



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%

INVESTMENT SUMMARY

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

Recommendation & Price Target

We initiate coverage on O'Reilly Automotive, Inc. (NASDAQ: ORLY) with a BUY recommendation and a 12-month target price of \$117.34, implying upside of 24.5% from the current share price of \$94.25. Our valuation is based primarily on a discounted cash flow analysis with an explicit forecast period from 2025 through 2029, supported by relative valuation as a secondary cross-check.

Business Overview Snapshot

- Leading U.S. automotive aftermarket retailer serving both DIY and DIFM customers
- ~6,200 stores supported by a hub-and-spoke distribution network enabling rapid fulfillment
- Non-discretionary demand driven by aging vehicle fleet and rising miles driven
- Stable revenue generation across economic cycles

Investment Thesis Overview

Thesis Pillar 1, Distribution Network Advantage: O'Reilly operates an irreplicable hub-and-spoke distribution network supported by regional distribution centers and hub stores, enabling superior inventory availability and same-day or next-day fulfillment for over 150,000 SKUs. This logistics advantage is particularly critical for professional DIFM customers, where speed and part availability outweigh marginal price differences. The scale, capital intensity, and execution required to replicate this network make replication economically unattractive, creating a durable competitive moat while supporting structurally higher service levels and customer retention relative to smaller, subscale competitors.

Thesis Pillar 2, Market Fragmentation & Share Gains: The U.S. automotive aftermarket remains highly fragmented, with thousands of independent retailers and service providers lacking the scale, purchasing power, and logistics infrastructure of national players. O'Reilly has consistently gained market share in a steady end market, supported by revenue CAGR outpacing peers over the past three years, by leveraging its scale advantages, dense store footprint, and strong professional installer relationships, providing a long runway for incremental share gains and dependable revenue growth.

Thesis Pillar 3, Capital Allocation & ROIC Discipline: O'Reilly demonstrates disciplined capital allocation focused on high-return store expansion, reinvestment in its distribution network, and shareholder-friendly capital returns through share repurchases. The company's ability to convert operating advantages into durable free cash flow has resulted in consistently high returns on invested capital and strong earnings growth over time, with ROIC among the highest in the peer group. This disciplined approach enhances per-share value creation and supports long-term compounding, even in periods of macroeconomic uncertainty.

Key Risks (Summary)

- Long-term EV adoption reduces demand for high-frequency maintenance categories
- Tariffs and trade disruptions increase procurement cost volatility



BUSINESS OVERVIEW

Company Description

O'Reilly Automotive, Inc. (NASDAQ: ORLY) is a leading specialty retailer of automotive aftermarket parts, tools, and accessories in North America. Founded in 1957 and headquartered in Springfield, Missouri, the company serves both do-it-yourself (DIY) consumers and professional service providers (DIFM) through a dual-market retail strategy. As of December 31, 2024, O'Reilly operated 6,265 stores across 48 U.S. states and Puerto Rico, along with international locations in Mexico and Canada, providing broad geographic coverage in key automotive markets.

Customer Segmentation

O'Reilly generates revenue from a balanced mix of DIY consumers and professional DIFM customers, with professionals accounting for a meaningful and growing share of sales. DIFM customers, including independent repair shops and service centers, place a premium on part availability, delivery speed, and service reliability. This segment tends to exhibit higher purchase frequency and greater customer stickiness, contributing to stable revenue and cash flow generation across economic cycles.

Product Mix & Services

The company's product assortment includes new and remanufactured hard parts such as batteries, brakes, alternators, and engine components; routine maintenance items including filters, fluids, lighting, and wiper blades; and a range of automotive accessories. In addition, O'Reilly stores offer value-added in-store services such as battery testing and installation, check-engine diagnostics, and tool loan programs, enhancing customer convenience and reinforcing repeat traffic.

Distribution & Fulfillment Network

O'Reilly operates a centralized hub-and-spoke distribution system supported by regional distribution centers and hub stores that supply nearby retail locations. This structure enables same-day or next-day delivery for a broad range of SKUs, reducing stock-out risk and ensuring consistent product availability. The distribution network supports both retail and professional channels and serves as the operational foundation for O'Reilly's service levels and fulfillment reliability.



Industry Overview

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.

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.

Rising Vehicle Miles Traveled (VMT)

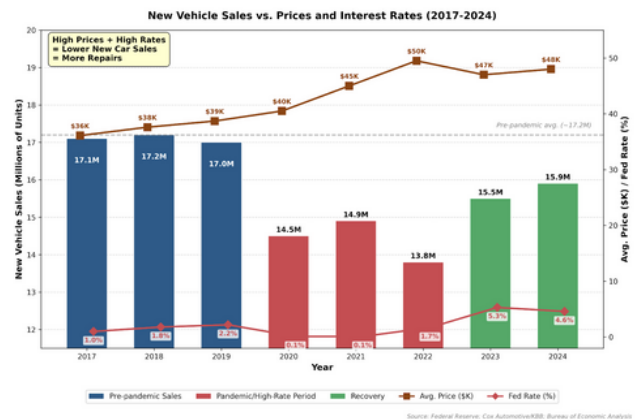
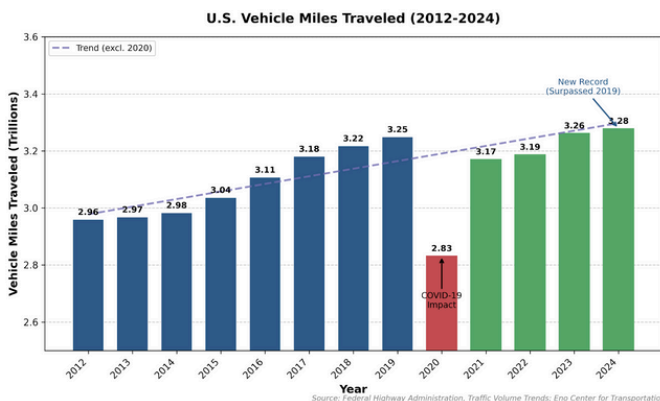
Vehicle miles traveled in the United States have fully recovered from pandemic-era declines and reached new highs, reflecting increased vehicle usage. Higher miles driven accelerate wear on critical components such as brakes, suspension systems, and batteries, directly increasing demand for replacement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

Economic Conditions Favor Repairs Over Replacement

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.

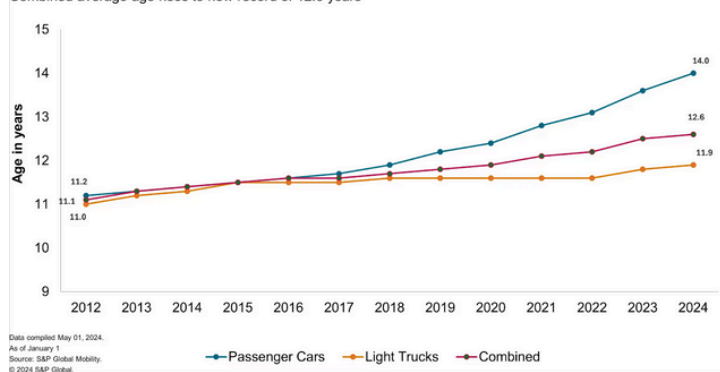
Addressing the WFH Paradox

While remote and hybrid work arrangements theoretically reduce commuting, vehicle usage has continued to rise. Increased non-work travel, suburban migration, leisure travel, and reduced reliance on public transportation have contributed to higher per-capita driving. These behavioral shifts help explain why vehicle miles traveled have increased despite changes in work patterns, reinforcing long-term demand for aftermarket services.



US Average Age by Vehicle Type

Combined average age rises to new record of 12.6 years





COMPETITIVE LANDSCAPE & POSITIONING

Competitive Landscape

The U.S. automotive aftermarket retail industry is characterized by a mix of large national chains and a long tail of independent retailers and service providers. Major national players include O'Reilly Automotive, AutoZone, Advance Auto Parts, and Genuine Parts Company (NAPA), each operating extensive store networks and distribution infrastructure. Despite the presence of these large competitors, the industry remains highly competitive, with differentiation driven by inventory availability, delivery speed, service quality, and relationships with professional installers rather than product exclusivity.

Industry Fragmentation

Despite consolidation among national retailers, the automotive aftermarket remains highly fragmented, with thousands of independent parts stores and service operators serving local markets. Many independent competitors lack the scale, purchasing power, and logistics capabilities required to consistently meet the increasing demands of modern vehicle repair. As vehicles become more complex and repair timelines become more time-sensitive, smaller operators face growing challenges in maintaining inventory breadth and fulfillment reliability. This fragmentation creates a long runway for share gains by scaled operators with national distribution networks.

O'Reilly's Competitive Positioning

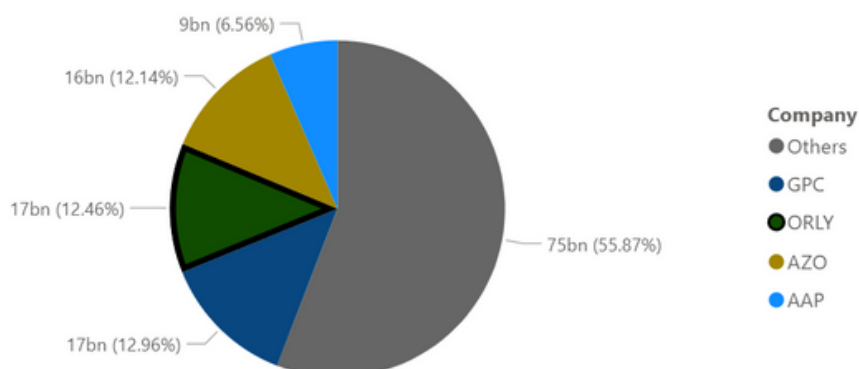
O'Reilly is positioned as a scaled, service-oriented operator within the automotive aftermarket, balancing broad geographic coverage with deep inventory availability. The company's dense store footprint and integrated distribution network enable rapid fulfillment for both DIY consumers and professional installers. For professional DIFM customers in particular, O'Reilly's ability to deliver the right part quickly and reliably supports recurring demand and customer retention. These operational capabilities allow O'Reilly to compete effectively on service and availability rather than price alone, reinforcing its position within a fragmented competitive landscape.

Barriers to Entry

Meaningful barriers to entry exist in the automotive aftermarket retail industry, particularly at national scale. Replicating O'Reilly's hub-and-spoke distribution network would require substantial capital investment, years of execution, and deep supplier relationships. In addition, established relationships with professional installers, private-label sourcing programs, and data-driven inventory management systems further raise the cost and complexity of entry. As a result, new entrants face significant structural hurdles, limiting the threat of large-scale competitive disruption.

% of 2024 US Sales by Company

Source: U.S. Census Bureau, Monthly Retail Trade Survey (MRTS) — Automotive Parts, Accessories, and Tire Stores (NAICS 4413), 2024





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 outperformed industry growth rates, reflecting incremental market share gains in a mature end market. Growth has been driven by increased professional installer penetration, expanded inventory availability, and continued demand for vehicle maintenance and repair.

Profitability & Margin Performance

O'Reilly consistently generates industry-leading operating margins, reflecting scale advantages in procurement, logistics, and inventory management. The company's gross margin benefits from private-label sourcing and purchasing leverage, while operating margins are supported by efficient cost control and high sales productivity per store. Compared with peers, O'Reilly has demonstrated greater margin stability across economic cycles, underscoring the resilience of its business model.

Returns on Capital

O'Reilly's operational efficiency and disciplined reinvestment strategy have resulted in consistently high returns on invested capital. The company's ability to generate strong returns despite a mature industry highlights the effectiveness of its capital allocation framework. Elevated ROIC reflects both strong operating profitability and efficient use of capital, supporting long-term value creation.

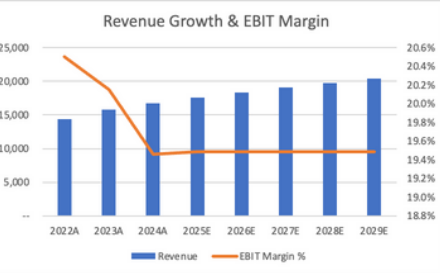
Capital Structure & Liquidity

O'Reilly maintains a balanced capital structure, using a combination of operating cash flow and moderate leverage to fund growth initiatives and shareholder returns. The company's strong cash generation supports ongoing investment in store expansion and distribution infrastructure while maintaining adequate liquidity. Access to capital markets and consistent free cash flow generation provide financial flexibility to navigate varying economic conditions.



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



Source: Company Filings, Team Analysis



Source: Yahoo Finance, Team Analysis

Valuation Overview

We issue a BUY recommendation for O'Reilly Automotive, Inc. (ORLY) based on the 12-month target Price of \$117.34, with a range of \$105.43 to \$125.69, implying a 24.5% upside from the current price of \$94.25. We used the Discounted Cash Flow (DCF) method to determine the company's intrinsic value.

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 used the Industry growth rate provided by the Auto Care Association of 5.1%, reaching \$664 Billion in 2028 (Auto Care Association). According to our analysis, we figured the appropriate growth rate to be 5%, slightly reducing by 0.1%, creating a margin of safety while also acknowledging the industry growth rate.

Sensitivity Analysis

To evaluate our valuation, we performed a sensitivity analysis on the key drivers: WACC and the Terminal Growth Rate. The analysis indicates a valuation range between \$81.82 and \$199.04 per share under reasonable scenarios.

- **WACC Sensitivity:** Increasing the WACC to 7.21% (with a 5.1% growth rate) results in a price of \$99.08, which is near the current trading level, providing a solid floor for the stock.
- **Growth Sensitivity:** Conversely, a slightly more optimistic terminal growth rate of 5.1% (at the base 6.7% WACC) expands the target price significantly, underscoring the high leverage of the valuation to long-term growth assumptions.

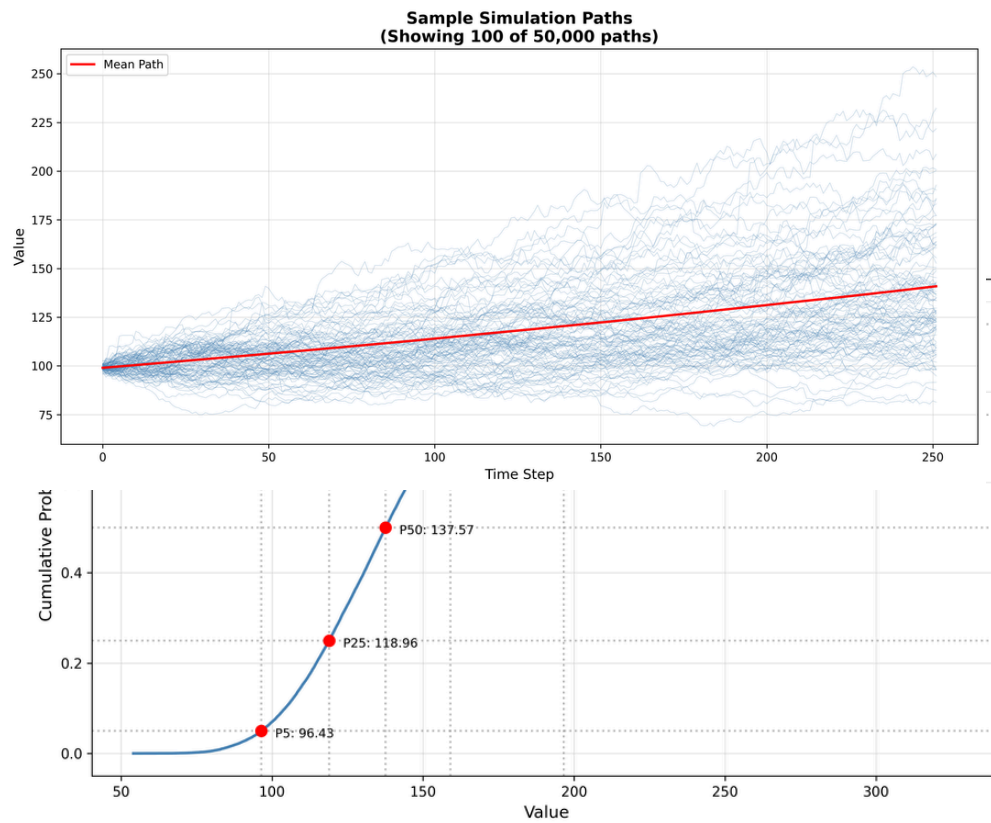
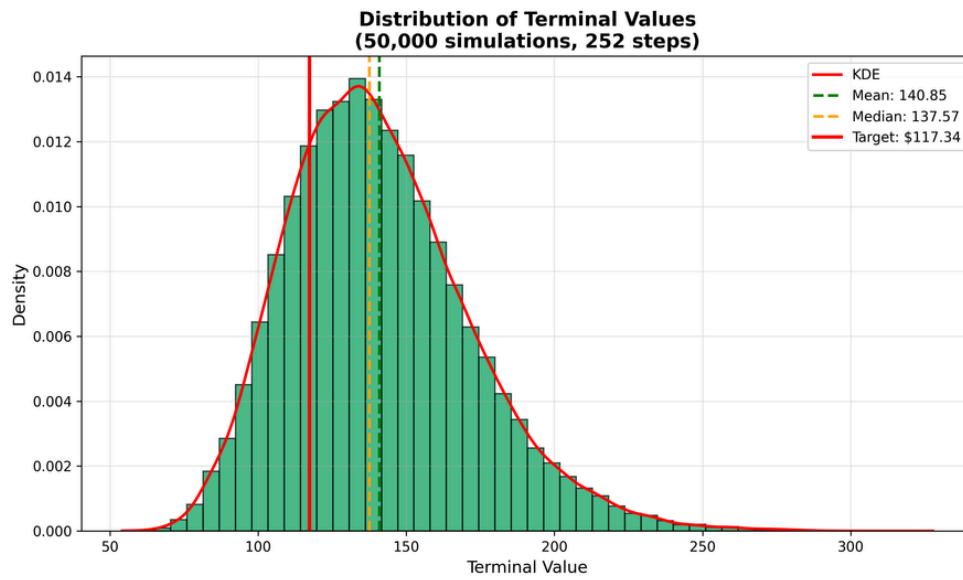
Scenario Analysis

Base Case: Steady Compounding (Target: \$117.34) Our central thesis reflects O'Reilly's status as a resilient compounder capable of steady market share gains. We assume the company continues its trajectory of mid-single-digit revenue growth, supported by the structural tailwind of an aging U.S. vehicle fleet. Under these "Business as Usual" assumptions, our model yields an intrinsic value of \$117.34, implying a 15.8% upside from current levels. This reinforces our Buy rating, driven by consistent execution and predictable cash flows.

Bull Case: Operational Outperformance (Implied Price: \$125.69) In our Optimistic scenario, we model a backdrop where O'Reilly exceeds consensus expectations on operating leverage and same-store sales. This case assumes a stronger-than-anticipated consumer environment and accelerated footprint expansion, allowing for slightly higher terminal growth and margin retention. These favorable inputs drive the valuation to \$125.69, representing a 24.0% upside. This scenario highlights the incremental value available if the company can capitalize on weakness among smaller, independent competitors.

Bear Case: Limited Downside Protection (Implied Price: \$105.43) We stress-tested the model against a "Slower Growth" scenario where macroeconomic headwinds cause consumers to defer maintenance. Even with more conservative growth and margin assumptions, the implied value settles at \$105.43, which still represents a 4.0% upside to the current price. This is a critical finding: it suggests a high Margin of Safety, indicating that the stock is currently priced below even our conservative floor. This asymmetric risk profile where even the downside scenario is positive strongly supports a capital preservation thesis.

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





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? 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? 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? 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

[OCR1] Tariffs and Supply-Chain Disruption Risk: Sudden tariff increases or supply interruptions can move quickly through distribution networks, hitting professional installer demand hardest where availability and fulfillment speed matter most.

Mitigation: O'Reilly has a highly diversified supplier base. The company sources from over 645 suppliers. Its largest supplier accounts for about 8% of purchases, and the top five suppliers account for roughly 26%. This low concentration limits dependence on any single vendor or region and enables quicker sourcing shifts when tariffs or trade conditions change.

Financial & Macroeconomic Risks

[FMR1] 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.

[FMR2] 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.



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

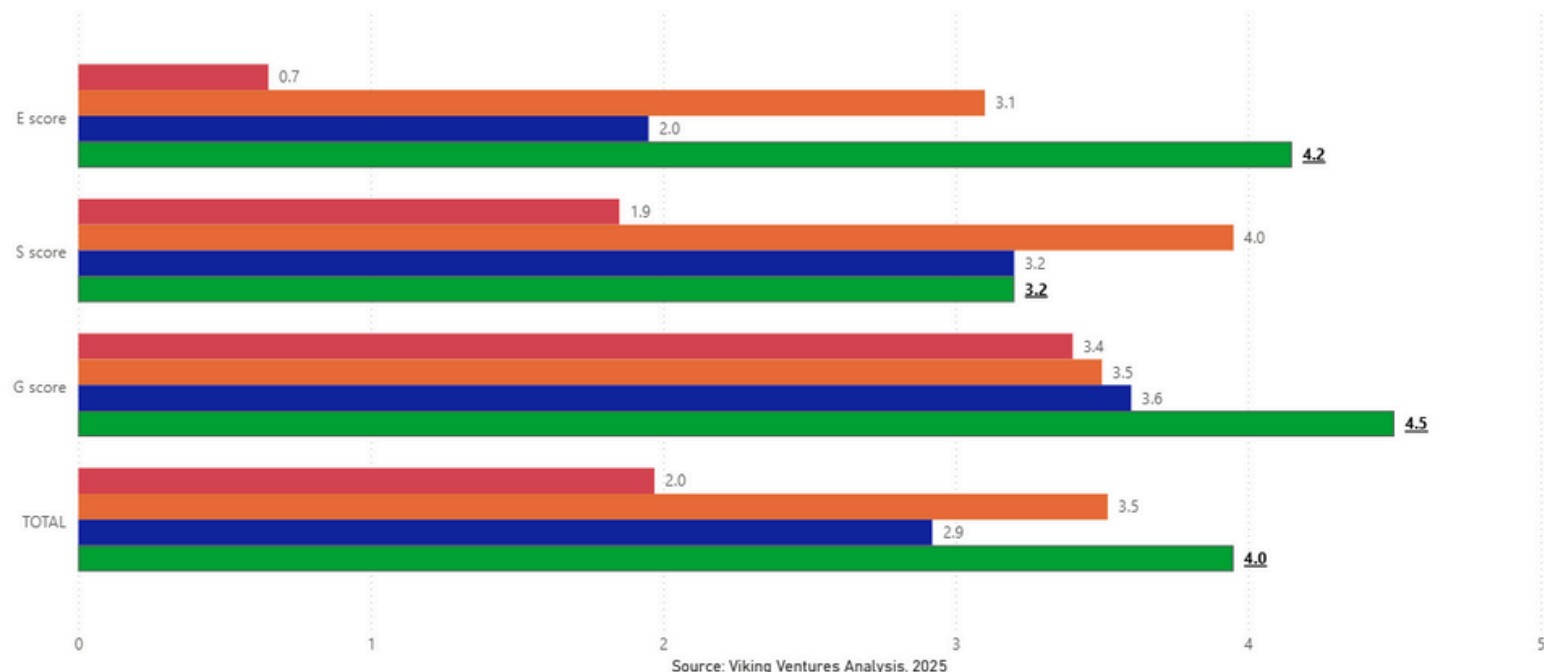
Social considerations for O'Reilly center on workforce management, employee retention, and customer service quality in a labor-intensive retail environment. The company's workforce metrics are broadly in line with industry averages, with no material labor controversies reported. Stable employee retention 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.

Viking Ventures ESG Scorecard

● AAP ● AZO ● GPC ● ORLY



Source: Viking Ventures Analysis, 2025



CONCLUSION & INVESTMENT RECOMMENDATION

Investment Conclusion

We reiterate a BUY recommendation on O'Reilly Automotive with a 12-month target price of \$[Target Price], representing attractive upside from current trading levels. O'Reilly operates in a structurally resilient automotive aftermarket supported by an aging vehicle fleet, rising vehicle usage, and repair-over-replacement economics. Within this favorable industry backdrop, the company's scaled hub-and-spoke distribution network, strong professional installer relationships, and disciplined capital allocation underpin durable competitive advantages. These strengths have translated into consistent revenue growth, industry-leading margins, and superior returns on invested capital, supporting long-term free cash flow generation and valuation re-rating.

Key Catalysts

Near- to medium-term catalysts that could drive outperformance include continued market share gains within the fragmented automotive aftermarket, sustained demand from professional DIFM customers, and stable margin performance supported by scale efficiencies and private-label sourcing. In addition, ongoing share repurchases and disciplined reinvestment are expected to enhance per-share value creation. As earnings consistency persists, we believe the market will increasingly recognize the durability of O'Reilly's business model.

Monitoring Indicators

Key indicators to monitor include trends in professional installer sales growth, operating margin stability, and vehicle miles traveled. Longer-term considerations include the pace of electric vehicle adoption, changes in trade policy affecting supply chains, and competitive dynamics among national aftermarket retailers. These indicators will inform the sustainability of O'Reilly's growth and valuation assumptions over time.



APPENDIX

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Appendix A: Executive Management



President, CEO
Bob Eddy



EVP, CFO
Laura Felice



EVP, CCO
Paul Cichocki



EVP, COO
Jeff Desroches



**Senior VP,
CHRO**
Mark Griffin



EVP, CIO
Scott Kessler



**SVP, General
Counsel**
Graham Luce



EVP, CDO
Monica
Schwartz



**EVP, Strategy &
Development**
Bill Werner

Name	Position	Appointed	Education	Work Experience
Bob Eddy	President, Chief Executive Officer	2021	- Babson College: B.S.	- BJ's Wholesale Club: Senior Vice President, Finance (2007); Executive Vice President, Chief Financial and Administrative officer (2018-2021) - PricewaterhouseCoopers LLP
Laura Felice	Executive Vice President, Chief Financial Officer	2021	- Boston College: Master of Accounting, Bachelor's degree in Finance and Accounting	- BJ's Wholesale Club: Senior Vice President, Controller (2016) - Clarks Americas, Inc.: Senior Vice President of Finance
Paul Cichocki	Executive Vice President, Chief Commercial Officer	2021	- Harvard Business School: MBA - University of Massachusetts: Bachelor's degree in Operations Management	- BJ's Wholesale Club: Executive Vice President, Membership; Analytics and Business Transformation - Bain & Company: Partner; Global Operating Committee and Investment Committee
Jeff Desroches	Executive Vice President, Chief Operations Officer	2018	- American Intercontinental University: B.S. in Criminal Justice and Law Enforcement Administration - University of Rhode Island: Bachelor's degree in Industrial Psychology	- Metro NY market: Regional Asset Protection Manager (2001); Vice President of Supply Chain (2007); Senior Vice President of Supply Chain (2010) - Service Merchandise Company, Inc. (1993-2000) - CVS Health: Senior Vice President, Corporate Human Resources
Mark Griffin	Senior Vice President, Chief HR Officer	2018	- Fairleigh Dickinson University: MBA; B.S. degree	- Belk: Executive Vice President, Chief Information Officer - GSI Commerce: Senior Vice President, Products Technology
Scott Kessler	Executive Vice President, Chief Information Officer	2017	- Boston University School of Law: Juris Doctor - Tufts University: Bachelor's degree in Political Science and Electrical Engineering	- BJ's Wholesale Club: Secretary - Bain & Company (2000-2015) - Goodwin Procter LLP (1995-2000)
Graham Luce	Senior Vice President, General Counsel	2015	- UCLA Anderson School of Management: Master of Business Administration	- Home Depot: Vice President; Online Merchandising - Nine West Holdings; Stuart Weitzman; David Yurman
Monica Schwartz	Executive Vice President, Chief Digital Officer	2021 2020	- College of the Holy Cross: Bachelor's degree in Mathematics and Accounting	- BJ's Wholesale Club: Senior Vice President, Strategic Planning and Invest Relations (2018); Senior Vice President, Strategic Planning and Analysis (2016); Senior Vice President, Finance (2013-2016)
Bill Werner	Executive Vice President, Strategy and Development	2021		



Appendix C1: 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

Appendix C1: Income Statement

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 E: 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 F1: 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 Liabilities	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

Unlevered Free Cash Flow (mm)								
Fiscal Year	2022A	2023A	2024A	2025E	2026E	2027E	2028E	2029E
Unlevered Free Cash Flow	2,481	2,143	2,167	594	2,198	2,276	2,346	2,408
Projection Year				1	2	3	4	5
Present Value of Free Cash Flow				556	1,931	1,874	1,810	1,742

Implied Share Price Calculation	
Sum of PV of FCF	7,914
Growth Rate	5.0%
WACC	6.7%
Terminal Value	149,519
PV of Terminal Value	108,156
Enterprise Value	116,070
(+) Cash	130
(-) Debt	5,521
Equity Value	110,679
Diluted Shares Outstanding (mm)	880.58
Implied Share Price	125.69

Sensitivity Table						
WACC	125.69	Growth Rate				
		4.10%	4.60%	5.10%	5.60%	6.10%
		5.71%	137.43	199.04	362.24	2,057.57
		6.21%	103.02	134.78	195.24	355.39
		6.71%	81.82	101.03	132.20	191.54
		7.21%	67.44	80.23	99.08	129.68
	7.71%	57.06	66.13	78.68	97.18	127.21



Sensitivity Table

		Growth Rate				
		4.10%	4.60%	5.10%	5.60%	6.10%
WACC	117.34					
	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



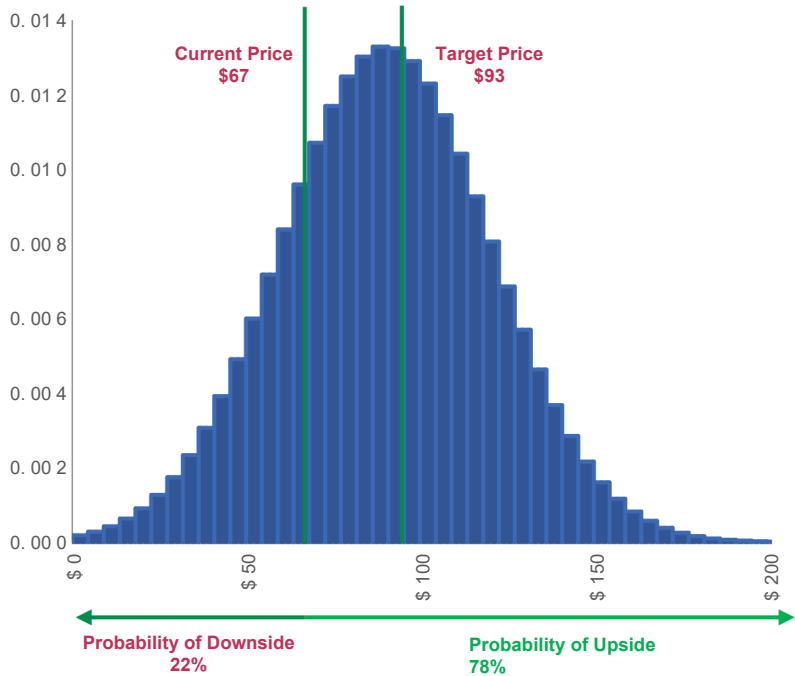
Appendix F4: Monte-Carlo Simulation

Our team performed a Monte-Carlo simulation with 100,000 iterations to gain a holistic view on BJ's intrinsic price trajectory. In the simulation, we stressed the following fundamental metrics:

- 1) New Store Expansion
- 2) Comparable Club Sales Growth (Comp Growth)
- 3) MFI Growth
- 4) Operating Margin
- 5) Discount Rate (WACC)
- 6) Perpetual Growth Rate
- 7) EV/EBITDA Exit Multiple

We observe our target price of \$93 to be within the 5th percentile of the mean output of \$90, providing us more confidence in our fundamental outlook and financial projections. Furthermore, we noticed that 22% of all outcomes yield an intrinsic price value below current market price and 78% of all outcomes yield an intrinsic price value about current market price, reinforcing our BUY recommendation.

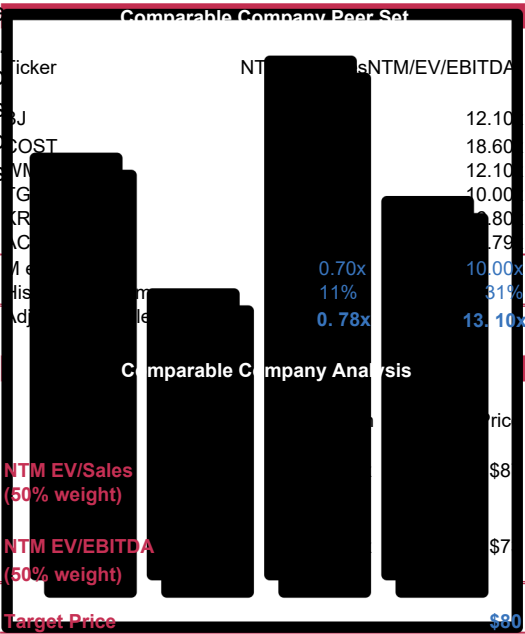
Monte Carlo Simulation	
Trials	100,000
25th Percentile	\$70
Mean	\$90
Target Price	\$93
75th Percentile	\$110
Standard Deviation	\$29
Kurtosis	2.9
Probability of Downside	22%
Probability of Upside	78%



Appendix G1: Relative Valuation (Standard Comparable Company Analysis)

For the comparable company analysis, our team chose five companies which were discussed as the main competitors of BJ's during the company management call. Due to BJ's unique industry positioning, they compete with warehouse club competitors, grocery stores, and mass retailers. Subtle differences in their business model and customer value proposition makes BJ's trade at a premium relative to the peer group. Thereby, our team calculated the adjusted valuation multiples which we believe are most appropriate to conduct the relative valuation.

We note that since going public BJ's has traded at a premium relative to the chosen retail competitors: 11% premium on an NTM EV/Sales multiple and 31% on an NTM EV/EBITDA multiple. Costco shares a very similar business model as BJ's and has consistently traded at a significant premium relative to the same peer group. Warehouse club retailers generate consistent and recurring cashflow in the form of membership fee income which provides stability to the business. Due to its value-driven customer proposition, they are further immune from the economic turmoil and downturns. BJ's has gained the reputation of a high-quality business, making it a part of both retail and institutional portfolios, that can deliver superior risk-adjusted returns to shareholders across economic cycles. We believe that the premium will be maintained going forward as investors realize the longevity of BJ's growth prospects and competitive advantage. Therefore, we have applied the historical NTM EV/Sales premium of 11% and NTM EV/EBITDA premium of 31%, resulting in an intrinsic share price of \$80.





Appendix G2: Relative Valuation (Fair Value Multiple –Regression Analysis)

Company Name	Ticker
Albertsons Companies, Inc.	ACI
BJ's Wholesale Club Holdings, Inc.	BJ
Casey's General Stores, Inc.	CASY
Costco Wholesale Corporation	COST
Grocery Outlet Holding Corp.	GO
Ingles Markets, Incorporated	IMKT.A
Performance Food Group Company	PFGC
PriceSmart, Inc.	PSMT
SpartanNash Company	SPTN
Sprouts Farmers Market, Inc.	SFM
Sysco Corporation	SY
The Andersons, Inc.	ANDE
The Chefs' Warehouse, Inc.	CHEF
The Kroger Co.	KR
United Natural Foods, Inc.	UNFI
US Foods Holding Corp.	USFD
Walgreens Boots Alliance, Inc.	WBA
Walmart Inc.	WMT
Weis Markets, Inc.	WMK
Dollar General Corporation	DG
Dollar Tree, Inc.	DLTR
Kohl's Corporation	KSS
Nordstrom, Inc.	JWN
Ollie's Bargain Outlet Holdings, Inc.	OLLI
Target Corporation	TGT

Multiple Linear Regression Model

Est. Revenue Growth - 2yr 10.6%

NOPAT Margin 2024 2.8%

R-squared = 75.34%

R-squared (adj) = 72.87%

Both variables are statistically significant (P-value < 0.05)

Regression Equation:

$$= -0.263 + 29.2 \times \text{Est. NOPAT Margin FY2+} + 2.19 \times \text{Est. Revenue Growth 2yr}$$

Multiple Linear Regression Price Target

	Assumption	Price
NTM	0.79x	\$88
EV/Sales		
(100% weight)		\$88

Target Price

For the fair value multiple analysis, we performed a multiple linear regression using EV/Sales as the dependent variable and estimated revenue growth – 2yr and estimated 2024 NOPAT margin as independent variables. Our sample consisted of 29 companies with primary listings on the US exchanges, market capitalization of over \$1 billion, and belonging to the 'Food and Staples Retailing' and 'Multiline Retail' sub sectors. Based on the line of best fit equation, BJ's should trade at an EV/Sales of 0.79x given their two-year expected growth rate of 10.6% and 2.8% NOPAT margin for 2024. This equates to an estimated intrinsic value of \$88. Given the high r-squared and the statistically significant variables, we hold high conviction in the forecasting capability of the model and consider this approach in the triangulation of our price target.

Appendix H: Porter's Five Forces

Bargaining Power of Suppliers – 2

Wholesale clubs purchase supply in high volumes. They have a high degree of bargaining influence with their suppliers, and can find alternative suppliers with ease. This flexibility from wholesale clubs decreases the bargaining power of suppliers.

Bargaining Power of Buyers – 1

The main buyers in this industry are fragmented, as they are individual consumers. These consumers do not possess a lot of bargaining power with the retailers, as buyers cannot negotiate with wholesale clubs about prices. In fact, discounted prices are a key purchasing criteria for customers.

Threat of New Entrants – 1

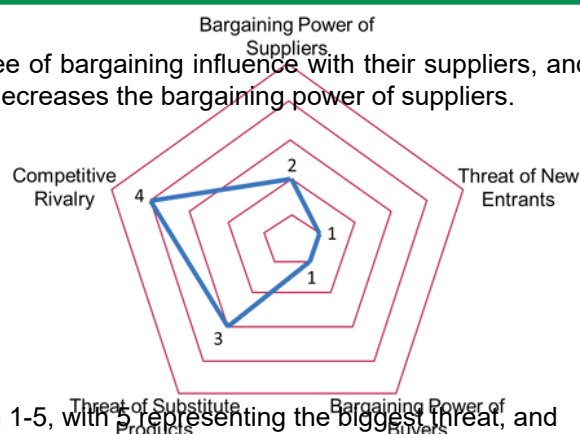
There are only three large-scaled warehouse clubs in the entire industry: BJ's, Costco, and Sam's Club. Entering this market requires high upfront capital investments, as well as scale to efficiently negotiate with suppliers, making it difficult to enter the space. Additionally, it is very difficult for new entrants to enter the market and offer the attractive prices that incumbents offer.

Threat of Substitute Products – 3

Competition is high among the three warehouse club

competitors. All three compete for revenue and membership

Individual consumers, households, and firms do not grow by offering competitive pricing. While they each have to purchase from warehouse clubs. There are their own private label brands, there is limited differentiation in many alternative places and channels for making purchases, their offerings and limited switching costs between warehouse including ecommerce retailers. However, due to the cheap clubs allowing customers to change memberships with limited prices and package sizes that warehouse clubs offer, difficulty. This leads to high competition among companies in consumers often find these cost-saving and high-value this space. product to be more convenient.



Competitive Rivalry – 4



Appendix I: Works Cited

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