

O REILLY AUTOMOTIVE INC
Form 8-K
July 27, 2006
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT PURSUANT

TO SECTION 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

Date of report (Date of earliest event reported): July 26, 2006

O'REILLY AUTOMOTIVE, INC.

(Exact name of registrant as specified in its charter)

Missouri

(State or other jurisdiction)

44-0618012

(I.R.S. Employer Identification No.)

of incorporation or

organization)

233 South Patterson

Springfield, Missouri 65802

(Address of principal executive offices, Zip code)

(417) 862-6708

(Registrant's telephone number, including area code)

(Not Applicable)

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2):

Edgar Filing: O REILLY AUTOMOTIVE INC - Form 8-K

- o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Section 7 Regulation FD

Item 7.01 Regulation FD Disclosure

On July 26, 2006, O Reilly Automotive, Inc. issued a press release announcing their 2006 second quarter earnings. The text of the press release is attached hereto as Exhibit 99.1.

Section 9 Financial Statements and Exhibits

Item 9.01 Financial Statements and Exhibits

| <u>Exhibit Number</u> | <u>Description</u> |
|-----------------------|-----------------------------------|
| 99.1 | Press Release dated July 26, 2006 |

The information in this Current Report on Form 8-K, including the exhibit hereto, shall not be deemed filed for the purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: July 26, 2006

O REILLY AUTOMOTIVE, INC.

By: /s/ Thomas McFall
Thomas McFall
Senior Vice President of Finance
Chief Financial Officer
(principal financial officer)

Exhibit 99.1

FOR IMMEDIATE RELEASE

For further information contact:

Greg Henslee
Tom McFall
(417) 862-3333

O REILLY AUTOMOTIVE, INC. REPORTS RECORD

2006 SECOND QUARTER RESULTS

14.9% INCREASE IN NET INCOME

13.2% INCREASE IN EARNINGS PER SHARE

Springfield, MO, July 26, 2006 -- O Reilly Automotive, Inc. (O Reilly or the Company) (Nasdaq: ORLY) today announced record revenues and earnings for the second quarter of 2006, representing 51 quarters of record revenues and earnings for O Reilly since becoming a public company in April 1993.

Net income for the second quarter ended June 30, 2006, totaled \$49.3 million, up 14.9% from \$42.9 million for the same period in 2005. Diluted earnings per common share for the second quarter of 2006 increased 13.2% to \$0.43 on 115.2 million shares compared to \$0.38 for the second quarter of 2005 on 113.1 million shares. Product sales for the three months ended June 30, 2006, totaled \$591 million, up 13.4% from \$521 million for the same period a year ago. Gross profit for the second quarter of 2006 increased to \$261 million (or 44.1% of product sales) from \$229 million (or 43.9% of product sales) for the second quarter of 2005, representing an increase of 14.0%. Operating, Selling, General and Administrative (OSG&A) expenses increased to \$183 million (or 30.9% of product sales) for the second quarter of 2006 from \$161 million (or 30.9% of product sales) for the second quarter of 2005, representing an increase of 13.6%.

Net income for the first six months of 2006 totaled \$89.9 million, up 18.0% from \$76.1 million for the same period a year ago. Diluted earnings per common share for the first six months of 2006 increased 16.4% to \$0.78 on 114.9 million shares compared to \$0.67 a year ago on 112.8 million shares. Product sales for the first six months of 2006 totaled \$1,128 million, up 14.2% from \$987 million for the same period a year ago. Gross profit for the first six months of 2006 increased to \$494 million (or 43.8% of product sales) from \$425 million (or 43.1% of product sales) for the same period a year ago, representing an increase of 16.3%. OSG&A expenses increased to \$351 million (or 31.1% of product sales) for the first six months of 2006 from \$303 million (or 30.7% of product sales) for the same period a year ago, representing an increase of 15.7%.

Edgar Filing: O REILLY AUTOMOTIVE INC - Form 8-K

Comparable store product sales for stores open at least one year increased 3.5% and 3.6% for the second quarter and first six months of 2006 respectively.

We are pleased with another successful quarter for Team O Reilly, stated Greg Henslee, CEO and Co-President. We were able to achieve strong gross and operating margins and considering the difficult 9.6% comparable store sales comparison in the second quarter 2005, are satisfied with the solid 3.5% comparable store sales growth. These results reflect the daily commitment by Team O Reilly to provide the absolute best customer service levels in the industry.

Ted Wise, COO and Co-President, stated, The quarter was highlighted by the opening of 49 new stores and our newest distribution center in Indianapolis. This new DC opening has been very successful and is supporting our expansion into this new market.

The Company will host a conference call Thursday, July 27, 2006, at 10:00 a.m. central time to discuss its results as well as future expectations. Investors may listen to the conference call live on the Company's web site www.oreillyauto.com, by clicking on Investor Relations then News Room.

O Reilly Automotive, Inc. is one of the largest specialty retailers of automotive aftermarket parts, tools, supplies, equipment and accessories in the United States, serving both the do-it-yourself and professional installer markets. Founded in 1957 by the O Reilly family, the Company operated 1,555 stores within the states of Alabama, Arkansas, Florida, Georgia, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Minnesota, Mississippi, Missouri, Montana, Nebraska, North Carolina, North Dakota, Oklahoma, South Carolina, South Dakota, Tennessee, Texas, Virginia, Wisconsin and Wyoming as of June 30, 2006.

The Company claims the protection of the safe-harbor for forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements can be identified by forward-looking words such as expect, believe, anticipate, should, plan, intend, estimate, project, will or similar words. In addition, statements contained within this press release that are not historical facts are forward-looking statements, such as statements discussing among other things, expected growth, store development and expansion strategy, business strategies, future revenues and future performance. These forward-looking statements are based on estimates, projections, beliefs and assumptions and are not guarantees of future events and results. Such statements are subject to risks, uncertainties and assumptions, including, but not limited to, competition, product demand, the market for auto parts, the economy in general, inflation, consumer debt levels, governmental approvals, our ability to hire and retain qualified employees, risks associated with the integration of acquired businesses, weather, terrorist activities, war and the threat of war. Actual results may materially differ from anticipated results described or implied in these forward-looking statements. Please refer to the Risk Factors sections of the Company's Form 10-K for the year ended December 31, 2005, for more details.

O REILLY AUTOMOTIVE, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except per share data)

| | June 30, 2006 (Unaudited) | December 31, 2005 (Note) |
|---|---------------------------------|--------------------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 55,247 | \$ 31,384 |
| Accounts receivable, net | 82,612 | 73,849 |
| Amounts receivable from vendors, net | 62,334 | 57,224 |
| Inventory | 800,459 | 726,390 |
| Other current assets | 15,211 | 22,845 |
| Total current assets | 1,015,863 | 911,692 |
| Property and equipment, at cost | 1,108,717 | 992,899 |
| Accumulated depreciation and amortization | 300,867 | 274,533 |
| Net property and equipment | 807,850 | 718,366 |
| Notes receivable, less current portion | 32,532 | 29,062 |
| Other assets, net | 60,081 | 60,827 |
| Total assets | \$ 1,916,326 | \$ 1,719,947 |
| Liabilities and shareholders' equity | | |
| Current liabilities: | | |
| Income taxes payable | \$ 9,360 | \$ -- |
| Accounts payable | 358,090 | 292,667 |
| Accrued payroll | 20,323 | 19,356 |
| Accrued benefits and withholdings | 47,287 | 49,794 |
| Deferred income taxes | 3,119 | 2,451 |
| Other current liabilities | 48,374 | 47,137 |
| Current portion of long-term debt | 265 | 75,313 |
| Total current liabilities | 486,818 | 486,718 |
| Long-term debt, less current portion | 100,678 | 25,461 |
| Deferred income taxes | 44,809 | 42,516 |
| Other liabilities | 22,319 | 19,483 |
| Shareholders' equity: | | |
| Common stock, \$0.01 par value: | | |
| Authorized shares | 245,000,000 | |
| Issued and outstanding shares | 113,394,091 | |
| at June 30, 2006, and | | |
| 112,389,002 at December 31, 2005 | 1,134 | 1,124 |
| Additional paid-in capital | 386,371 | 360,325 |
| Retained earnings | 874,197 | 784,320 |
| Total shareholders' equity | 1,261,702 | 1,145,769 |
| Total liabilities and shareholders' equity | \$ 1,916,326 | \$ 1,719,947 |

Edgar Filing: O REILLY AUTOMOTIVE INC - Form 8-K

Note: The balance sheet at December 31, 2005, has been derived from the audited consolidated financial statements at that date, but does not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements.

O'REILLY AUTOMOTIVE, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share data)

(Unaudited)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|--------------------------------|------------|------------------------------|------------|
| | 2006 | 2005 | 2006 | 2005 |
| Product sales | \$ 591,199 | \$ 521,209 | \$ 1,127,746 | \$ 987,448 |
| Cost of goods sold, including warehouse and distribution expenses | 330,271 | 292,239 | 633,390 | 562,309 |
| Gross Profit | 260,928 | 228,970 | 494,356 | 425,139 |
| Operating, selling, general and administrative expenses | 182,692 | 160,843 | 351,154 | 303,431 |
| Operating income | 78,236 | 68,127 | 143,202 | 121,708 |
| Other income (expense), net | 162 | 195 | (290) | (473) |
| Income before income taxes | 78,398 | 68,322 | 142,912 | 121,235 |
| Provision for income taxes | 29,085 | 25,399 | 53,035 | 45,099 |
| Net income | \$ 49,313 | \$ 42,923 | \$ 89,877 | \$ 76,136 |
| Net income per common share | \$ 0.44 | \$ 0.39 | \$ 0.80 | \$ 0.68 |
| Net income per common share-assuming dilution | \$ 0.43 | \$ 0.38 | \$ 0.78 | \$ 0.67 |
| Weighted-average common shares basic | 113,253 | 111,448 | 112,890 | 111,174 |
| Adjusted weighted-average common shares outstanding assuming dilution | 115,196 | 113,138 | 114,908 | 112,827 |

O'REILLY AUTOMOTIVE, INC. AND SUBSIDIARIES

SELECTED FINANCIAL INFORMATION

(Unaudited)

| | June 30, 2006 | 2005 |
|---|--------------------|-----------|
| Inventory turnover (1) | 1.6 | 1.6 |
| Inventory turnover, net of payables (2) | 2.8 | 2.7 |
| AP to inventory (3) | 44.7% | 39.1% |
| Debt-to-capital (4) | 7.4% | 8.8% |
| Return on equity (5) | 15.0% | 14.4% |
| Return on assets (6) | 9.8% | 9.3% |
| | Three Months Ended | |
| | June 30, 2006 | 2005 |
| Other Information (in thousands): | | |
| Capital expenditures | \$ 71,986 | \$ 56,924 |
| Depreciation and amortization | \$ 15,717 | \$ 13,768 |
| Interest expense | \$ 1,064 | \$ 1,037 |
| Lease and rental expense | \$ 12,353 | \$ 10,615 |
| Sales per weighted-average square foot (7)(8) | \$ 56.64 | \$ 58.21 |
| Sales per weighted-average store | | |
| (in thousands) (8)(9) | \$ 379 | \$ 388 |
| Square footage (in thousands)(8) | 10,404 | 8,860 |
| Store count: | | |
| New stores, net (10) | 49 | 113 |
| Total stores | 1,555 | 1,399 |
| Total employment | 21,277 | 19,426 |

(1) Calculated as cost of sales for the last 12 months divided by average inventory. Average inventory is calculated as the simple average of beginning and ending inventory for the same period used in determining the numerator.

(2) Calculated as cost of sales for the last 12 months divided by average inventory less accounts payable. Average inventory is calculated as the simple average of beginning and ending inventory for the same period used in determining the numerator.

(3) Accounts payable divided by inventory.

(4) The sum of long-term debt and current portion of long-term debt, divided by the sum of long-term debt, current portion of long-term debt and total shareholders' equity.

(5)

Edgar Filing: O REILLY AUTOMOTIVE INC - Form 8-K

Last 12 months net income divided by average shareholders' equity. Average shareholders' equity is calculated by taking a simple average of the beginning and ending shareholders' equity for the same period used in determining the numerator.

- (6) Last 12 months net income divided by average total assets. Average total assets is calculated by taking a simple average of the beginning and ending total assets for the same period used in determining the numerator.
- (7) Total sales less jobber sales, divided by weighted-average square feet. Weighted-average sales per square foot is weighted to consider the approximate dates of store openings or expansions.
- (8) Weighted-average square feet, weighted-average store count and total square footage for the three months ended June 30, 2005 exclude the 72 Midwest Auto Parts stores acquired May 31, 2005.
- (9) Total sales less jobber sales, divided by weighted-average stores. Weighted-average sales per store is weighted to consider the approximate dates of store openings or expansions.
- (10) Net new stores in the three months ended June 30, 2005, includes 72 Midwest Auto Parts stores acquired May 31, 2005.