

Analyst Report: O'Reilly Automotive, Inc. (ORLY)

O'Reilly Automotive, Inc.'s strong financial performance, strategic acquisitions, and commitment to customer satisfaction position it for continued growth in the evolving automotive aftermarket industry.

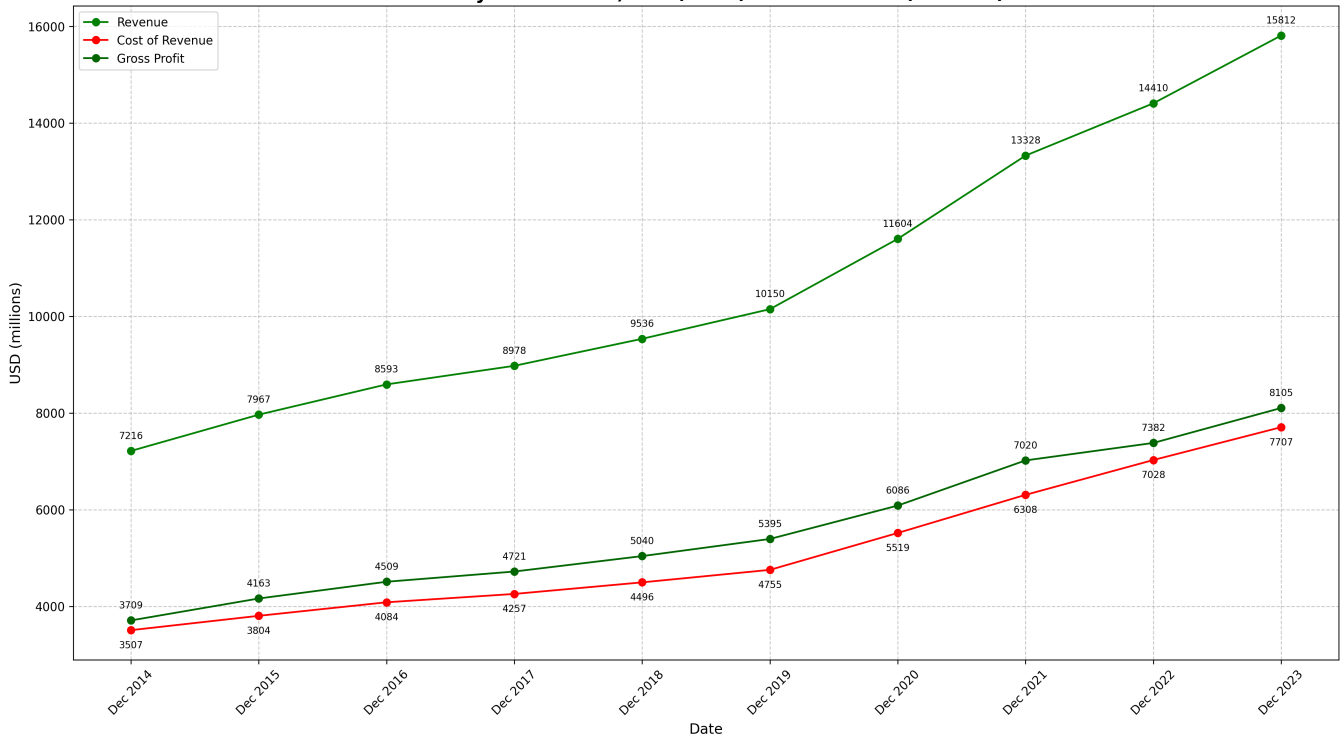
SUMMARY DATA (ANNUAL)

| | |
|---------------------|------------------|
| 52-Week High | \$1169.11 |
| 52-Week Low | \$860.10 |
| Shares | 60.48 |
| EPS | 38.80 |
| Dividend | 0 |
| Revenue | 15,812.25 |
| Cost of Revenue | 7,707.45 |
| Gross Profit | 8,104.80 |
| EBIT | 3,206.42 |

OUTLOOK

O'Reilly Automotive, Inc. is expected to continue its positive growth trajectory over the next two quarters or six months. The company's strong financial position, consistent growth strategy, and dominant position in the automotive aftermarket industry should drive continued sales and profit growth. However, the company may face some headwinds from intensifying competition and broader economic uncertainties. O'Reilly's ability to manage these challenges and adapt to evolving industry trends will be key to maintaining its momentum.

O'Reilly Automotive, Inc. (ORLY) - Annual Data (millions)

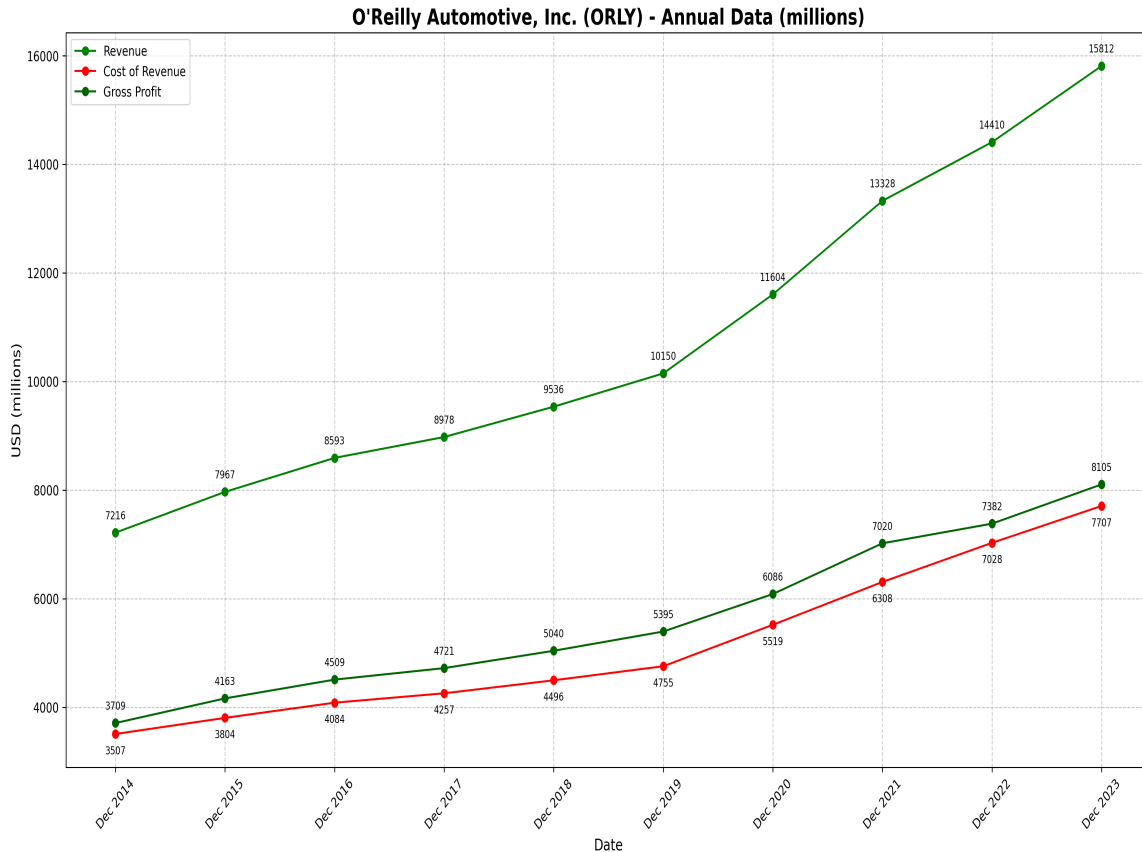


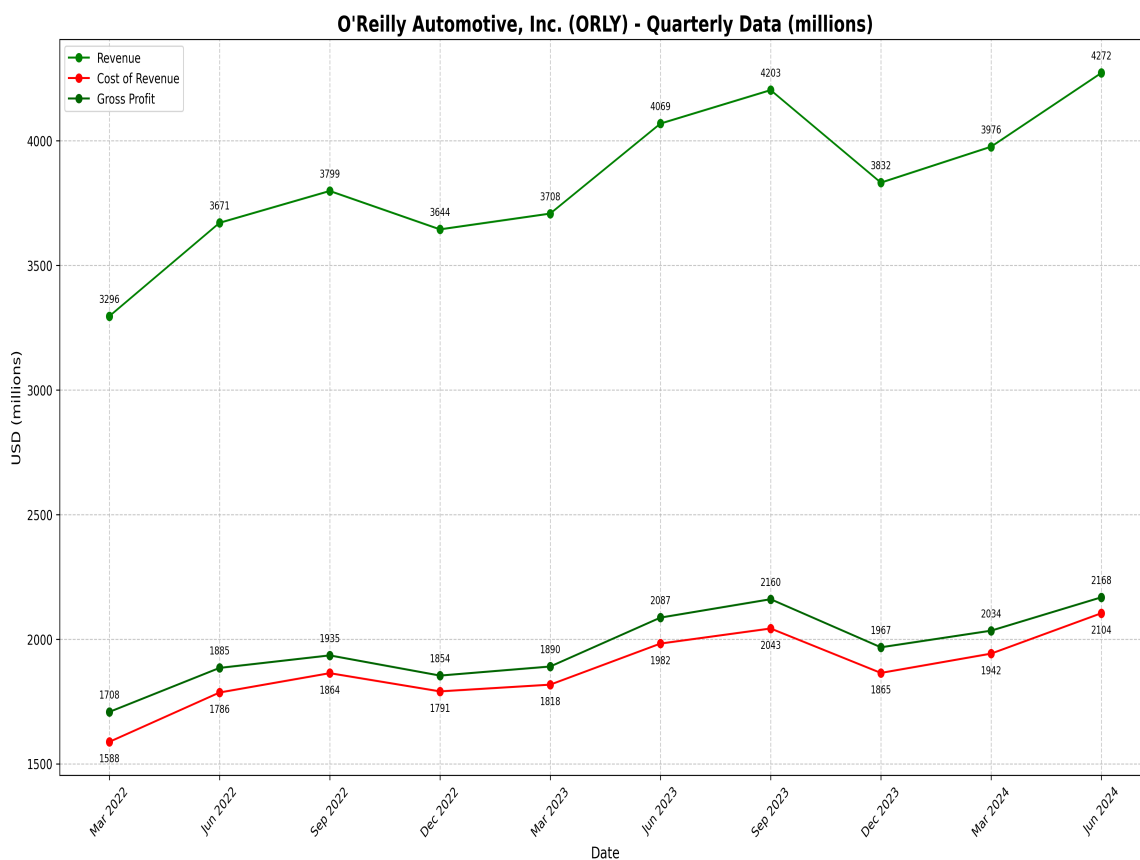
1. ANALYSIS OF LATEST 10K FILING

O'Reilly Automotive, Inc. is a leading specialty retailer of automotive aftermarket parts, tools, supplies, equipment, and accessories in the United States, serving both do-it-yourself (DIY) and professional service provider customers. The company's dual market strategy has been instrumental in its success, allowing it to cater to a wider customer base and achieve consistent growth in sales and profitability. O'Reilly's competitive advantages lie in its superior customer service, technically proficient store personnel known as "Professional Parts People," a robust distribution network, and an experienced management team. As of December 31, 2023, O'Reilly operated 6,095 stores across 48 states in the U.S. and Puerto Rico, along with 62 stores in Mexico. The company's commitment to customer satisfaction is evident in its extensive product offerings, covering a wide range of vehicle applications. O'Reilly's inventory management system ensures that each store carries a broad selection of automotive products, with same-day or next-day availability for most items. The company's stores also provide various enhanced services, such as battery diagnostic testing, battery replacement, check engine light code extraction, and loaner tool programs, all aimed at enhancing the customer experience. O'Reilly's strategic distribution network, consisting of 30 regional distribution centers and 385 Hub stores, enables efficient inventory control and ensures timely delivery of products to stores. This network allows the company to offer a wide range of SKUs, including hard-to-find items, and provides same-day or overnight access to inventory for most stores. The company's growth strategy revolves around aggressively opening new stores, expanding its presence in existing and new markets, and continuously enhancing its store network and merchandising strategies. O'Reilly's omnichannel approach, encompassing online ordering for both DIY and professional customers, further strengthens its market position and provides a seamless shopping experience across different channels. O'Reilly's success is also attributed to its strong emphasis on human capital management. The company fosters a positive work environment, invests in employee training and development, and offers competitive compensation and benefits packages to attract and retain qualified personnel. O'Reilly's "promote from within" philosophy has contributed to the development of an experienced management team with an average tenure of 19 years for senior managers. The company also emphasizes diversity and inclusion, recognizing the importance of a diverse workforce in effectively serving its customers. O'Reilly operates in a competitive automotive aftermarket industry, where it faces competition from national and regional retail and wholesale automotive parts chains, as well as online retailers. The company's dual market strategy, however, allows it to compete effectively in both densely populated and less densely populated markets. O'Reilly's strong brand recognition, built on its reputation for superior customer service and product availability, also contributes to its competitive advantage. The company's financial performance in recent years reflects its consistent growth trajectory. In 2023, sales increased by 10% to \$15.81 billion, driven by comparable store sales growth and new store openings. Gross profit also increased by 10% to \$8.10 billion, while operating income rose by 8% to \$3.19 billion. O'Reilly's strong cash flow generation allows it to fund its growth strategy, including new store openings, strategic acquisitions, and share repurchases. The company faces certain risks, including potential economic downturns, competitive pressures, supply chain disruptions, and cybersecurity threats. However, O'Reilly's strong financial position, proven business model, and experienced management team position it well to navigate these challenges and continue its growth momentum in the future. In January 2024, O'Reilly completed the acquisition of Groupe Del Vasto, a Canadian auto parts supplier. This acquisition expands O'Reilly's presence in Eastern Canada and strengthens its position in the North American automotive aftermarket industry.

2. Financial Analysis

O'Reilly Automotive, Inc. has demonstrated consistent financial growth over the past ten years, marked by steadily increasing revenue, gross profit, and net income. This positive trend is evident in both the annual and quarterly financial data reported to the SEC. Revenue has grown from \$7.2 billion in 2014 to \$15.8 billion in 2023, representing a compound annual growth rate (CAGR) of approximately 8%. The growth has been driven by a combination of organic comparable store sales increases, strategic acquisitions, and new store openings. O'Reilly's gross profit margin has remained relatively stable over the years, hovering around 51%, indicating the company's ability to maintain healthy pricing and manage costs effectively. Net income has followed a similar upward trajectory, increasing from \$778 million in 2014 to \$2.3 billion in 2023, a CAGR of approximately 12%. This growth in profitability is a testament to O'Reilly's operational efficiency and effective cost management strategies. The company's earnings per share have also steadily increased, reflecting both growth in net income and share buybacks. A review of O'Reilly's balance sheets reveals a financially sound company with a strong asset base and a manageable debt load. The company's inventory turnover ratio, a key metric for retailers, has consistently stayed around 1.7 times, indicating efficient inventory management and a strong ability to meet customer demand without excessive inventory buildup. O'Reilly's accounts payable to inventory ratio has also been consistently high, averaging over 120% during the past ten years. This signifies the company's strong negotiating power with suppliers and its ability to secure favorable payment terms, contributing to healthy cash flow generation. O'Reilly's cash flow statements showcase a company with robust cash generation capabilities. Cash flow from operations has steadily increased over the past ten years, reaching \$3 billion in 2023. The company's capital expenditures have also been consistent, primarily driven by new store openings, store renovations, and investments in distribution infrastructure. O'Reilly's free cash flow, a crucial measure of financial health, has remained positive and has shown significant growth, reaching almost \$2 billion in 2023. This strong cash flow generation allows O'Reilly to reinvest in its business, pursue strategic acquisitions, and return value to shareholders through share buybacks. In conclusion, O'Reilly Automotive, Inc. exhibits a strong financial profile marked by consistent revenue and profit growth, healthy margins, efficient working capital management, and robust cash flow generation. This financial strength provides the company with a solid foundation to continue its growth trajectory in the years to come.





SEC EDGAR (ORLY), LAST 10 YEARS

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|-----------------|-----------|-----------|-----------|-----------|-----------|----------|----------|----------|----------|----------|
| Total Assets | 13,873.00 | 12,627.98 | 11,718.71 | 11,596.64 | 10,717.16 | 7,980.79 | 7,571.89 | 7,204.19 | 6,676.68 | 6,532.08 |
| Total Debt | 7,841.01 | 6,545.03 | 5,866.57 | 6,164.69 | 5,861.89 | 3,417.12 | 2,978.39 | 1,887.02 | 1,390.02 | 1,388.42 |
| Shares | 60.48 | 64.37 | 68.97 | 73.82 | 76.98 | 81.41 | 88.43 | 95.45 | 99.97 | 104.26 |
| EPS | 38.80 | 33.75 | 31.39 | 23.74 | 18.07 | 16.27 | 12.82 | 10.87 | 9.32 | 7.46 |
| Dividend | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Revenue | 15,812.25 | 14,409.86 | 13,327.56 | 11,604.49 | 10,149.99 | 9,536.43 | 8,977.73 | 8,593.10 | 7,966.67 | 7,216.08 |
| Cost of Revenue | 7,707.45 | 7,028.15 | 6,307.61 | 5,518.80 | 4,755.29 | 4,496.46 | 4,257.04 | 4,084.09 | 3,804.03 | 3,507.18 |
| Gross Profit | 8,104.80 | 7,381.71 | 7,019.95 | 6,085.69 | 5,394.69 | 5,039.97 | 4,720.68 | 4,509.01 | 4,162.64 | 3,708.90 |
| EBIT | 3,206.42 | 2,956.38 | 2,926.68 | 2,427.53 | 1,930.30 | 1,816.22 | 1,729.15 | 1,708.12 | 1,517.49 | 1,275.47 |

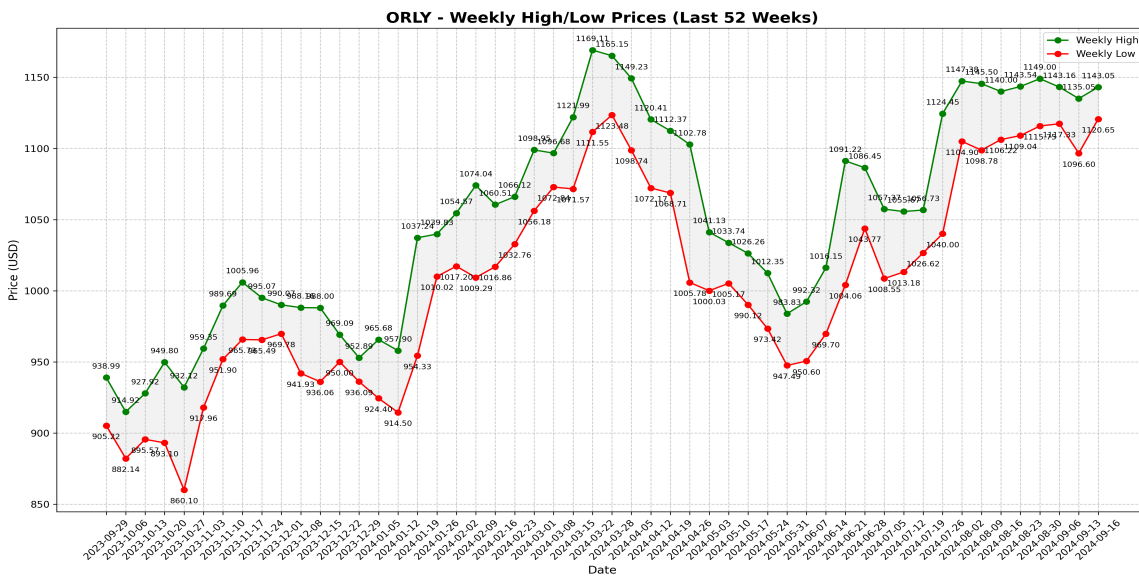
(* millions, except EPS and dividend)

SEC EDGAR (ORLY), LAST 10 QUARTERS

| | 2024 Q2 | 2024 Q1 | 2023 Q4 | 2023 Q3 | 2023 Q2 | 2023 Q1 | 2022 Q4 | 2022 Q3 | 2022 Q2 | 2022 Q1 |
|-----------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Total Assets | 14,393.18 | 14,213.05 | 13,873.00 | 13,551.84 | 13,276.62 | 12,972.82 | 12,627.98 | 12,238.03 | 12,067.69 | 11,760.39 |
| Total Debt | 7,711.52 | 7,588.08 | 7,841.01 | 7,384.28 | 7,124.71 | 7,157.66 | 6,545.03 | 6,540.54 | 6,694.75 | 5,861.56 |
| Shares | 58.68 | 59.02 | 59.19 | 60.08 | 60.82 | 61.84 | 62.55 | 63.29 | 65.12 | 66.57 |
| EPS | 10.61 | 9.27 | 9.34 | 10.82 | 10.32 | 8.36 | 8.45 | 9.25 | 8.86 | 7.24 |
| Dividend | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Revenue | 4,272.20 | 3,976.24 | 3,832.01 | 4,203.38 | 4,068.99 | 3,707.86 | 3,644.49 | 3,798.62 | 3,670.74 | 3,296.01 |
| Cost of Revenue | 2,104.14 | 1,942.07 | 1,864.59 | 2,042.92 | 1,982.41 | 1,817.54 | 1,790.54 | 1,863.66 | 1,786.02 | 1,587.94 |
| Gross Profit | 2,168.06 | 2,034.17 | 1,967.43 | 2,160.46 | 2,086.58 | 1,890.33 | 1,853.95 | 1,934.96 | 1,884.72 | 1,708.07 |
| EBIT | 866.39 | 757.54 | 727.68 | 898.03 | 858.72 | 721.99 | 688.58 | 805.01 | 794.68 | 668.10 |

(* millions, except EPS and dividend)

3. Stock Technical Analysis



ORLY's stock price has exhibited a general upward trend over the past 52 weeks, although it has experienced periods of volatility. The stock started around \$950 in late September 2023 and experienced a dip in early October, reaching a low of around \$880. It then recovered and hovered around the \$900-\$950 range for the following weeks. In November, ORLY surged upwards, breaking through the \$1,000 mark for the first time and reaching a high of approximately \$1,050 in early February 2024. However, the stock experienced a pullback in late February and early March, falling to a low of around \$1,000 before rebounding again. Throughout March and April 2024, ORLY continued its upward trajectory, reaching a new high of almost \$1,170 in late March. This surge can likely be attributed to strong earnings reports and the company's continued expansion into new markets. The stock has since experienced some consolidation, trading in a range between \$1,000 and \$1,150. From a technical analysis perspective, ORLY has consistently traded above its 50-day and 200-day moving averages, indicating a bullish trend. The Relative Strength Index (RSI) has occasionally reached overbought levels, suggesting the potential for short-term pullbacks. Overall, ORLY's stock price movement over the past 52 weeks reflects a positive market sentiment towards the company's performance and future prospects. The company's strong financial performance, consistent growth strategy, and dominant position in the automotive aftermarket industry are likely key drivers of investor confidence. However, it's important to note that the stock is not immune to broader market volatility and could experience pullbacks in the future, particularly if economic conditions deteriorate or competition intensifies.

4. Current Media Coverage & Stories

O'Reilly Automotive, Inc. has been featured in several news headlines in recent months, primarily concerning industry trends, company performance, and executive leadership. In July 2024, an article titled "O'Reilly Automotive: Industry Weakness May Provide A Buying Opportunity" highlighted the potential for O'Reilly to benefit from weakness in the broader automotive aftermarket industry. The article suggested that the company's strong financial position and strategic initiatives could allow it to gain market share during challenging times. Another headline in June 2024, "O'Reilly Automotive director sells over \$2.8m in company stock," reported on insider stock sales by a company director. While insider selling can sometimes be interpreted as a negative signal, it's crucial to consider the context and the individual's reasons for selling. In this case, it's not clear whether the stock sale reflects a lack of confidence in the company's future prospects or simply a personal financial decision. The automotive industry is undergoing significant transformation, with trends such as the rise of electric vehicles and advancements in vehicle technology influencing consumer behavior and parts demand. O'Reilly's efforts to adapt to these changes and expand its product offerings to cater to evolving customer needs will likely continue to attract media attention. The company's focus on omnichannel strategies and digital platforms is also noteworthy, as it reflects O'Reilly's commitment to providing a seamless shopping experience across different channels. Additionally, O'Reilly's expansion into new markets, both domestically and internationally, is likely to generate media interest. The company's recent acquisition of Groupe Del Vasto, a Canadian auto parts supplier, highlights its ambition to strengthen its position in the North American automotive aftermarket industry. This expansion strategy could bring new challenges and opportunities, which will likely be scrutinized by financial journalists and industry analysts.

5. Financial vs. Stock vs. Media Coverage Situations

The recent media coverage of O'Reilly Automotive, Inc. largely aligns with the company's strong financial performance and positive stock price evolution over the past year. The article highlighting the potential buying opportunity amidst industry weakness underscores O'Reilly's resilience and ability to navigate challenging market conditions. The company's consistent growth in sales, profits, and cash flow, as evidenced in its SEC filings, supports this narrative. ORLY's stock price surge over the past 52 weeks further reinforces the positive sentiment. The stock has consistently traded above its key moving averages, indicating a bullish trend. The fact that a company director sold a significant amount of stock could potentially raise some concerns. However, it's essential to consider the broader context and the company's overall performance. O'Reilly's strong financial results and positive market sentiment suggest that the insider selling may not necessarily reflect a negative outlook for the company. Moreover, the company's commitment to growth, as evidenced by its new store openings and strategic acquisitions, suggests a continued focus on expansion and market share gains. The automotive aftermarket industry is evolving rapidly, with new technologies and consumer preferences shaping the landscape. O'Reilly's efforts to adapt to these changes, such as expanding its product offerings and embracing omnichannel strategies, will be crucial for its future success. The media's focus on these initiatives reflects the industry's recognition of O'Reilly's efforts to stay ahead of the curve. In conclusion, the media narrative surrounding O'Reilly Automotive, Inc. is generally positive, reflecting the company's strong financial performance, positive stock price movement, and strategic initiatives to navigate a changing industry landscape. While some headlines may raise questions, the overall picture remains optimistic, supported by O'Reilly's proven track record and commitment to growth.

6. Industry Analysis

The automotive aftermarket industry, in which O'Reilly Automotive, Inc. operates, is a vast and dynamic market encompassing all products and services purchased for vehicles after the initial sale. This industry is characterized by a diverse range of players, including national and regional retail chains, wholesale distributors, independent jobbers, and online retailers. The industry is driven by several factors, including the size and age of the vehicle fleet, the number of miles driven, and consumer spending on vehicle maintenance and repairs. The increasing average age of vehicles in the U.S., coupled with advancements in vehicle technology and manufacturing, has led to a rise in demand for high-quality aftermarket parts. Consumers are increasingly willing to invest in maintaining their vehicles for longer periods, driving growth in the aftermarket sector. O'Reilly's competitors in this space include other major national chains like AutoZone and Advance Auto Parts, as well as regional players and specialized distributors. These companies compete on various fronts, including price, product availability, customer service, and store network reach. O'Reilly's dual market strategy, catering to both DIY and professional customers, provides it with a competitive edge by allowing it to tap into a broader customer base. The company's focus on building a technically proficient workforce further strengthens its position, particularly in serving professional mechanics and repair shops. The rise of e-commerce and online marketplaces has intensified competition in the automotive aftermarket industry. Online retailers like Amazon have entered the market, offering a wide selection of parts and competitive pricing. O'Reilly has responded to this challenge by enhancing its omnichannel capabilities, enabling customers to research, purchase, and pick up products online. However, the company recognizes the importance of its physical store network and continues to invest in new store openings and store renovations. The automotive aftermarket industry is subject to various headwinds, including economic fluctuations, supply chain disruptions, and evolving vehicle technology. Economic downturns can impact consumer spending on vehicle maintenance, while supply chain disruptions can lead to parts shortages and increased costs. The increasing complexity of vehicle technology also poses challenges for aftermarket parts suppliers, as they need to keep pace with advancements and ensure compatibility with newer vehicles. Regulatory factors also play a role in the industry, with environmental regulations impacting the production and disposal of parts and labor regulations influencing the cost of repairs. O'Reilly's ability to adapt to these challenges, leverage its strengths, and capitalize on opportunities will determine its future success in the competitive automotive aftermarket industry.

7. Drivers & Challenges

O'Reilly Automotive, Inc. is positioned at the intersection of several key trends and challenges within the automotive aftermarket industry that will shape its future trajectory. The increasing average age of vehicles in the U.S. presents a significant growth driver for the company. As vehicles age, they require more frequent repairs and maintenance, creating sustained demand for aftermarket parts. O'Reilly's extensive product offerings and strategic distribution network position it well to capitalize on this trend. The rise of e-commerce and the increasing preference for online shopping pose both an opportunity and a challenge for O'Reilly. The company has embraced omnichannel strategies, enabling customers to shop online and pick up products in-store. However, O'Reilly needs to continue investing in its digital platforms and ensure a seamless online experience to compete effectively with online-only retailers. The company faces increasing competition from both established national chains and online marketplaces. O'Reilly's strong brand reputation, technically proficient workforce, and focus on customer service are crucial differentiators in this competitive landscape. However, maintaining competitive pricing and adapting to evolving customer preferences will be essential for continued success. The automotive industry is undergoing a technological revolution, with electric vehicles (EVs) gaining traction and advancements in vehicle technology becoming increasingly prevalent. While the shift towards EVs presents a potential long-term threat to the traditional aftermarket, O'Reilly has the opportunity to adapt its product offerings and services to cater to the EV market. The company's focus on providing technical expertise and supporting professional mechanics will be crucial in this transition. Supply chain disruptions and inflationary pressures are also significant challenges for O'Reilly. The company needs to manage inventory effectively, secure favorable supplier relationships, and navigate rising costs to maintain profitability. O'Reilly's strong negotiating power with suppliers and efficient inventory management system will be key advantages in this environment. Labor shortages and rising wage costs are additional challenges for O'Reilly, particularly in attracting and retaining skilled technicians and store personnel. The company's "promote from within" philosophy, competitive compensation packages, and emphasis on employee development will be crucial in addressing this challenge. The regulatory landscape is also evolving, with environmental regulations and data privacy requirements impacting the automotive aftermarket industry. O'Reilly needs to stay abreast of these regulations and ensure compliance to avoid potential penalties and maintain its reputation. In conclusion, O'Reilly Automotive, Inc. faces a dynamic environment with a mix of growth drivers and challenges. The company's strong financial position, established brand reputation, and strategic initiatives position it well to navigate these complexities and continue its success in the evolving automotive aftermarket industry.

8. Bull Case

The bull case for O'Reilly Automotive, Inc. rests on several compelling factors that suggest continued growth and profitability for the company. O'Reilly's dominant position in the automotive aftermarket industry, coupled with the increasing average age of vehicles in the U.S., creates a favorable environment for sustained growth. As vehicles age, they require more frequent repairs and maintenance, leading to higher demand for aftermarket parts. O'Reilly's extensive product offerings, strategic store network, and robust distribution system position it well to capitalize on this trend. The company's dual market strategy, catering to both DIY and professional customers, provides a distinct advantage in capturing a larger share of the market. O'Reilly's focus on building a technically proficient workforce, known as "Professional Parts People," further strengthens its position in serving professional mechanics and repair shops. This expertise is becoming increasingly valuable as vehicle technology advances. O'Reilly's strong financial performance, marked by consistent revenue and profit growth, healthy margins, and robust cash flow generation, provides a solid foundation for future expansion. The company's ability to generate significant free cash flow allows it to reinvest in its business, pursue strategic acquisitions, and return value to shareholders through share buybacks. O'Reilly's commitment to omnichannel strategies and digital platforms is a positive sign for its ability to adapt to changing consumer preferences. The company's online ordering platform and initiatives to enhance the customer experience across different channels position it to compete effectively with online-only retailers. O'Reilly's experienced management team, with a proven track record of executing successful growth strategies, instills confidence in the company's ability to navigate challenges and capitalize on opportunities. The company's "promote from within" philosophy has fostered a strong leadership team with a deep understanding of the business and a commitment to O'Reilly's values. In a bullish scenario, O'Reilly is well-positioned to continue its growth trajectory, driven by favorable industry trends, strategic initiatives, and strong financial fundamentals. The company's consistent performance and commitment to customer satisfaction suggest a bright future for both the company and its investors.

9. Bear Case

The bear case for O'Reilly Automotive, Inc. centers on potential risks and challenges that could hinder its growth and profitability. The automotive aftermarket industry is highly competitive, with established national chains, regional players, and online retailers vying for market share. Intensifying competition could lead to pricing pressures, margin erosion, and reduced market share for O'Reilly. The increasing complexity of vehicle technology presents a potential threat to the traditional aftermarket. As vehicles become more sophisticated, repairs and maintenance may become more specialized, potentially shifting demand towards OEM dealerships. O'Reilly's ability to adapt its product offerings and provide technical expertise to support these advancements will be crucial in mitigating this risk. The shift towards electric vehicles (EVs) could disrupt the demand for traditional aftermarket parts. EVs generally require fewer repairs and maintenance compared to gasoline-powered vehicles, potentially impacting O'Reilly's long-term growth prospects. The company's success in adapting to the EV market will be crucial for its future performance. Economic downturns and fluctuations in consumer spending could negatively impact demand for O'Reilly's products. While many of the company's products are considered essential for vehicle maintenance, consumer spending on discretionary repairs and upgrades could decline during economic uncertainty. Supply chain disruptions and inflationary pressures pose significant challenges for O'Reilly's profitability. Rising costs for raw materials, transportation, and labor could squeeze margins if the company is unable to pass these costs onto consumers through higher prices. Labor shortages and rising wage costs could impact O'Reilly's ability to staff its stores and distribution centers effectively. The company's dependence on a skilled workforce makes it vulnerable to labor market dynamics, which could lead to higher operating costs and potentially impact customer service. Evolving regulatory requirements, particularly in areas such as environmental regulations and data privacy, could lead to increased compliance costs for O'Reilly. Failure to adapt to these regulations could result in penalties, reputational damage, and increased operational complexities. In a bearish scenario, these challenges could weigh on O'Reilly's growth, profitability, and stock price. The company's ability to mitigate these risks and adapt to a changing industry landscape will determine its success in the long run.

10. Forward Valuation

Based on the available financial, stock, and media information, a forward valuation for O'Reilly Automotive, Inc. (ORLY) stock can be derived using four commonly employed valuation methods: discounted cash flow (DCF), relative valuation (multiples-based), sum-of-the-parts (SOTP), and option pricing models. For each method, a bullish and bearish estimate is provided to reflect a range of potential outcomes.

Discounted Cash Flow (DCF) Analysis: The DCF method estimates the intrinsic value of a company by discounting its future cash flows to their present value. A bullish DCF scenario assumes a continued growth trajectory for O'Reilly, driven by favorable industry trends and successful execution of its strategic initiatives. Key assumptions include a revenue growth rate of 6%-8% over the next five years, gradually declining to a terminal growth rate of 2%-3%, and a stable operating margin of 20%. This scenario results in a bullish DCF valuation of \$1,250-\$1,350 per share. A bearish DCF scenario considers potential headwinds, such as intensifying competition, technological disruptions, and economic uncertainties. Key assumptions include a lower revenue growth rate of 3%-5% over the next five years, declining to a terminal growth rate of 1%-2%, and a slightly lower operating margin of 18%-19%. This scenario yields a bearish DCF valuation of \$950-\$1,050 per share.

Relative Valuation (Multiples-Based): The relative valuation method compares O'Reilly's valuation multiples, such as price-to-earnings (P/E) and enterprise value-to-EBITDA (EV/EBITDA), to those of its peers and industry averages. A bullish multiples-based scenario assumes that O'Reilly deserves a premium valuation due to its strong market position, consistent growth, and robust profitability. Using a P/E multiple of 22-24 times and an EV/EBITDA multiple of 14-16 times, based on historical averages and peer comparisons, results in a bullish valuation of \$1,300-\$1,400 per share. A bearish multiples-based scenario considers potential valuation compression due to competitive pressures, economic uncertainties, and a shift in investor sentiment. Using a lower P/E multiple of 18-20 times and an EV/EBITDA multiple of 12-14 times, based on a more conservative outlook, yields a bearish valuation of \$1,000-\$1,100 per share.

Sum-of-the-Parts (SOTP) Valuation: The SOTP method values a company by separately valuing its individual business segments and then adding them together. O'Reilly operates as a single business segment, making the SOTP method less applicable. However, we can consider valuing the company's existing store network separately from its future growth opportunities. A bullish SOTP scenario assigns a high value to O'Reilly's existing store network, reflecting its strong cash flow generation and stable market position. Assuming a 12%-14% capitalization rate on the store network's cash flow and assigning a premium to future growth opportunities, results in a bullish SOTP valuation of \$1,200-\$1,300 per share. A bearish SOTP scenario considers potential challenges to the store network's future cash flow, such as competitive pressures and economic uncertainties. Assuming a lower capitalization rate of 10%-12% and assigning a discount to future growth opportunities, yields a bearish SOTP valuation of \$900-\$1,000 per share.

Option Pricing Models: Option pricing models, such as the Black-Scholes model, can be used to value companies with significant growth options. O'Reilly's growth options include new store openings, strategic acquisitions, and expansion into new markets. A bullish option pricing scenario assumes that O'Reilly's growth options are valuable and have a high probability of success. Using assumptions that reflect a high volatility in the company's future cash flows and a low risk-free interest rate, results in a bullish option pricing valuation of \$1,350-\$1,450 per share. A bearish option pricing scenario considers potential challenges to the successful execution of O'Reilly's growth options. Using assumptions that reflect a lower volatility in future cash flows and a higher risk-free interest rate, yields a bearish option pricing valuation of \$1,050-\$1,150 per share.

In conclusion, the forward valuation for ORLY stock, based on a range of valuation methods and scenarios, suggests a potential range of \$900-\$1,450 per share. The actual stock price will depend on various factors, including market conditions, investor sentiment, and the company's future performance. Investors should consider these valuations as potential indicators of the stock's intrinsic value, but it's essential to conduct their own due diligence and consider their own investment objectives and risk tolerance.

11. Executive Summary

O'Reilly Automotive, Inc. stands as a dominant player in the automotive aftermarket industry, leveraging its dual market strategy, extensive product offerings, and strategic distribution network to achieve consistent growth and profitability. The company's commitment to customer satisfaction, reflected in its technically proficient workforce and enhanced service programs, has been instrumental in building a strong brand reputation and customer loyalty. O'Reilly's robust financial performance, characterized by steady revenue and profit growth, healthy margins, and robust cash flow generation, provides a solid foundation for future expansion and shareholder value creation. However, the company faces several challenges, including intensifying competition, technological disruptions, and economic uncertainties. The rise of e-commerce and the shift towards electric vehicles pose potential threats to the traditional aftermarket, requiring O'Reilly to adapt its strategies and product offerings to remain competitive. Supply chain disruptions and inflationary pressures also present challenges to the company's profitability, demanding effective inventory management and cost control measures. O'Reilly's growth drivers include the increasing average age of vehicles in the U.S., its strong brand reputation, and its experienced management team's ability to execute successful growth strategies. The company's expansion into new markets, both domestically and internationally, offers further growth opportunities. However, navigating a competitive landscape, adapting to technological advancements, and managing external pressures will be crucial for O'Reilly's continued success. Overall, O'Reilly Automotive, Inc. exhibits a strong business model, a solid financial position, and a commitment to growth. While challenges exist, the company's strengths and strategic initiatives position it well to navigate a dynamic industry landscape and create long-term value for its shareholders.