Receivable from Suppliers	113	127	140	139	151	156	161	165	169
Merchandise Inventory	3,686	4,359	4,658	5,096	5,159	5,341	5,504	5,644	5,759
Other Current Assets	70	110	105	139	121	126	129	133	135
Current Assets	**4,142**	**4,940**	**5,279**	**5,731**	**5,819**	**6,025**	**6,209**	**6,366**	**6,496**
Accounts Payable	4,695	5,881	6,092	6,525	5,261	5,448	5,613	5,756	5,873
Self-Insurance Reserves	129	139	129	149	158	164	169	173	176
Accrued Benefits & Withholdings	235	166	175	200	227	235	242	248	253
Accrued Payroll	108	127	138	108	139	144	149	152	155
Other Current Liabilities	370	384	731	877	665	689	710	728	743
Current Liabilities	**5,536**	**6,697**	**7,264**	**7,858**	**6,451**	**6,679**	**6,882**	**7,057**	**7,201**

Assumptions									
Fiscal Year	2021A	2022A	2023A	2024A	2025E	2026E	2027E	2028E	2029E
Revenue	13,328	14,410	15,812	16,708	17,384	17,999	18,546	19,017	19,405
COGS	6,308	7,028	7,707	8,154	8,478	8,779	9,045	9,275	9,464
Days Sales Outstanding (DSO)	7.4	8.6	8.5	7.7	8.0	8.0	8.0	8.0	8.0
Days Inventory Outstanding (DIO)	210.4	223.3	217.6	225.0	219.0	219.0	219.0	219.0	219.0
Days Payable Outstanding (DPO)	267.9	301.2	284.5	288.1	285.5	285.5	285.5	285.5	285.5
Other Current Assets as a % of Revenue	0.5%	0.8%	0.7%	0.8%	0.7%	0.7%	0.7%	0.7%	0.7%
Other Current Liabilities as a % of Revenue	2.8%	2.7%	4.6%	5.2%	3.8%	3.8%	3.8%	3.8%	3.8%
Receivables from suppliers as a % of COGS	1.8%	1.8%	1.8%	1.7%	1.8%	1.8%	1.8%	1.8%	1.8%
Accrued Payroll as a % of Revenue	0.8%	0.9%	0.9%	0.6%	0.8%	0.8%	0.8%	0.8%	0.8%
Accrued Benefits & Withholdings as a % of Revenue	1.8%	1.2%	1.1%	1.2%	1.3%	1.3%	1.3%	1.3%	1.3%
Self-Insurance Reserves as a % of Revenue	1.0%	1.0%	0.8%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%
Long Term Debt		4,372	5,570	5,521	5,521	5,521	5,521	5,521	5,521
Interest Expense %		3.56%	3.26%	3.73%	3.52%	3.52%	3.52%	3.52%	3.52%
Interest Expense		156	182	206	194	194	194	194	194

*Valuation model structure adapted from the "Build a DCF Valuation Model from Scratch" framework by Kenji Explains (2022).

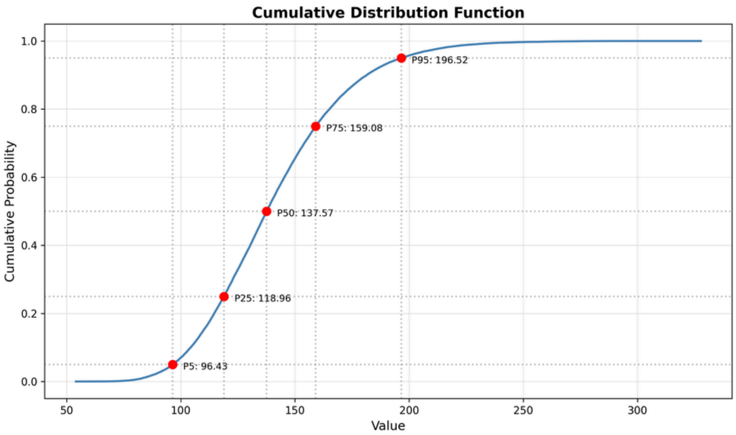
Appendix F: Monte-Carlo Simulation

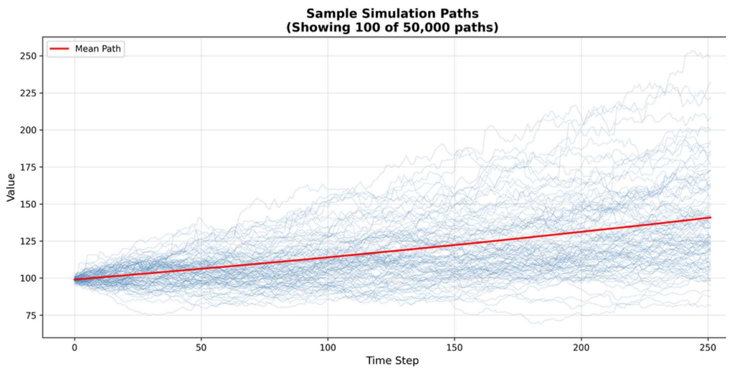
To assess the sensitivity of intrinsic value to key forecasting assumptions, we conducted a Monte Carlo simulation with 50,000 iterations based on our discounted cash flow framework. The simulation evaluates a distribution of equity values by simultaneously varying the primary value drivers within reasonable, model-consistent ranges.

Key inputs subject to stochastic variation include revenue growth, operating margins, and the discount rate, while all structural model assumptions remain consistent with the base-case DCF. Each simulation iteration produces an implied per-share equity value, resulting in a probability-weighted distribution of valuation outcomes.

The Monte Carlo analysis is intended to provide insight into the range and likelihood of potential valuation outcomes, rather than to serve as an independent valuation methodology. Results indicate that a substantial proportion of simulated outcomes exceed the prevailing market price, reinforcing the robustness of the DCF-derived intrinsic valuation and supporting the investment recommendation.

Monte Carlo Simulation	
Trials	50,000
25th Percentile	$118.96
Mean	$140.85
Target Price	$117.34
75th Percentile	$118.96
Standard Deviation	$30.79
Probability of Downside	2%
Probability of Upside	98%





Appendix G1: Relative Valuation

To supplement our intrinsic valuation, we conducted a relative valuation analysis using a focused peer set of publicly traded U.S. automotive aftermarket retailers with comparable business models and end-market exposure. The peer group includes AutoZone and Genuine Parts Company, which represent the most relevant public comparables to O'Reilly Automotive. Advance Auto Parts is excluded from certain metrics due to negative EBITDA, which renders EV-based multiples not meaningful.

Relative valuation metrics are sourced from publicly available market data and applied consistently across the peer group. We evaluate valuation primarily using trailing P/E multiples, which provide a conservative equity-level cross-check to our discounted cash flow analysis. Implied valuation ranges are calculated by applying observed peer multiples to O'Reilly's forecasted financial metrics, as detailed in the accompanying Excel model.

Relative valuation serves as a market-based reference point and is intended to complement, rather than replace, the intrinsic valuation derived from our discounted cash flow analysis.

TICKER	NTM P/E (x)	NTM EV/EBITDA (x)
ORLY	--------	-------
AZO	25.97x	12.10x
GPC	24.31x	10.00x
PEER LOW	24.31x	10.00x
PEER HIGH	25.97x	12.10x
METRIC	**EPS(2025E)**	**EBITDA (2025E)**

EV/EBITDA is presented as an enterprise-level reference metric. Equity value implications are sensitive to capital structure and are therefore not used as a primary determinant of intrinsic value.

Method	Input Metric	Implied Value Range per Share
P/E Comps	24.31x – 25.97x	$86 – $91
EV/EBITDA (illustrative)*	10.2x – 14.2x	$39 – $57[1]

Appendix G2: Relative Valuation Excel

O'Reilly Automotive (ORLY) - Relative Valuation Analysis

Period: 2022-2024 (Actual Data Only) | Source: Koyfin

P/E RATIO COMPARISON (LTM Year-End)

Company	2022	2023	2024	3-Yr Avg
O'Reilly Automotive (ORLY)	23.5x	27.7x	33.2x	28.1x
AutoZone (AZO)	17.4x	17.6x	20.4x	18.5x
Genuine Parts (GPC)	20.7x	14.8x	18.0x	17.8x
Advance Auto Parts (AAP)	N/M	N/M	N/M	N/M
Peer Average (excl. AAP)	19.1x	16.2x	19.2x	18.2x
ORLY Premium to Peers	23.4%	71.0%	72.9%	55.0%

EV/EBITDA RATIO COMPARISON (LTM Year-End)

Company	2022	2023	2024	3-Yr Avg
O'Reilly Automotive (ORLY)	14.7x	17.2x	20.0x	17.3x
AutoZone (AZO)	11.8x	12.5x	14.2x	12.8x
Genuine Parts (GPC)	10.5x	9.8x	10.2x	10.2x
Advance Auto Parts (AAP)	7.2x	8.5x	9.1x	8.3x
Peer Average	9.8x	10.3x	11.2x	10.4x
ORLY Premium to Peers	49.5%	67.5%	79.1%	66.0%

P/S (PRICE-TO-SALES) RATIO COMPARISON

Company	2022	2023	2024	3-Yr Avg
O'Reilly Automotive (ORLY)	3.4x	4.0x	4.6x	4.0x
AutoZone (AZO)	2.8x	2.9x	3.2x	3.0x
Genuine Parts (GPC)	0.9x	0.8x	0.7x	0.8x
Advance Auto Parts (AAP)	0.4x	0.3x	0.3x	0.3x
Peer Average	1.4x	1.3x	1.4x	1.4x
ORLY Premium to Peers	148.8%	200.0%	228.6%	192.7%

KEY INSIGHT: ORLY Consistently Trades at Premium

ORLY has consistently maintained a valuation premium vs. peers across all metrics.
This premium is justified by ORLY's superior financial performance (see Growth Comparison tab).

Why ORLY Trades at a Premium: Growth & Profitability Comparison

This analysis explains ORLY's valuation premium relative to peers

EPS GROWTH RATE COMPARISON (2022-2024)				
Company	**2022 EPS**	**2024 EPS**	**2-Yr CAGR**	**Notes**
O'Reilly (ORLY)	$2.23	$2.71	10.2%	Growth
AutoZone (AZO)	$2.08	$2.33	5.8%	Growth
Genuine Parts (GPC)	$8.37	$6.46	-12.1%	Decline
Advance Auto Parts (AAP)	$7.34	-$5.66	N/M	Decline

REVENUE GROWTH RATE COMPARISON (2022-2024)				
Company	**2022 Rev ($B)**	**2024 Rev ($B)**	**2-Yr CAGR**	**Notes**
O'Reilly (ORLY)	$14.41	$16.71	7.7%	Growth
AutoZone (AZO)	$16.25	$18.49	6.7%	Growth
Genuine Parts (GPC)	$22.10	$23.49	3.1%	Growth
Advance Auto Parts (AAP)	$9.15	$9.09	-0.3%	Decline

PROFITABILITY METRICS COMPARISON (2024)				
Company	**ROIC**	**EBITDA Margin**	**Gross Margin**	**Notes**
O'Reilly (ORLY)	32.1%	22.2%	51.2%	Strong
AutoZone (AZO)	28.5%	23.5%	53.1%	Strong
Genuine Parts (GPC)	15.2%	7.2%	36.3%	Moderate
Advance Auto Parts (AAP)	-8.4%	-1.4%	37.5%	Weak

P/E RATIO GROWTH RATE (2022-2024)				
Company	**2022 P/E**	**2024 P/E**	**Annual Growth**	**Notes**
O'Reilly (ORLY)	23.5x	33.2x	18.86%	Growth
AutoZone (AZO)	17.4x	20.4x	8.28%	Growth

KEY FINDING: ORLY's higher EPS growth and ROIC justify its valuation premium.

ORLY Implied Valuation - P/E Trend Analysis

Approach: Using ORLY's historical P/E trend rather than peer average

CURRENT STOCK DATA	
Current Stock Price	$94.25
Valuation Date	Dec 9, 2025
Target Price (Analyst)	$117.34
2025E EPS (Consensus)	$2.97

ORLY HISTORICAL P/E TREND

Date	Stock Price	TTM EPS	P/E Ratio
2023-12-31	$63.34	$2.57	24.65x
2024-03-31	$75.26	$2.63	28.62x
2024-06-30	$70.40	$2.65	26.57x
2024-09-30	$76.77	$2.69	28.54x
2024-12-31	$79.05	$2.71	29.17x
2025-03-31	$95.51	$2.72	35.11x
2025-06-30	$90.13	$2.80	32.19x
2025-09-30	$107.81	$2.89	37.30x
2026-01-26	$100.24	$2.88	34.81x

METHOD 1: Assume Reasonable P/E Multiple

If we assume 35x P/E is reasonable for ORLY:

Assumed P/E	35.0x		
2025E EPS	$2.97		
Implied Price	**$103.95**	Recommendation:	**BUY**

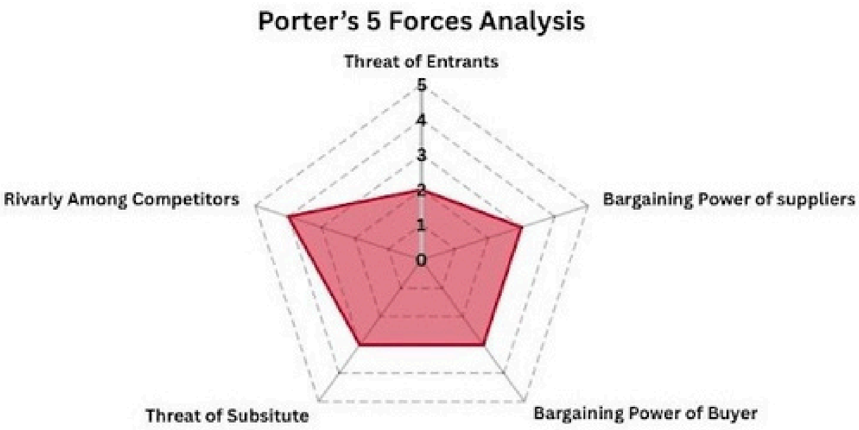
METHOD 2: P/E Growth Rate Projection

ORLY P/E CAGR (2022-2024)	8.79%	~18.9% annual	
2024 Year-End P/E	29.17x		
Projected 2025 P/E	31.73x		
2025E EPS	$2.97		
Implied Price (Method 2)	**$94.25**	Recommendation:	**BUY**

VALUATION SUMMARY	
Current Price	$94.25
Method 1 Implied Price (35x P/E)	$103.95
Method 2 Implied Price (P/E Growth)	$94.25
Analyst Target Price	$117.34

CONCLUSION: Both methods suggest ORLY is undervalued → BUY

Source: Company Data



Source: Team Concensus

Threat of New Entrants — Low (2)

High capital requirements, economies of scale, and complex hub-and-spoke distribution networks create meaningful barriers to entry in the U.S. automotive aftermarket. Established relationships with professional installers and private-label sourcing further limit the ability of new entrants to compete at scale. As a result, the threat of new entrants is low.

Bargaining Power of Suppliers — Moderate (3)

Supplier power is moderated by fragmented input markets and the purchasing scale of national retailers, which benefit from diversified sourcing and private-label programs. However, exposure to global supply chains and input cost volatility can periodically pressure margins. Overall, supplier bargaining power is moderate.

Bargaining Power of Buyers — Moderate (3)

DIY customers are price-sensitive with low switching costs, while professional installers prioritize availability and service reliability over price. This dual customer mix limits buyer leverage, as service differentiation increases customer stickiness in the professional segment. Buyer power is therefore moderate.

Threat of Substitutes — Moderate/Low (2)

There are few viable substitutes for vehicle maintenance and repair, as automobiles require ongoing replacement parts regardless of economic conditions. While EV adoption may alter product mix over time, it does not eliminate aftermarket demand. Substitution risk remains relatively low.

Competitive Rivalry — Moderate to High (4)

Competition among national chains is active but generally rational, with service levels and distribution efficiency serving as key differentiators. Continued industry fragmentation allows scaled operators to gain share without aggressive price competition. Competitive rivalry is moderate to high but structurally manageable.

Environmental Scoring

Category	O'Reilly Auto Parts	AutoZone	Genuine Parts Company (GPC)	Advance Auto Parts
Emission Targets & Net-Zero Strategy (25)	4 (net-zero 2050 + detailed target goals through 2035)	3 (net-zero 2050 + partial targets such as 15% 2025, 50% 2030)	1 (no net-zero target)	0 (No emissions target, no commitments)
Emissions Reporting & Transparency (25)	4 (scope 1-2, multi-year emission charts), some scope 3)	3 (scope 1-2, multi-year energy charts)	3 (regional emissions + totals)	1 (outdated 2022 report)
Supplier Environmental Responsibility (15)	5 (50% -> 90% supplers aligned with net-zero	1 (minimal supplier requirements, lack of data)	1 (almost no supplier climate reporting)	0 (no supplier environmental involvement)
Circularity & Recycling (20	5 (Industry-leading recylcing stats)	4 (just behind O'Reilly's in stats)	2 (some recycling data, not detailed)	1 (2022 report only, incomplete)
Renewable Energy & Efficiency (15)	1 (no renewable target, limited energy visibility)	3 (energy efficency reporting but no target)	2 (partial energy data, no targets)	1 (outdated energy data)
ENVIRONMENTAL TOTAL	3.9	2.9	1.85	0.6

Category	weight	O'Reilly Auto Parts	AutoZone	Genuine Parts Company (GPC)	Advance Auto Parts
Emission Targets & Net-Zero Strategy (25)	25	4	3	1	0
Emissions Reporting & Transparency (25)	25	4	3	3	1
Supplier Environmental Responsibility (15)	15	5	1	1	0
Circularity & Recycling (25	25	5	4	2	1
Renewable Energy & Efficiency (15)	15	1	3	2	1
Total		4.15	3.1	1.95	0.65

Social Scoring

Category	O'Reilly Auto Parts	AutoZone	Genuine Parts Company (GPC)	Advance Auto Parts
Gender Diversity (20)	24.5% (women in Management 21.1% (women in general roles) 30% (women in board) **3**	22.9% (women in workforce) 33% (women in board) complete breakdown available **3**	25% Board 23% Management 21% general **3**	22.3% (total workforce) 23.1% (management) 27.4% (vp+3) 30% (board) **3 (outdated 2022 data)**
Ethnic Diversity (20)	34.1% (ethnic managers) 42.7% (ethnic general roles) 20% (board) **3**	52.4% (Ethnic workforce) 20% (ethnic board) complete breakdown available **4**	25% Board 25% managers 32% General **2**	41.9% (ethnic total work) 34.0% (ethnic management) 21.4% (vp+3) 22.2% (board) **3**
Turnover Rate (25)	37.4% (DC V) 14.4% (DC IV) 51.8% (DC Tot) 41.4% (Stores V) 10.4% (Stores IV) 51.8% (Stores Tot) **3**	48.9% (DC V) 19.0% (DC IV) 67.9% (DC TOT) 46.6% (STORES V) 10.5% (STORES IV) 57.1% (STORES TOT) **2**	25% (V) 13% (IV) 38% (TOT) .4% (due to job elimination) **4**	NOT LISTED **0**
Disclosure (15)	Breakdown of gender and ethnicity in management & general **3**	Complete breakdown of ALL roles by gender and ethnicity **5**	breakdown of gender and ethnicity in management & general (with job elimination included) **4**	OUTDATED DATA & PARTIALLY MISSING DATA **1**
Philanthropy (20	$1 million to 35 nonprofits in 2024 Local stores have "donation" budget ($2.5 million given to local charities in 2024) free services (engine light diagnostics, battery testing/installation, wiper blade installation, bulb replacement) free loaner tool program $750,000 to 34 charities during golf events **4**	will match donations up to 10k (or 50k for executives) Autozone donated $1 million through matched donations raised $4.8 million for St. Jude AutoZoner Assistance Fund (independent, non-profit) raised $2 million **5**	$1.3 million in donations big emphasis on service (19,000 volunteer hours) $600k raised in pacific for disaster relief seems to adopt a more spread approach (smaller donations/parternships with a wide range of organizations) **3**	Partners with multiple veterans associations and provides scholarships for students in certain occupations but lack of information and specificity **2**
Total	3.2	3.95	3.2	1.85

Category	weight	O'Reilly Auto Parts	AutoZone	Genuine Parts Company (GPC)	Advance Auto Parts
Gender Diversity	20	3	3	3	3
Ethnic Diversity	20	3	4	2	3
Turnover Rate	15	3	2	4	0
Disclosure	25	3	5	4	1
Philanthropy	20	4	5	3	2
Total		3.20	3.95	3.20	1.85

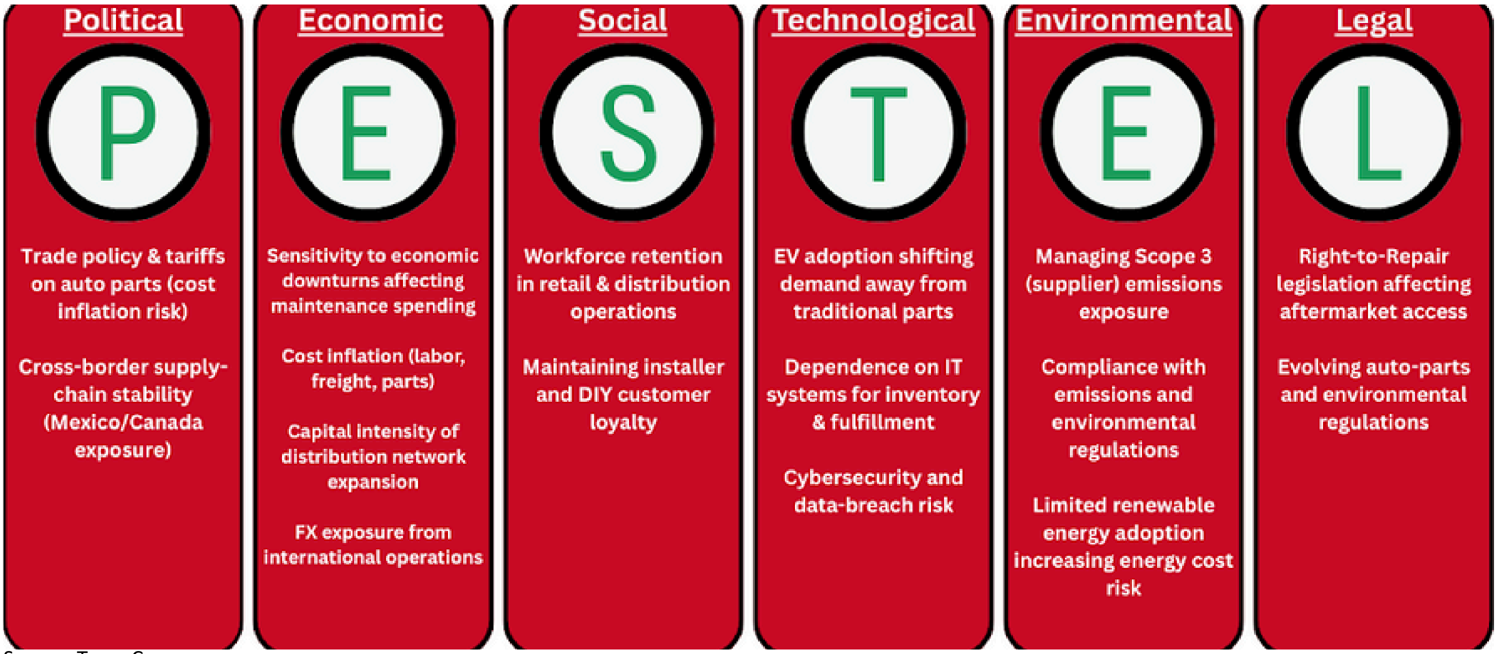
Governance Scoring

	O'Reilly's	Autozone	Genuine	ADVANCED AUTO PARTS	
Shareholder rights	single-class stock with majority held by instutions/public **5**	single-class stock with majority held by instutions/public **5**	single-class stock with majority held by instutions/public **5**	single-class stock with majority held by instutions/public **5**	
Committees	3 committees (Audit/ESG/Governance) with rigorous guidelines to guide them **4**	4 committees (President&CEO Executive Committee, executive Committee, corporate responsibiltiy steering committee, corporate responsbility committee) LACK OF GUIDELINES WITHIN COMMITTEES **2**	3 committees (Audit/Compensation/Nominating&ESG) with detailed breakdown in addition routine self-evaluations, adherence to code-of-conduct and mandatory retirement age. Includes rigorous guidelines **5**	4 committees (Audit/Compensation/Nominating&Corporate Governance/Finance) with clear responsibilities and structure **3**	
Executive Compensation	Similar to AZO—moderate base salaries but high incentive upside due to long-term value creation. **4**	Keeps base salaries intentionally low and emphasizes variable pay. **5**	Traditional salary + bonus structure; tends to be more conservative. **2**	Pays at market median of peer group; adjusted annually based on individual performance. **3**	
Corporate Ethics	One of the strongest codes — long-standing culture of "Our Values" with heavy emphasis on honesty and responsibility. Strong emphasis on consistency and ethics as well **5**	Very strong — clear, strict, consistent with high-performance culture. **4**	Strong but older-style, traditional industrial ethics. **3**	Strong — includes conflict of interest, anti-retaliation, gift policies, vendor ethics. However, recent issues with E-board have raised several very prominent questions **2**	
Diveristy of skills/backgrounds	Detailed Board Skill Matrix **5**	More research needed (little data available) **2**	Percentage breakdown of skills/fields of expertise (not super detailed) **3**	Board Skill Matrix (not as detailed as O'Reilly's but still insightful) **4**	
Disclosure	Easy to access, in-depth, relevant information across the board **4**	For the most-part, relevant somewhat in-depth data, some important areas are lackluster **2**	a lot of detail and easy to access, not necessarily always relevant **3**	(outdated, not organized, hard to find data about, literally had to go to SEC filings to find anything) **1**	
Gov Total	4.5	3.5	3.6	3.4	

Category	weight	O'Reilly Auto Parts	AutoZone	Genuine Parts Company (GPC)	Advance Auto Parts
Shareholder Rights	20	5	5	5	5
Committees	20	4	2	5	4
Executive Compensation	20	4	5	2	3
Corporate Ethics	15	5	4	3	2
Diversity of skills/backgrounds	15	5	2	3	4
Disclosure	10	4	2	3	1
Total		4.50	3.50	3.60	3.40

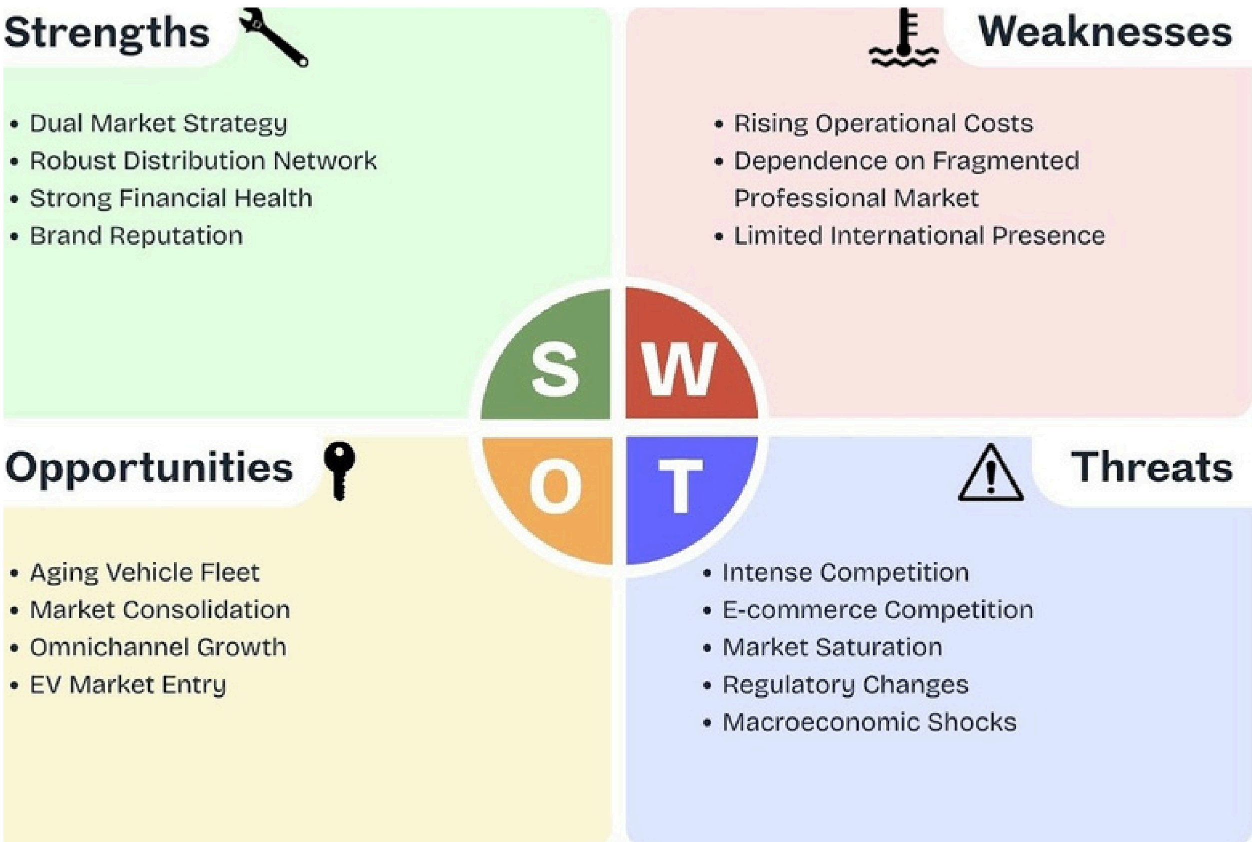
Source: Team Concensus

Appendix J1: Pestle Analysis



Source: Team Concensus

Appendix J2: SWOT ANALYSIS



Source: Team Concensus

O'REILLY AUTOMOTIVE, INC.

Financial Ratios

	SEC 10-K 12/31/2022	SEC 10-K 12/31/2023	SEC 10-K 12/31/2024	Financial Statement	Page Number
A. Revenue / Gross Profit					
Revenue	$ 14,409,860.0	$ 15,812,250.0	$ 16,708,479.0	Income Statement	Page 47
Gross Profit	$ 7,381,706.00	$ 8,104,803.00	$ 8,554,489.00	Income Statement	Page 47
Gross Profit Margin	**51.2%**	**51.3%**	**51.2%**		
B. EBITDA Calculation					
Net Income(1)	$ 2,172,650.00	$ 2,346,581.00	$ 2,386,680.00	Income Statement	Page 47
Interest Expense	$ 157,720.00	$ 201,668.00	$ 222,548.00	Income Statement	Page 47
Tax Expense	$ 626,005.00	$ 658,169.00	$ 658,384.00	Income Statement	Page 47
Depreciation and Amortization	$ 357,933.00	$ 409,061.00	$ 461,892.00	Cash Flow	Page 50
EBITDA	**$ 3,314,308.00**	**$ 3,615,479.00**	**$ 3,729,504.00**		
C. Fixed Charge Coverage Ratio					
Cash Paid for Interest Expense(2)	$ 155,853.00	$ 189,611.00	$ 209,094.00	Cash Flow	Page 50
Cash Paid for Taxes(3)	$ 415,165.00	$ 315,060.00	$ 640,426.00	Cash Flow	Page 50
Capital Expenditures	$ 563,342.00	$ 1,006,264.00	$ 1,023,387.00	Cash Flow	Page 50
Debt Payments(4)	$ 300,000.00	$ 300,000.00	$ -	Cash Flow	Page 50
Dividends / Distributions	$ -	$ -	$ -	Cash Flow	Page 50
Total Fixed Charges	$ 1,434,360.00	$ 1,810,935.00	$ 1,872,907.00		
EBITDA (Section A)	$ 3,314,308.00	$ 3,615,479.00	$ 3,729,504.00		
FCCR Calculation (EBITDA / Fixed Charges)	**2.31x**	**2.00x**	**1.99x**		
D. Financial Leverage					
Current Portion Long Term Debt	$ -	$ 750,900.00	$ 200,000.00	Footnote	Page 63
Long Term Debt	$ 4,371,653.00	$ 5,570,125.00	$ 5,520,932.00	Balance Sheet	Page 46 & 31
Total Debt	$ 4,371,653.00	$ 6,321,025.00	$ 5,720,932.00		
EBITDA (Section A)	$ 3,314,308.00	$ 3,615,479.00	$ 3,729,504.00		
Leverage (Total Debt / EBITDA)	**1.32x**	**1.75x**	**1.53x**		
E. Total Liquidity					
Cash & Equivalents	$ 108,583.00	$ 279,132.00	$ 130,245.00	Balance Sheet	Page 46
Other Liquidity Sources (If any?)(5)	$ 1,800,000.00	$ 1,794,600.00	$ 1,794,600.00	Footnote	Note 10
Total Liquidity	**$ 1,908,583.00**	**$ 2,073,732.00**	**$ 1,924,845.00**		

AUTOZONE INC.

Financial Ratios

	SEC 10-K 12/31/2022	SEC 10-K 12/31/2023	SEC 10-K 12/31/2024	Financial Statement	Page Number
A. Revenue / Gross Profit					
Revenue	$ 16,252,230.0	$ 17,457,209.0	$ 18,490,268.0	Income Statement	128
Gross Profit	$ 8,472,650.00	$ 9,070,422.00	$ 9,817,052.00	Income Statement	128
Gross Profit Margin	**52.1%**	**52.0%**	**53.1%**		
B. EBITDA Caculation					
Net Income(1)	$ 2,429,604.00	$ 2,528,426.00	$ 2,662,427.00	Income Statement	128
Interest Expense	$ 191,638.00	$ 306,372.00	$ 451,578.00	Income Statement	128
Tax Expense	$ 649,487.00	$ 639,188.00	$ 674,703.00	Income Statement	128
Depreciation and Amortization	$ 442,223.00	$ 497,577.00	$ 549,755.00	Cash Flow	148
EBITDA	**$ 3,712,952.00**	**$ 4,338,463.00**	**$ 4,338,463.00**	same number?	
C. Fixed Charge Coverage Ratio					
Cash Paid for Interest Expense(2)	$ 178,561.00	$ 260,866.00	$ 353,819.00	Cash Flow	148
Cash Paid for Taxes(3)	$ 461,232.00	$ 570,250.00	$ 437,552.00	Cash Flow	148
Capital Expenditures	$ 672,391.00	$ 796,657.00	$ 1,072,696.00	Cash Flow	148
Debt Payments(4)	$ 567,182.00	$ 881,055.00	$ 385,258.00	Cash Flow	148
Dividends / Distributions	$ 4,359,991.00	$ 3,699,552.00	$ 3,140,917.00	Cash Flow	148
Total Fixed Charges	$ 6,239,357.00	$ 5,390,242.00	$ 5,390,242.00		
EBITDA (Section A)	$ 3,712,952.00	$ 4,338,463.00	$ 4,338,463.00		
FCCR Calculation (EBITDA / Fixed Charges)	**0.60x**	**0.80x**	**0.80x**		
D. Financial Leverage					
Current Portion Long Term Debt	$ -	$ -	$ -	Balance Sheet	147
Long Term Debt	$ 6,122,092.00	$ 7,668,549.00	$ 9,024,381.00	Balance Sheet	128, 147
Total Debt	$ 6,122,092.00	$ 7,668,549.00	$ 9,024,381.00		
EBITDA (Section A)	$ 3,712,952.00	$ 4,338,463.00	$ 4,338,463.00		
Leverage (Total Debt / EBITDA)	**1.65x**	**2.08x**	**2.08x**		
E. Total Liquidity					
Cash & Equivalents	$ 264,380.00	$ 277,054.00	$ 298,172.00	Balance Sheet	147
Other Liquidity Sources (If any?)(5)	$ 2,250,000.00	$ 2,250,000.00	$ 2,200,000.00	Footnote	131, 133
Total Liquidity	**$ 2,514,380.00**	**$ 2,527,054.00**	**$ 2,498,172.00**		

GENUINE PARTS COMPANY

Financial Ratios

	SEC 10-K 12/31/2022	SEC 10-K 12/31/2023	SEC 10-K 12/31/2024	Financial Statement	Page Number
A. Revenue / Gross Profit					
Revenue	$ 22,095,973.0	$ 23,090,610.0	$ 23,486,569.0	Income Statement	47
Gross Profit	$ 7,740,104.00	$ 8,290,672.00	$ 8,523,615.00	Income Statement	47
Gross Profit Margin	**35.0%**	**35.9%**	**36.3%**		
B. EBITDA Caculation					
Net Income(1)	$ 1,182,701.00	$ 1,316,524.00	$ 904,076.00	Income Statement	47
Interest Expense	$ 73,887.00	$ 64,469.00	$ 96,827.00	Income Statement	47
Tax Expense	$ 389,901.00	$ 425,824.00	$ 271,892.00	Income Statement	47
Depreciation and Amortization	$ 347,819.00	$ 350,529.00	$ 407,978.00	Income Statement	47
EBITDA	**$ 1,994,308.00**	**$ 1,680,773.00**	**$ 1,680,773.00**	same number?	
C. Fixed Charge Coverage Ratio					
Cash Paid for Interest Expense(2)	$ 73,368.00	$ 90,405.00	$ 124,977.00	Cash Flow	50
Cash Paid for Taxes(3)	$ 362,859.00	$ 366,270.00	$ 264,625.00	Cash Flow	50
Capital Expenditures	$ 339,632.00	$ 512,675.00	$ 567,339.00	Cash Flow	50
Debt Payments(4)	$ 4,147,773.00	$ 3,237,959.00	$ 496,156.00	Cash Flow	50
Dividends / Distributions	$ 495,917.00	$ 526,674.00	$ 554,931.00	Cash Flow	50
Total Fixed Charges	$ 5,419,549.00	$ 2,008,028.00	$ 2,008,028.00		
EBITDA (Section A)	$ 1,994,308.00	$ 1,680,773.00	$ 1,680,773.00		
FCCR Calculation (EBITDA / Fixed Charges)	**0.37x**	**0.84x**	**0.84x**		
D. Financial Leverage					
Current Portion Long Term Debt	$ -	$ 355,298.00	$ 541,705.00	Balance Sheet	46
Long Term Debt	$ 3,375,055.00	$ 3,550,930.00	$ 3,742,640.00	Balance Sheet	46, 64
Total Debt	$ 3,375,055.00	$ 3,906,228.00	$ 4,284,345.00		
EBITDA (Section A)	$ 1,994,308.00	$ 1,680,773.00	$ 1,680,773.00		
Leverage (Total Debt / EBITDA)	**1.69x**	**2.55x**	**2.55x**		
E. Total Liquidity					
Cash & Equivalents	$ 653,463.00	$ 1,102,007.00	$ 479,991.00	Balance Sheet	46
Other Liquidity Sources (If any?)(5)	$ 1,500,000.00	$ 1,500,000.00	$ 1,500,000.00	Footnote	65
Total Liquidity	**$ 2,153,463.00**	**$ 2,602,007.00**	**$ 1,979,991.00**		

Advance Auto Parts, INC.

Financial Ratios (in thousands)

	SEC 10-K 12/31/2022	SEC 10-K 12/31/2023	SEC 10-K 12/31/2024	Financial Statement	Page Number
A. Revenue / Gross Profit					
Revenue(Net Sales)	$ 9,148,874.0	$ 9,209,075.0	$ 9,094,327.0	Income Statement	Page 42
Gross Profit	$ 4,232,870.00	$ 3,860,109.00	$ 3,408,520.00	Income Statement	Page 42
Gross Profit Margin	**46.3%**	**41.9%**	**37.5%**		
B. EBITDA Caculation					
Net Income(1)	$ 464,402.00	$ 29,735.00	$ (335,788.00)	Income Statement	Page 42
Interest Expense	$ 50,841.00	$ 87,989.00	$ 81,033.00	Income Statement	Page 42
Tax Expense	$ 99,657.00	$ (17,154.00)	$ (181,143.00)	Income Statement	Page 42
Depreciation and Amortization	$ 248,327.00	$ 269,430.00	$ 291,980.00	Cash Flow	Page 44
EBITDA	**$ 863,227.00**	**$ 370,000.00**	**$ (143,918.00)**		
C. Fixed Charge Coverage Ratio					
Cash Paid for Interest Expense(2)	$ 46,159.00	$ 73,844.00	$ 75,740.00	Cash Flow	Page 44
Cash Paid for Taxes(3)	$ 94,605.00	$ 98,792.00	$ 37,037.00	Cash Flow	Page 44
Capital Expenditures	$ 398,757.00	$ 225,672.00	$ 180,800.00	Cash Flow	Page 44
Debt Payments(4)	$ 201,081.00			Cash Flow	Page 44
Dividends / Distributions	$ 336,230.00	$ 209,293.00	$ 59,855.00	Cash Flow	Page 44
Total Fixed Charges	$ 1,076,832.00	$ 607,601.00	$ 353,432.00		
EBITDA (Section A)	$ 863,227.00	$ 370,000.00	$ (143,918.00)		
FCCR Calculation (EBITDA / Fixed Charges)	**0.80x**	**0.61x**	**-0.41x**		
D. Financial Leverage					
Current Portion Long Term Debt				Footnote	Page 63
Long Term Debt	$ 1,786,361.00	$ 1,786,361.00	$ 1,789,161.00	Balance Sheet	Page 46 & 31
Total Debt	$ 1,786,361.00	$ 1,786,361.00	$ 1,789,161.00		
EBITDA (Section A)	$ 863,227.00	$ 370,000.00	$ (143,918.00)		
Leverage (Total Debt / EBITDA)	**2.07x**	**4.83x**	**-12.43x**		
E. Total Liquidity					
Cash & Equivalents	$ 270,805.00	$ 488,049.00	$ 1,869,417.00	Balance Sheet	Page 46
Other Liquidity Sources (If any?)(5)	$ 1,200,000.00	$ 1,200,000.00	$ 1,200,000.00	Footnote	Note 10
Total Liquidity	**$ 1,470,805.00**	**$ 1,688,049.00**	**$ 3,069,417.00**		

Source: Company Data

Appendix K: Works Cited

Auto Care Association.
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