



## **The Quinonez Killerz:**

Evan Martinez, Nestor Ayala, Santiago Quinonez, and Wade Cookston



**What Do They Do?**

- Leading automotive parts retailer among D. I. Y. individuals & leading auto parts distributor among commercial and professional customers
- Every store carries a diverse array of auto parts
- Distribution centers and hubs allow them to maximize space for less frequently needed parts
- Immediate access to the parts with the walk-in store





# Company History

### 1883

- Michael has son named Charles Francis O'Reilly



### 1924

- Charles transferred to Springfield, Missouri



### Dec. 2<sup>nd</sup>, 1957

- O'Reilly's formed
- 1 store, with 13 employees



### 1849

- Michael Byrne O'Reilly moved to America from Ireland

### 1913 & 1914

- C. F. O'Reilly has a son named Charles Henry "Chub" O'Reilly
- C. F. O'Reilly goes to work for Fred Campbell Auto Supply

### 1932

- Charles became the manager of Link Auto Supply in Springfield



### 1961

- \$1.3 million in sales



### 1993

- Public offering of company stock at \$17.50



### 1958

- \$700k in Sales

### 1975

- Sales volume reaches \$7 million
- Charles and Chub build a shared warehouse operation
- 9 stores in Southwest Missouri

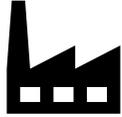
### 1998

- Acquired Hi/LO Auto Supply
- 182 stores in Texas and Louisiana
- Made ORLY one of the top ten largest auto parts stores



## 2008

- Completed largest acquisition
- Acquired CSK Auto
  - Added 1,273 stores in 12 states
- Made top 3 Auto Parts Store



## 2001

- Purchased Mid-State Automotive Distributors
- +82 stores across 7 states
- +2 distribution centers

## 2019

- Announced acquisition of Mayasa in August
- Finalized acquisition in November
- First international venture
- 5,400 stores across 47 states, and 20 in Mexico





# Management



**David O'Reilly, 71**

- Chairman of the Board(2005)



**Larry O'Reilly, 74**

- Vice Chairman of the Board(2005)



**Jeff Shaw, 57**

- COO and Co-President
- Began as a parts manager in 1988
- 31 year tenure



**Greg Henslee, 60**

- Vice Chairman of the Board(2017)
- Began as a part specialist



**Tom McFall, 49**

- CFO and Vice President(2006)



**Greg Johnson, 54**

- CEO and Co-President(2018)
- 20 year tenure



**Rosalie O'Reilly Wootsen,**

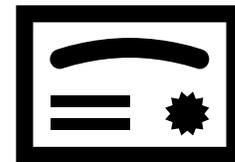
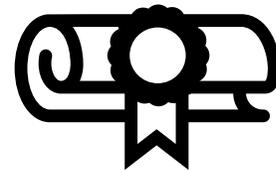
- Served as Vice President
- Director of Risk Management

# Management Focus

Performance Metric	Weight%	Threshold	Target	Actual	Achievement%
<b>Comparable Store Sales</b>	<b>30</b>	<b>2.5%</b>	<b>4%</b>	<b>4%</b>	<b>29.6%</b>
Operating Income	30	\$1,885,000	\$1,925,000	\$1,920,726	28.5%
<b>Return on Invested Capital</b>	<b>20</b>	<b>35.65%</b>	<b>37.65%</b>	<b>38.74%</b>	<b>27.5%</b>
Free Cash Flow	20	\$858,000	\$1,065,000	\$1,020,649	18.5%

# The O'Reilly Culture

- O'Reilly philosophy to "**Promote from Within**" as shown through management
- Senior Managers average **21 years** of service with the company
- Corporate Managers average **16 years** of service within the company
- District Managers average **14 years** of service within the company
- "Professional Parts People", go through automotive systems and product knowledge training and get certified after completing O'Reilly Certified Parts Pro Test
- Promotions and Compensation to incentivize performance for employees.



# Management Capital Allocation

- Company has repurchased 77M for a total of \$12.5B for an average share price of \$162.72 since inception of repurchase program(2011) 74.6M are outstanding
- 3.9M were repurchased in 2019 for an average price of \$369.55
- O'Reilly does not pay a dividend
- Focus on opening new stores, strategic acquisitions, and growing distribution network. On average they open around 200 stores.



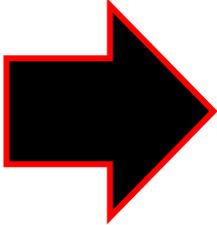


# Company Breakdown

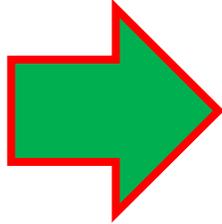
# Dual Market Strategy

**Do-It-Yourself**

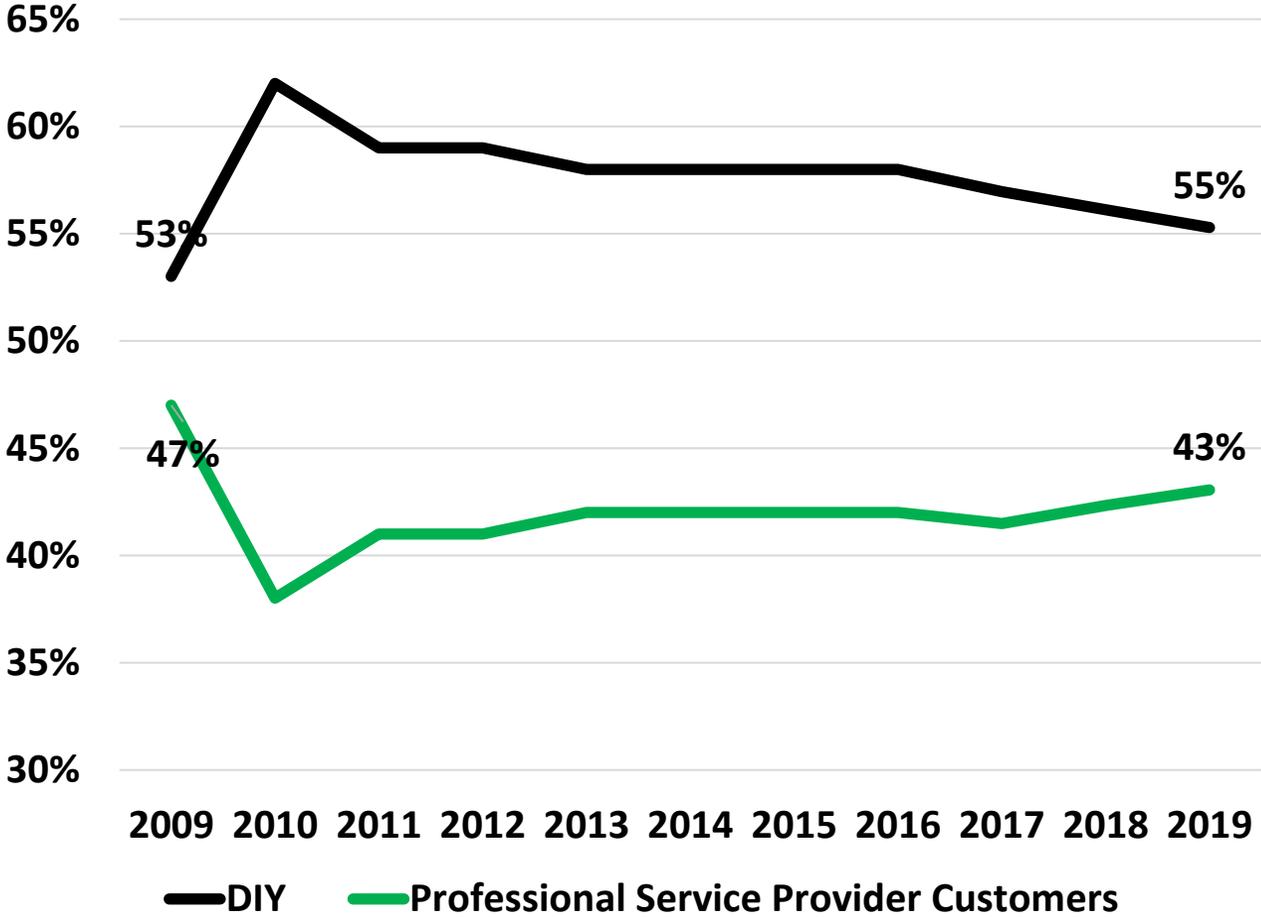
55% of Sales



**Professional  
Service Providers**

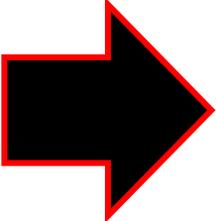


43% of Sales

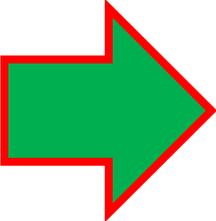


# Dual Market Strategy

**Do-It-Yourself**

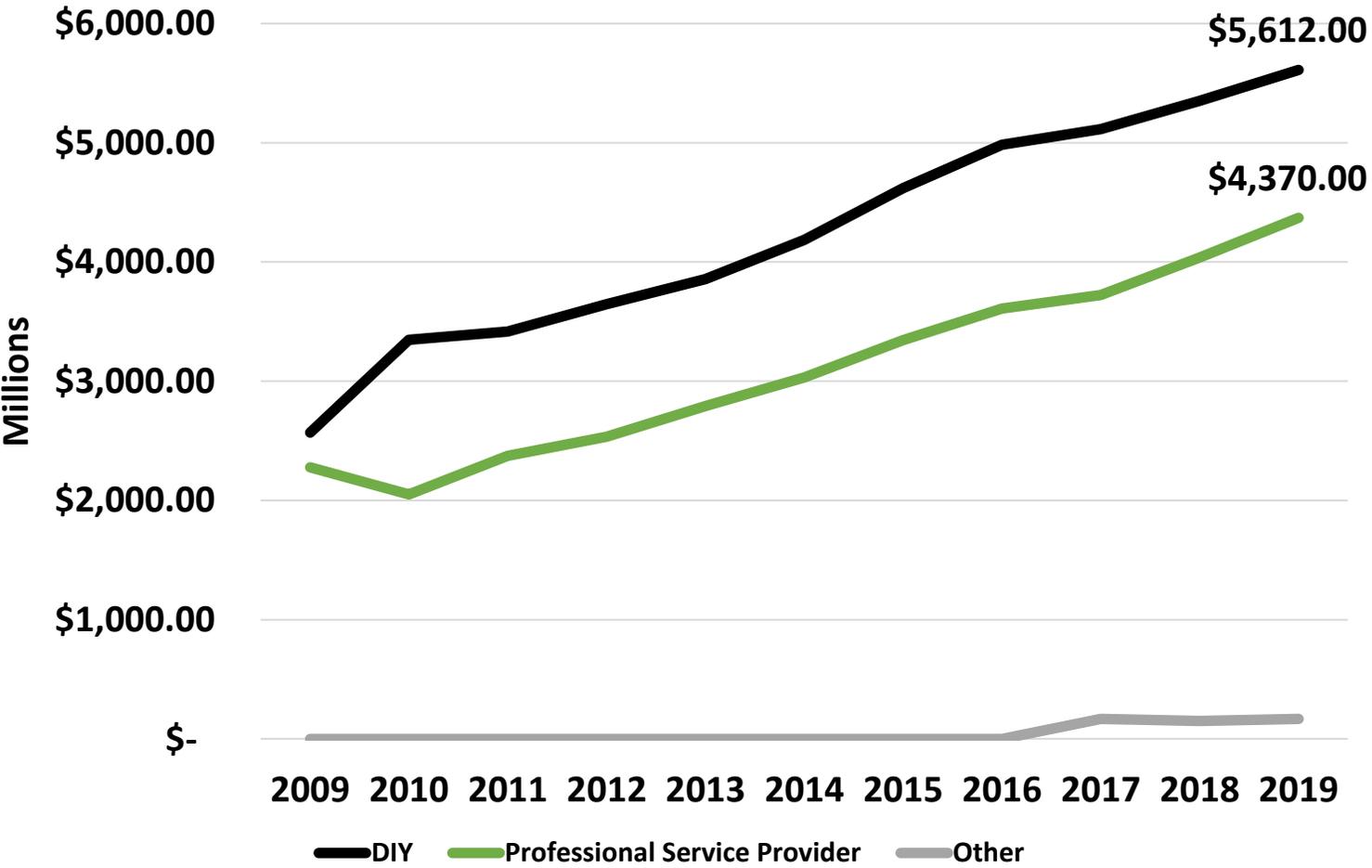


**Professional Service Providers**



CAGR	10-year	5-year	1-year
DIY	8.13%	6.04%	4.88%
PSP	6.73%	7.59%	8.28%

Revenue by Customer



# Services and Programs



**Battery, Alternator, and Starter Diagnostic Testing**



**Loaner Tool Program**



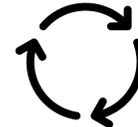
**Wiper/Bulb Replacement**



**Professional Paint Shop Mixing**



**Check Engine light extraction**



**Used Oil, filter, battery recycling**



**Custom Hydraulic Hoses**



**Drum and rotor resurfacing**



**O'Reilly O'Rewards Program**

# AutoParts



# Maintenance



# Accessories



# Product Brands



# Private Label Products



# Supply Chain

## Regional Distribution Centers

**28 DC's**

Access to 159,000 Products



## Hub Stores



**356 Total Stores**

85 Super Hub / 271 Hub  
68K Products/42K Products

## O'Reilly Stores

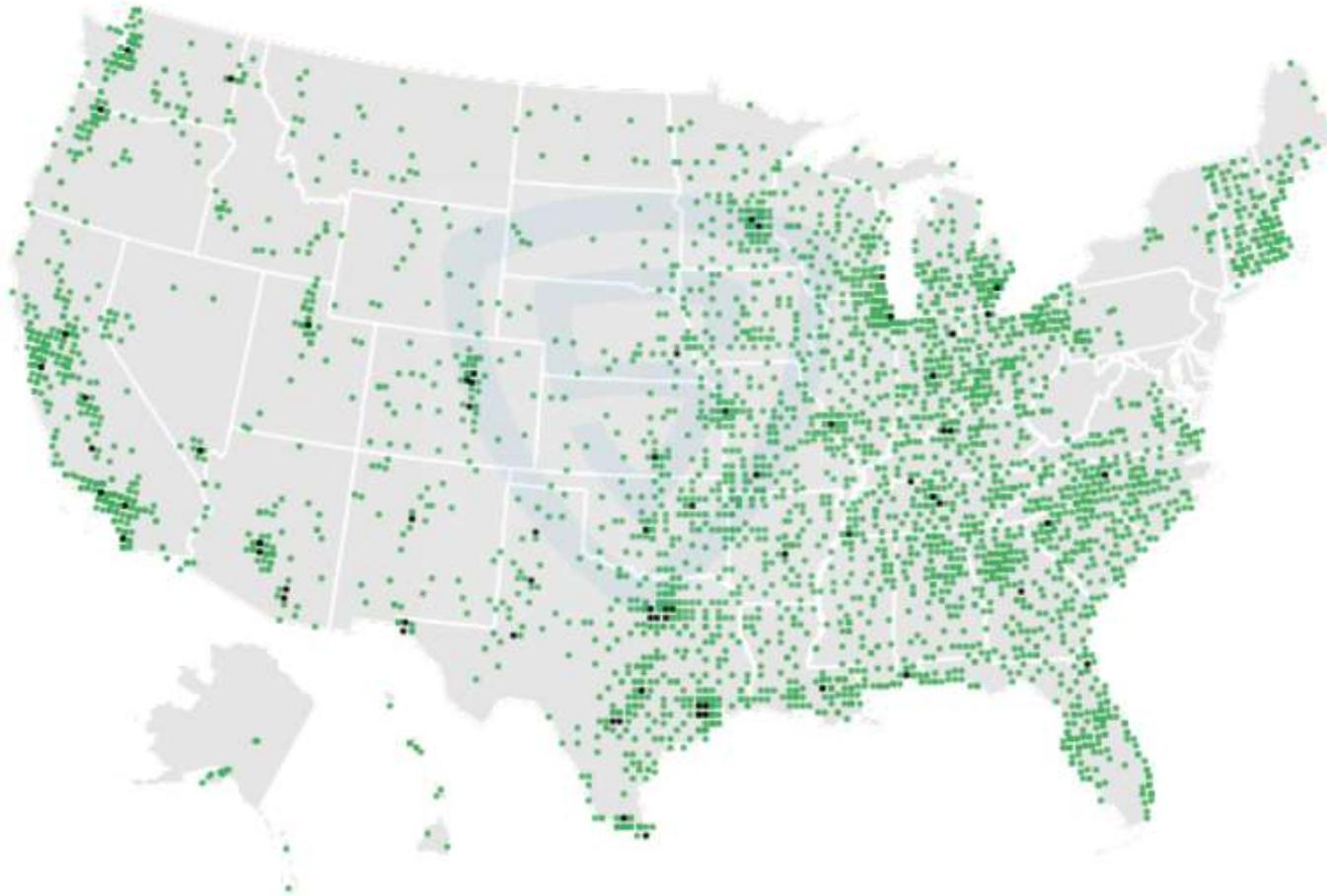
**5,460 Total Stores**

Stores Hold 22,000 Products



# Supply Chain

● 5 or less ● Greater than 5



O'Reilly Auto Parts Locations in the USA

Each grid point covers 10-mile radius with at least one location

Source: ScrapeHero.com



# Supply Chain





**Economic Moat**

## **Intangible Assets**

- **Brand reputation**
- **Quality of service, convenience**
- **Proprietary brands**

## **Scale and Cost Advantages**

- **Network of Distribution centers, Hub stores, and Traditional stores**
- **Quick, reliable service = More value**
- **Suppliers want to work with them**

## **Necessity**

- **Repair shops/commercial clients need to operate at a certain rate**
- **Parts are not a luxury item**



# Risk Factors

## Oil Price Increases

When gas prices rise, people will not only drive less, but also have less money to spend on that repair or maintenance on their car that has been waiting for months.



## Lower number of miles driven.

The era of working from home saw less people commuting (in general) meaning less wear and tear on vehicles.



## Digital sellers (Amazon Effect)

Online sellers such as Amazon have a small footprint in the DIY market for parts, but do not offer the service, expertise, or ease of experience that Auto Retailers like Orieilly does.



## Electronification/Modernization of Vehicles

The ambiguous movement toward electric vehicles with less/more complex parts could pose risks to the DIY segment.



## **Economic conditions favoring new car purchases.**

Periods of rapid economic expansion may allow some consumers to purchase new vehicles which could affect DIY segment sales.



## **Weather and its influence on DIY customers**

While extreme weather conditions lead to more maintenance and failures, prolonged moderate conditions lead to less repairs needed.





# Growth Opportunities

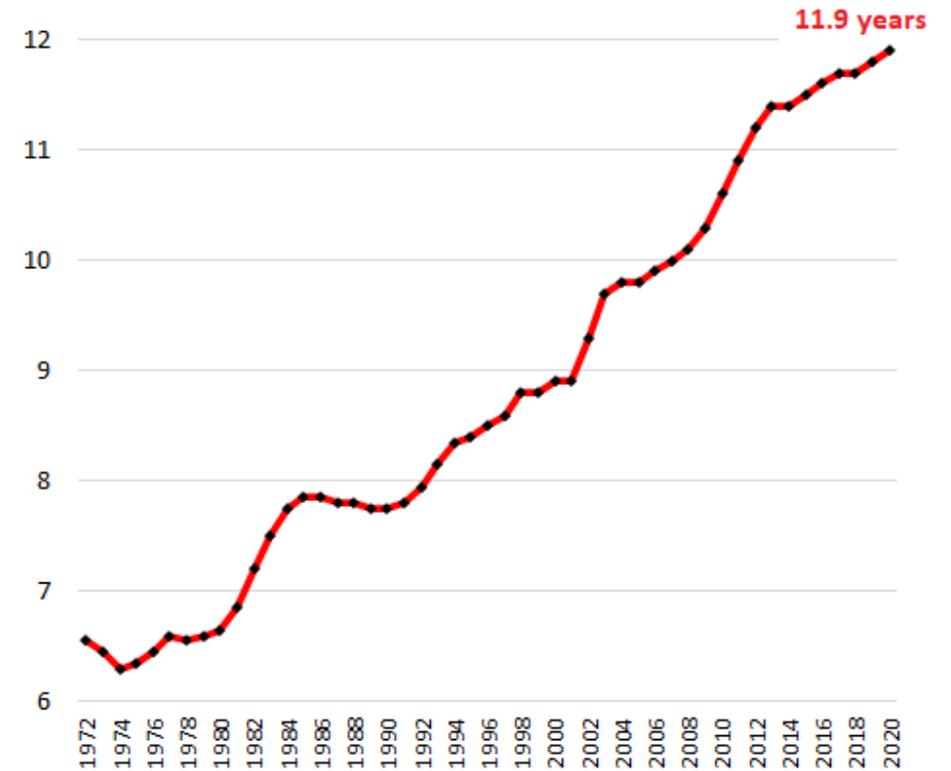
# Increase in Average Age of Vehicles / Recessionary Environments

As people defer new car purchases, the average age of cars that people are driving go up.

The prime DIY customer is not a 2020 Chevy Malibu, it's the 2008 Ford Explorer.

Older vehicles typically need frequent repair and this supports sales in DIY.

Average Age of Cars & Light Trucks in Operation



Sources: US BTS, IHS Markit

WOLFSTREET.com

## Oil Prices decreasing

Less money spent on gas for commuting means more discretionary income in the pockets of car owners that they can use to repair or maintain their vehicle.



## Same store sales growth

Orielly Auto Parts has been able to aggressively increase same store sales growth over the last 5 years.



## Expansion Into International Markets (Mayasa)

Their recent acquisition of Mayasa positions them well to insert themselves into Mexico.

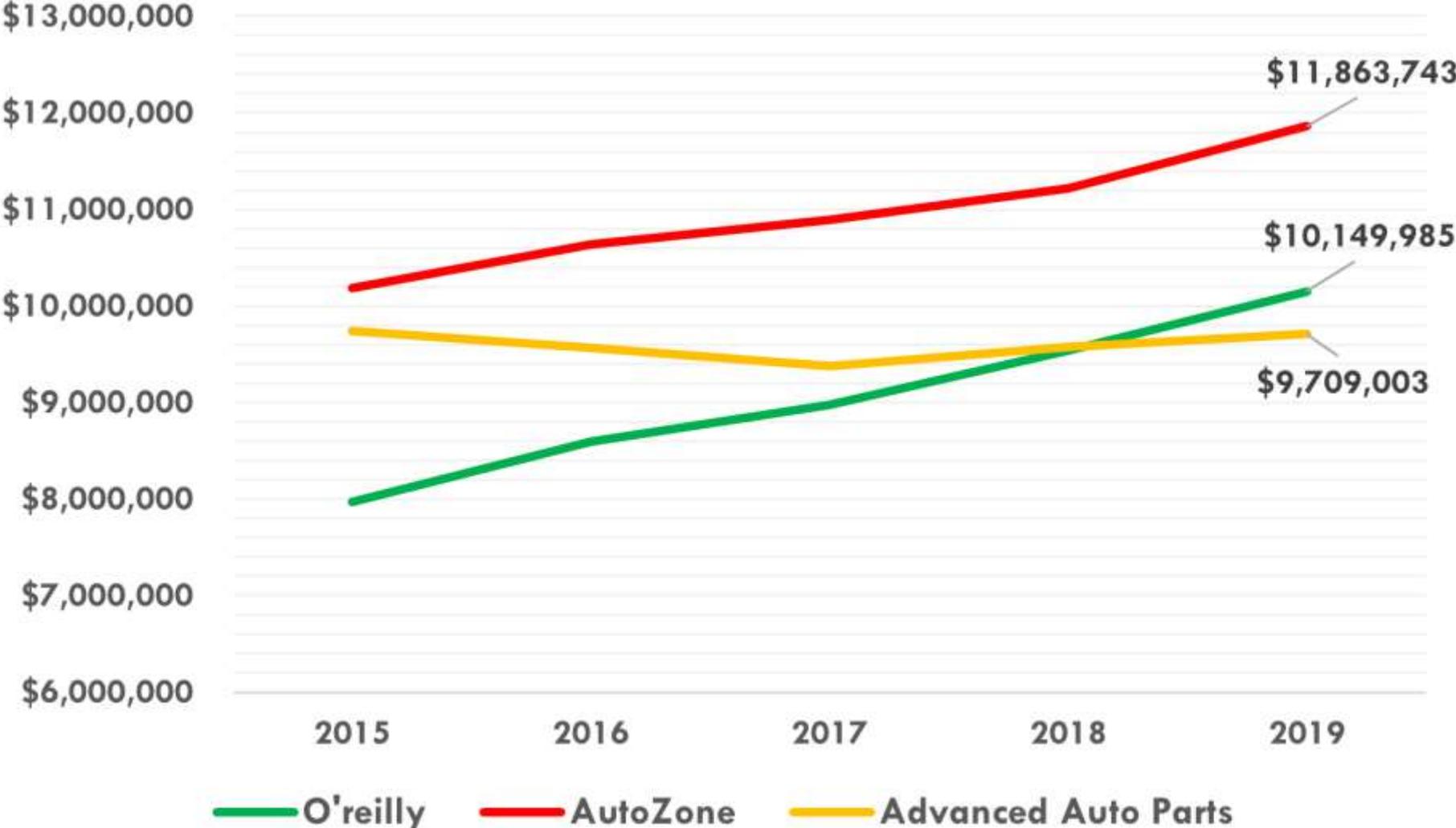
Mayasa is an aftermarket parts retailer that currently has 6 distribution centers in Mexico and 21 stores. Their reach extends to 28 Mexican states.

**MAYASA**<sup>®</sup>  
*DISTRIBUIDOR MAYORISTA DE MARCAS LIDERES*



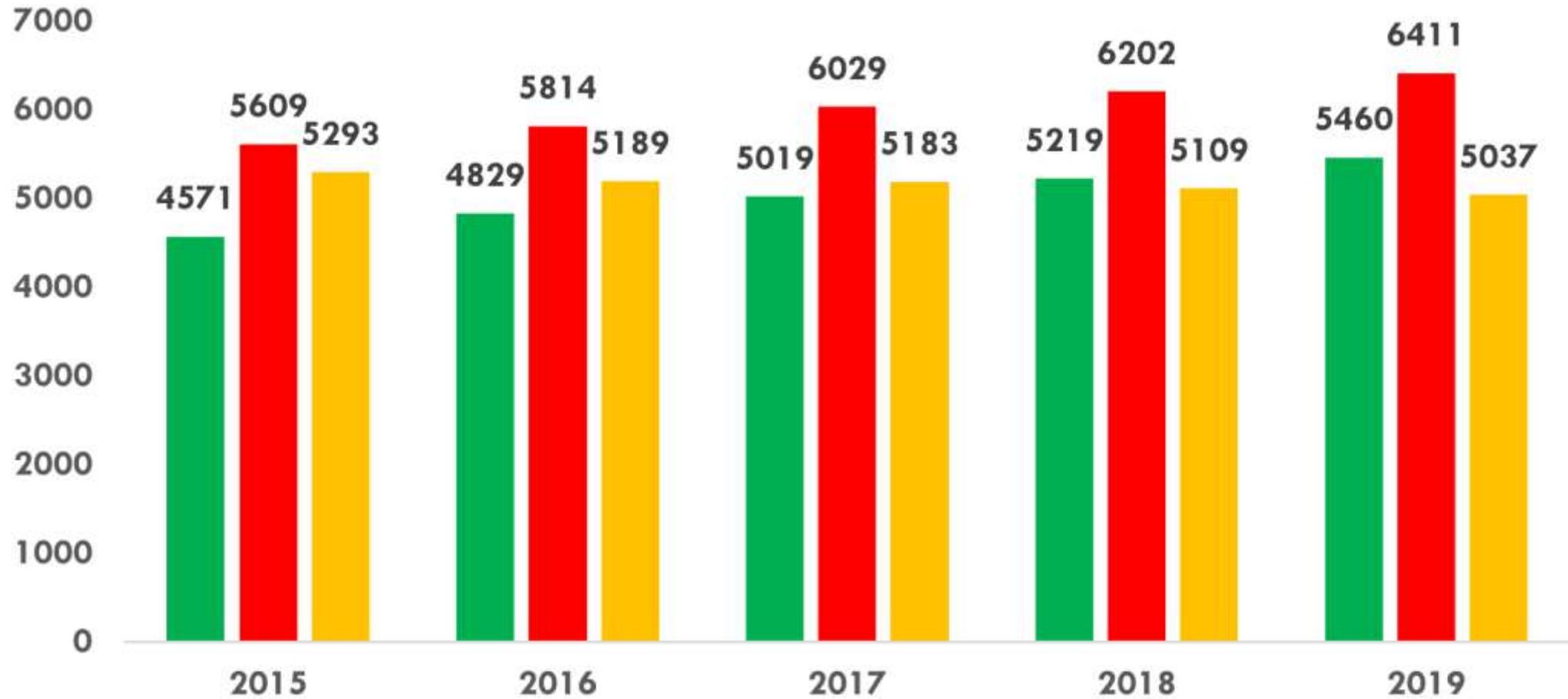
# Competitor Analysis

# Total Sales (Thousands)

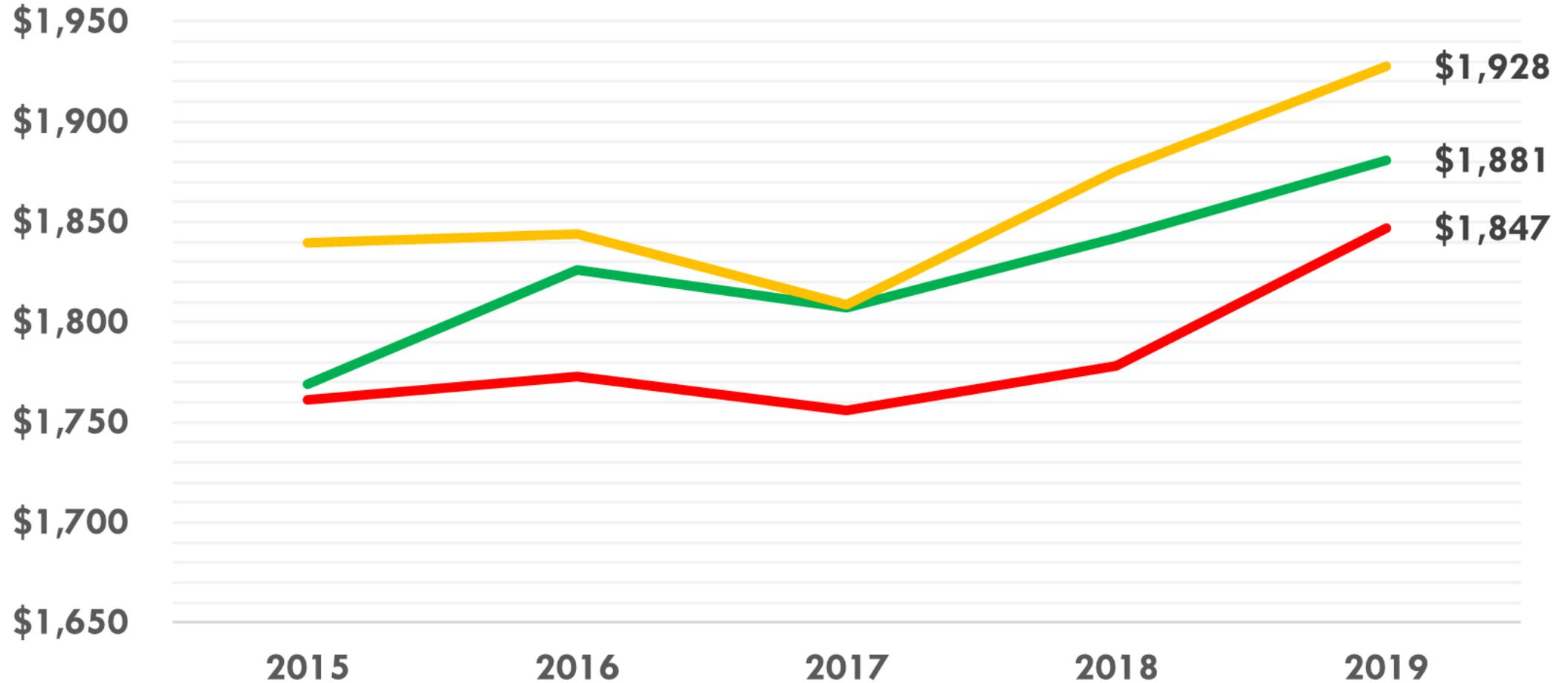


# Store Count

■ O'reilly ■ AutoZone ■ Advanced Auto Parts



# Sales Per Store (Thousands)



O'Reilly

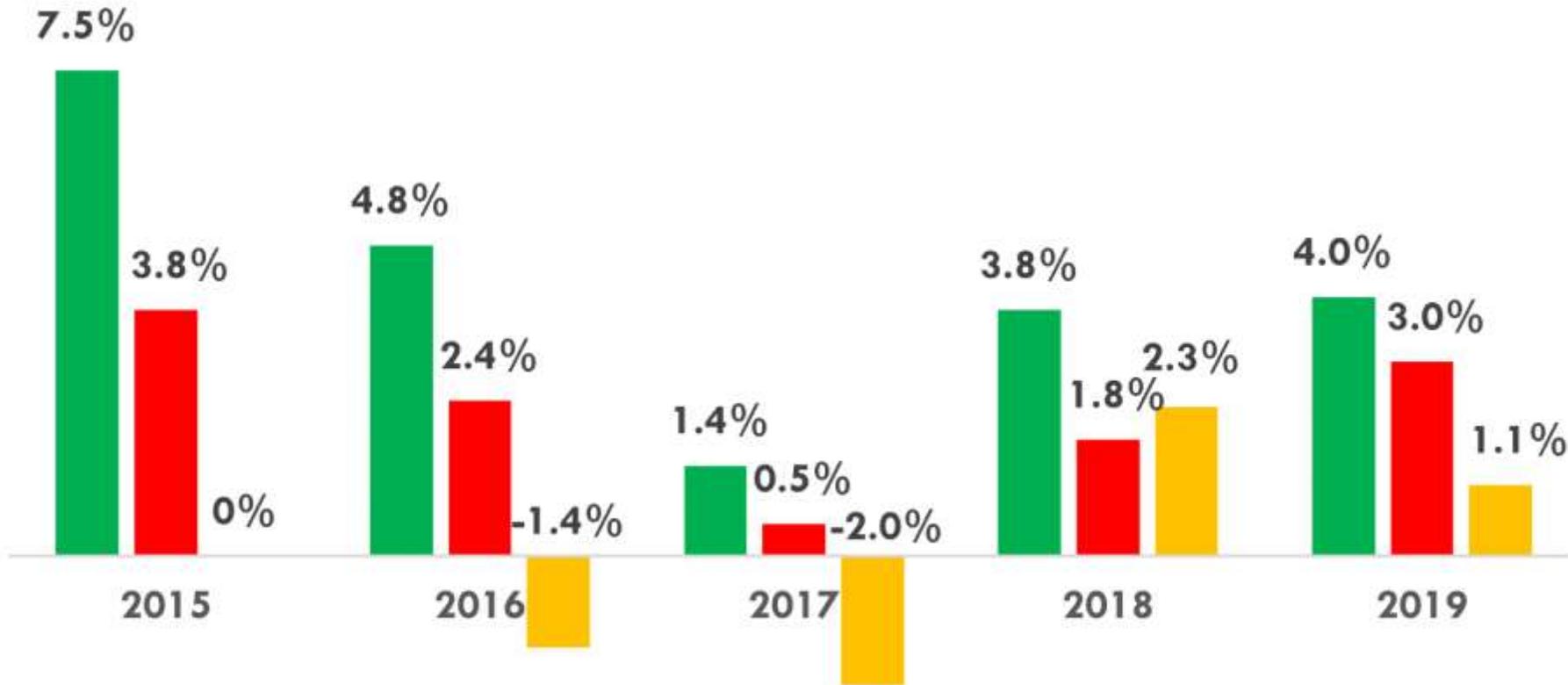
AutoZone

Advanced Auto Parts

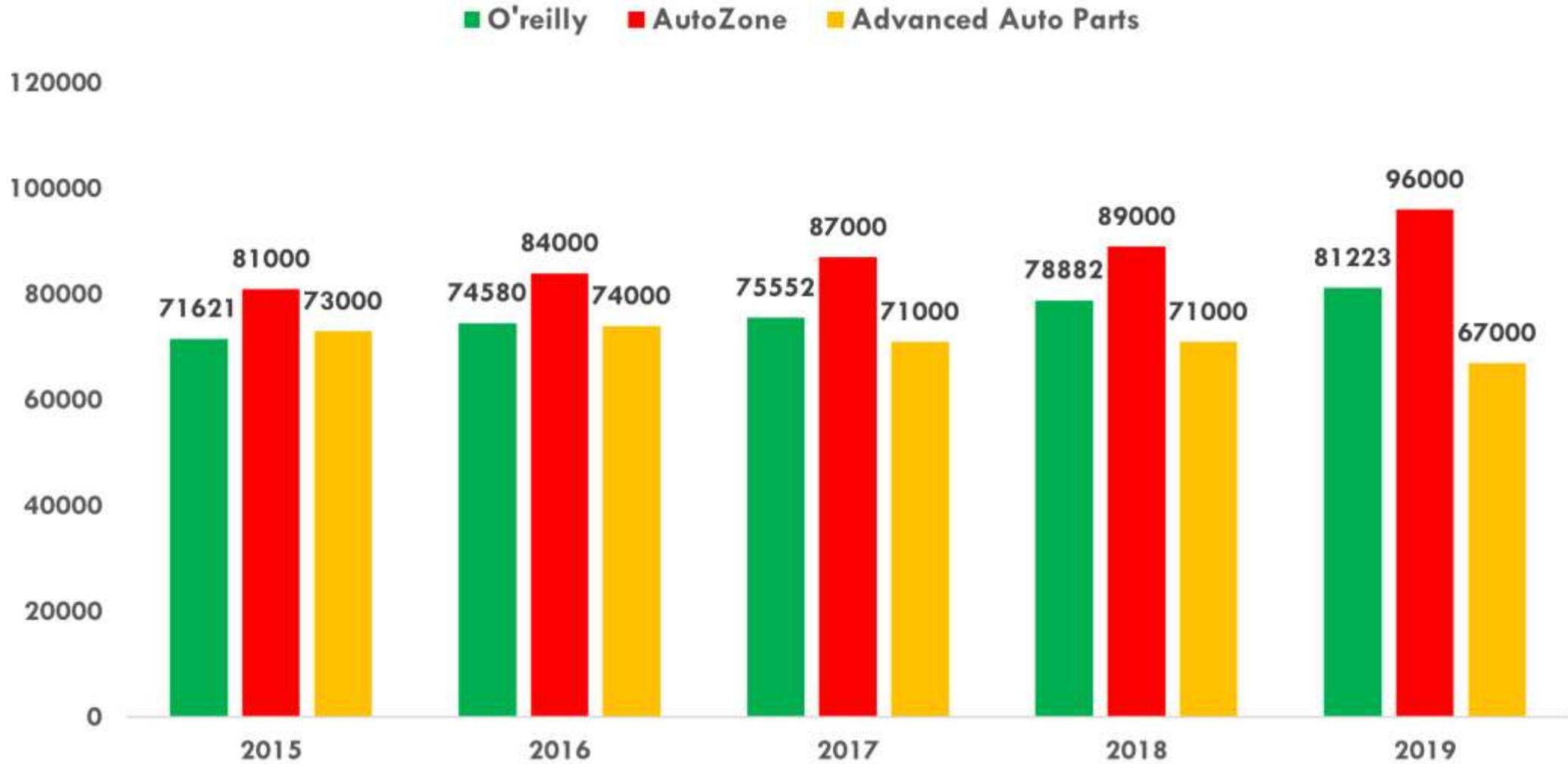


# Comparable Store Sales Growth (%)

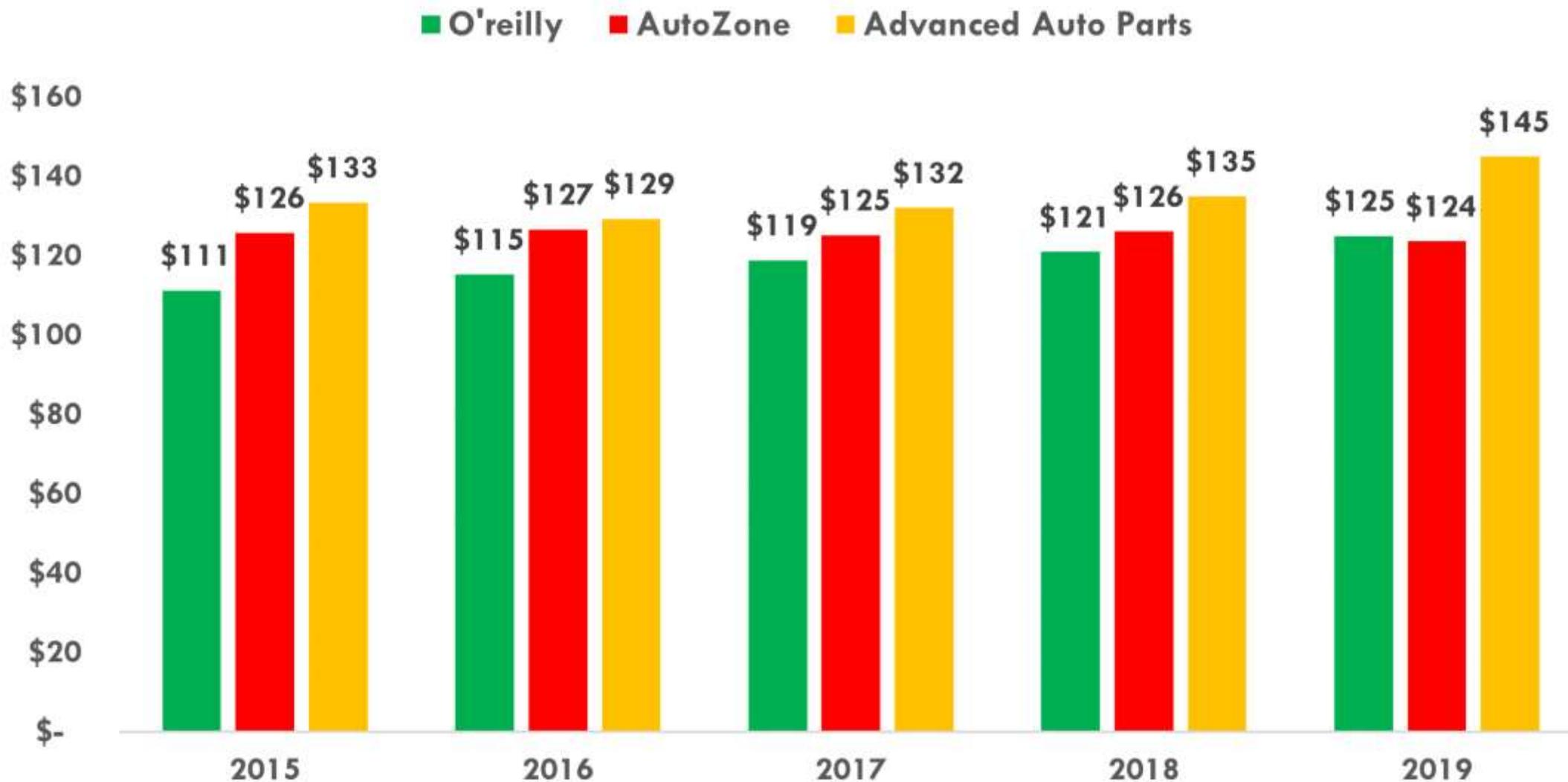
■ O'reilly ■ AutoZone ■ Advanced Auto Parts



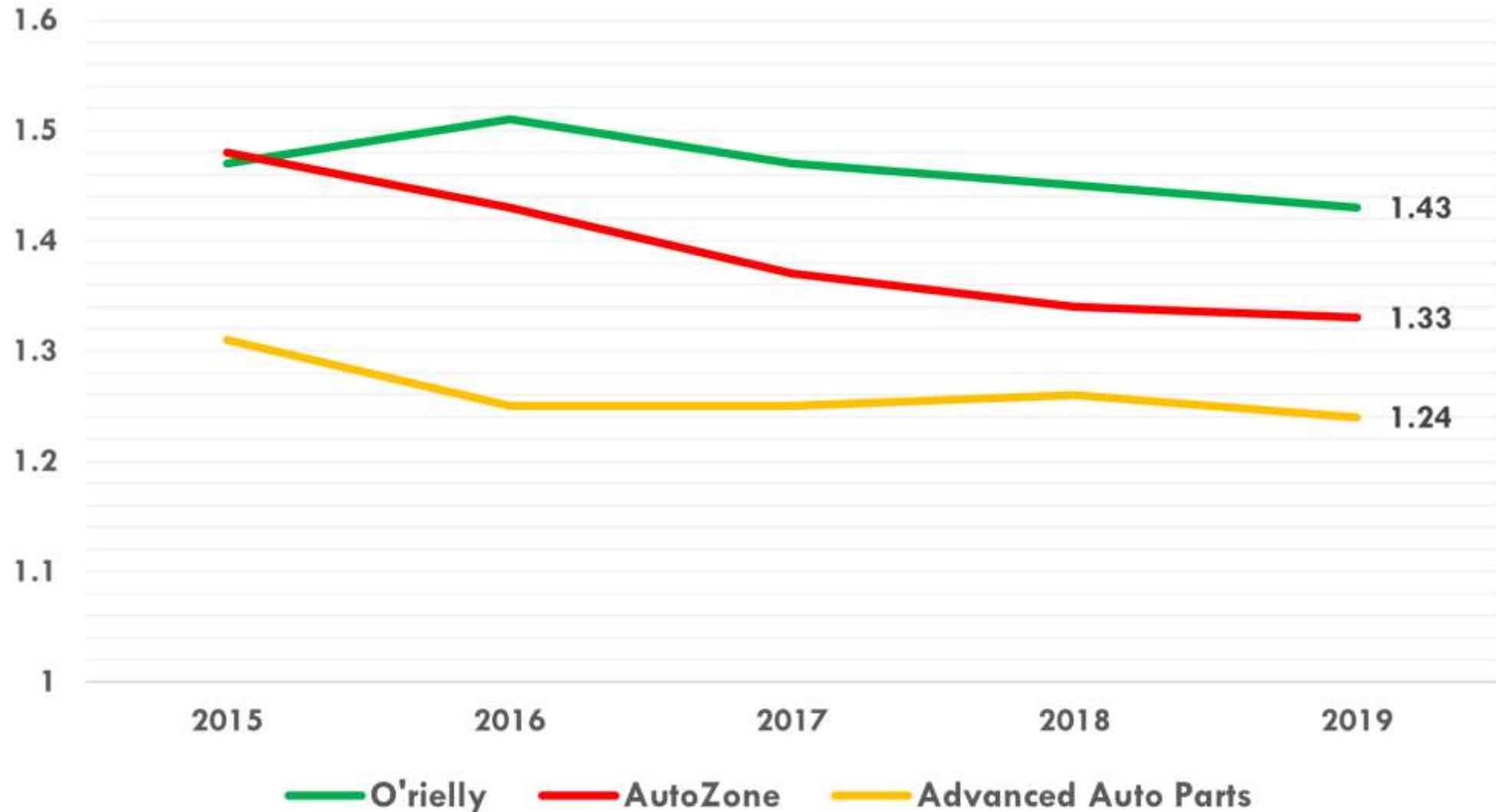
# Total Number of Employees



# Sales Per Employee (Thousands)



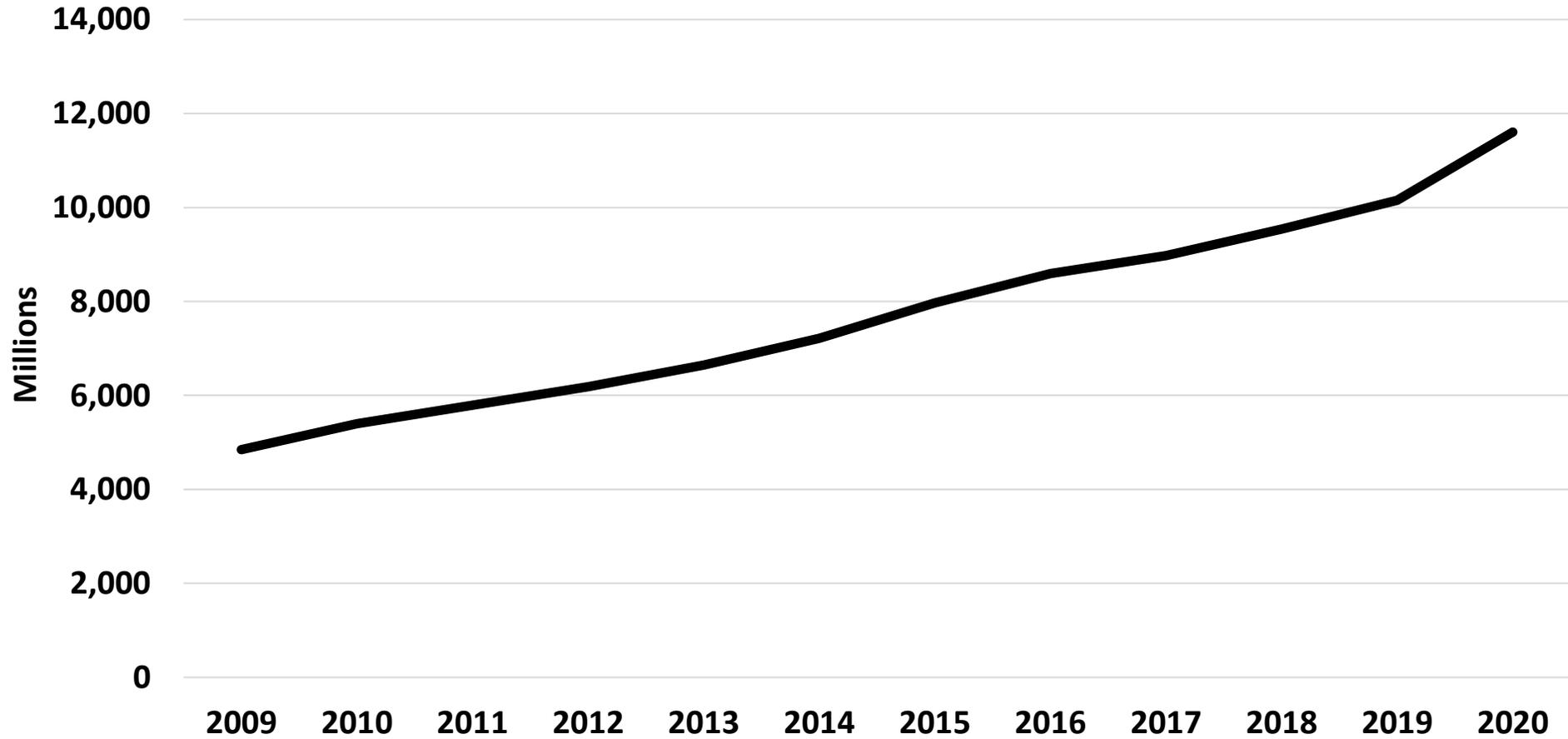
# Inventory Turnover (x)





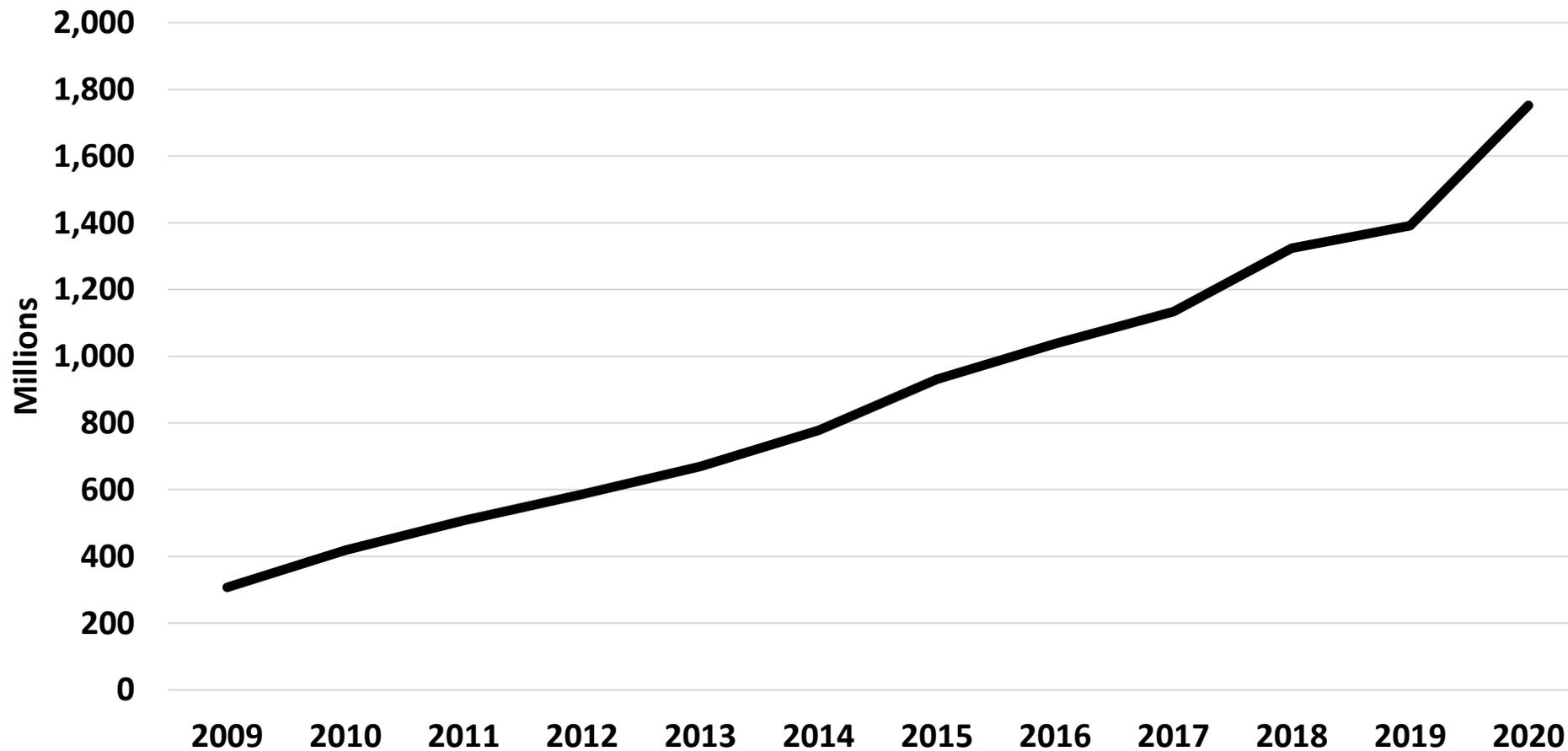
# Interpretation of Financial Statements

# REVENUE



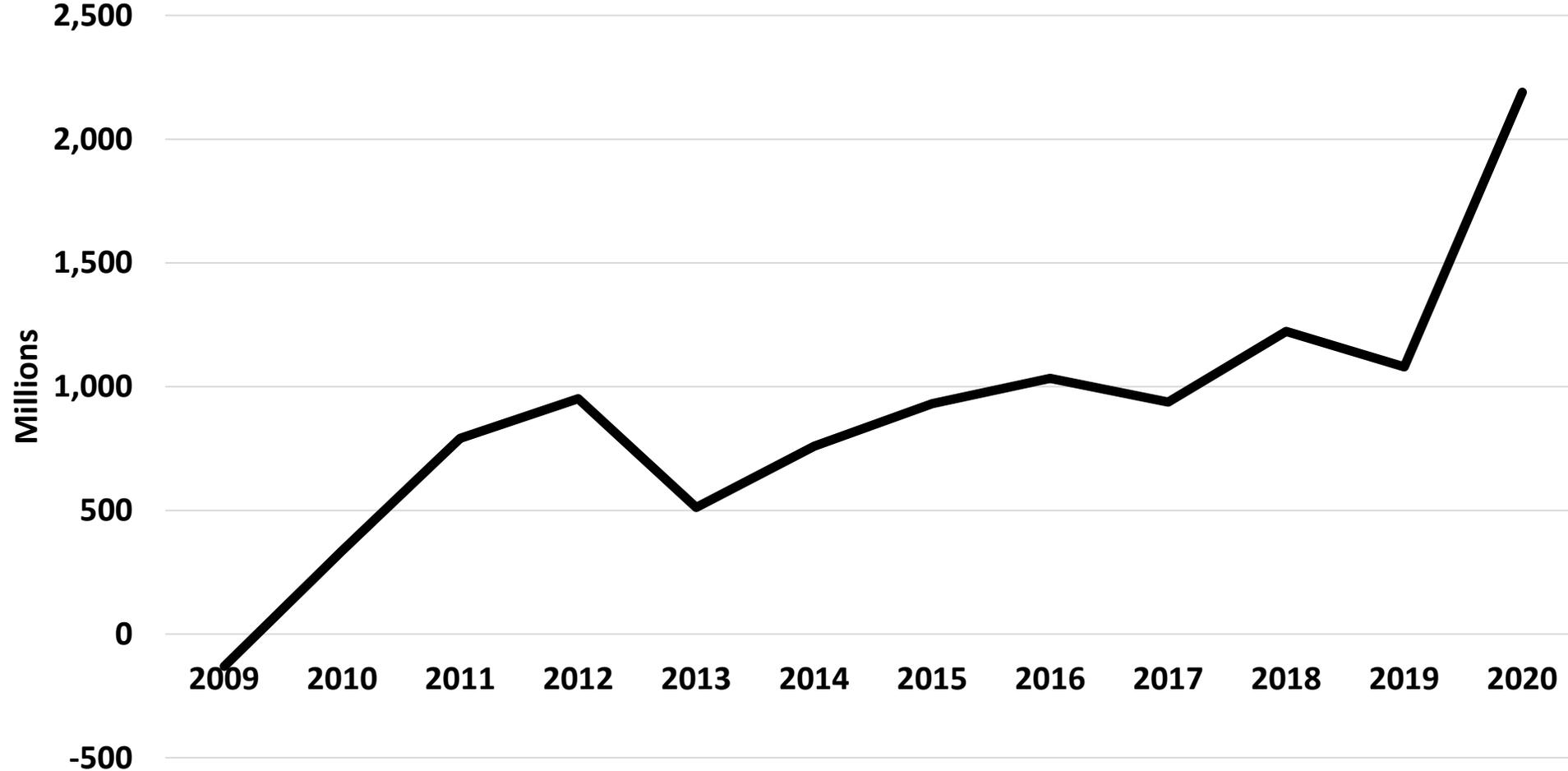
CAGR	10-Year	5-year	1-year
Revenue	7.95%	7.81%	14.33%
Sales Per Share	15.58%	15.48%	23.53%

# NET INCOME



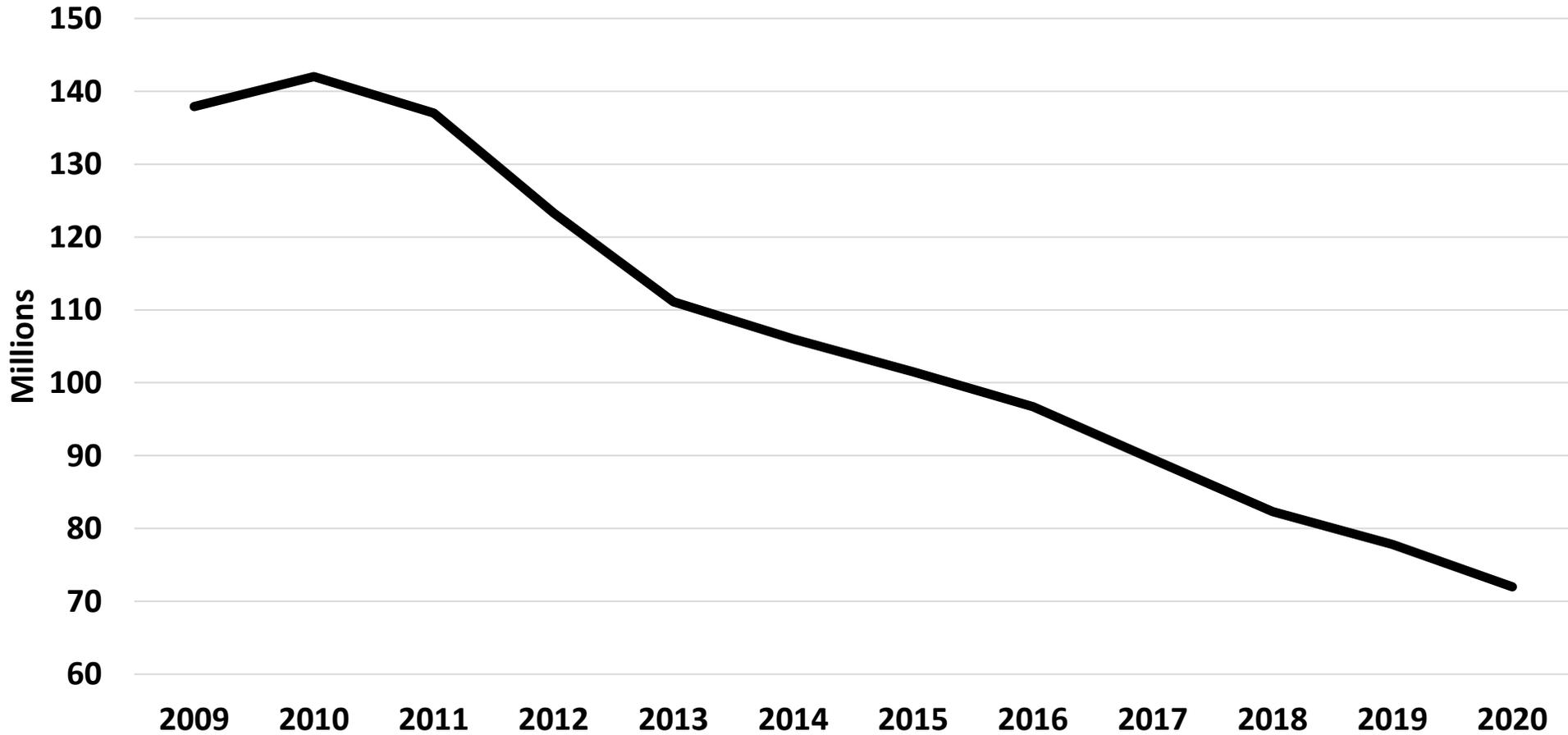
CAGR	10-Year	5-year	1-year
Net Income	15.38%	13.48%	25.95%
Earnings Per Share	23.49%	21.55%	36.10%

# FREE CASH FLOW



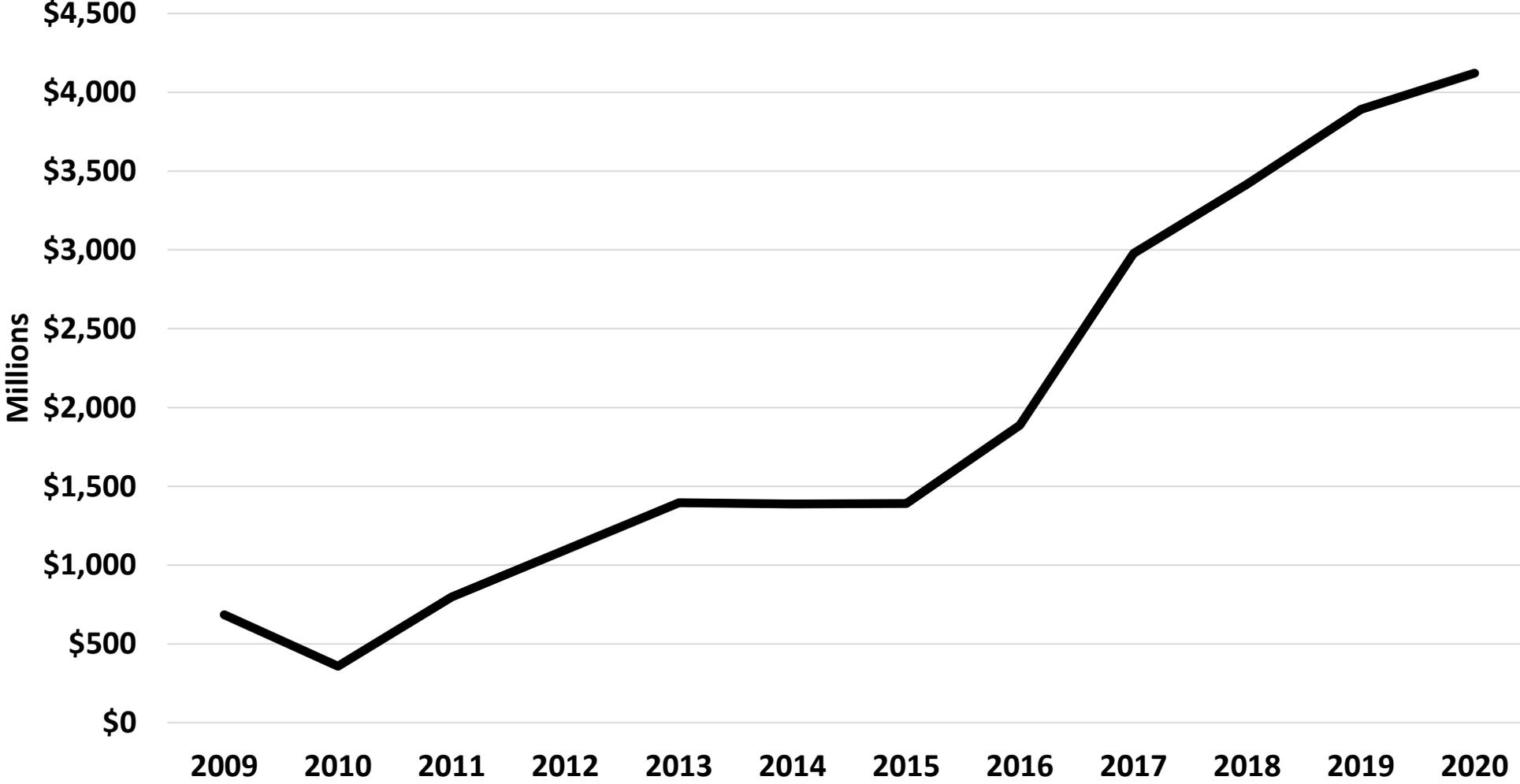
CAGR	10-Year	5-year	1-year
Free Cash Flow	12.32%	18.66%	102.78%
FCF Per Share	19.28%	27.09%	119.11%

# SHARES OUTSTANDING

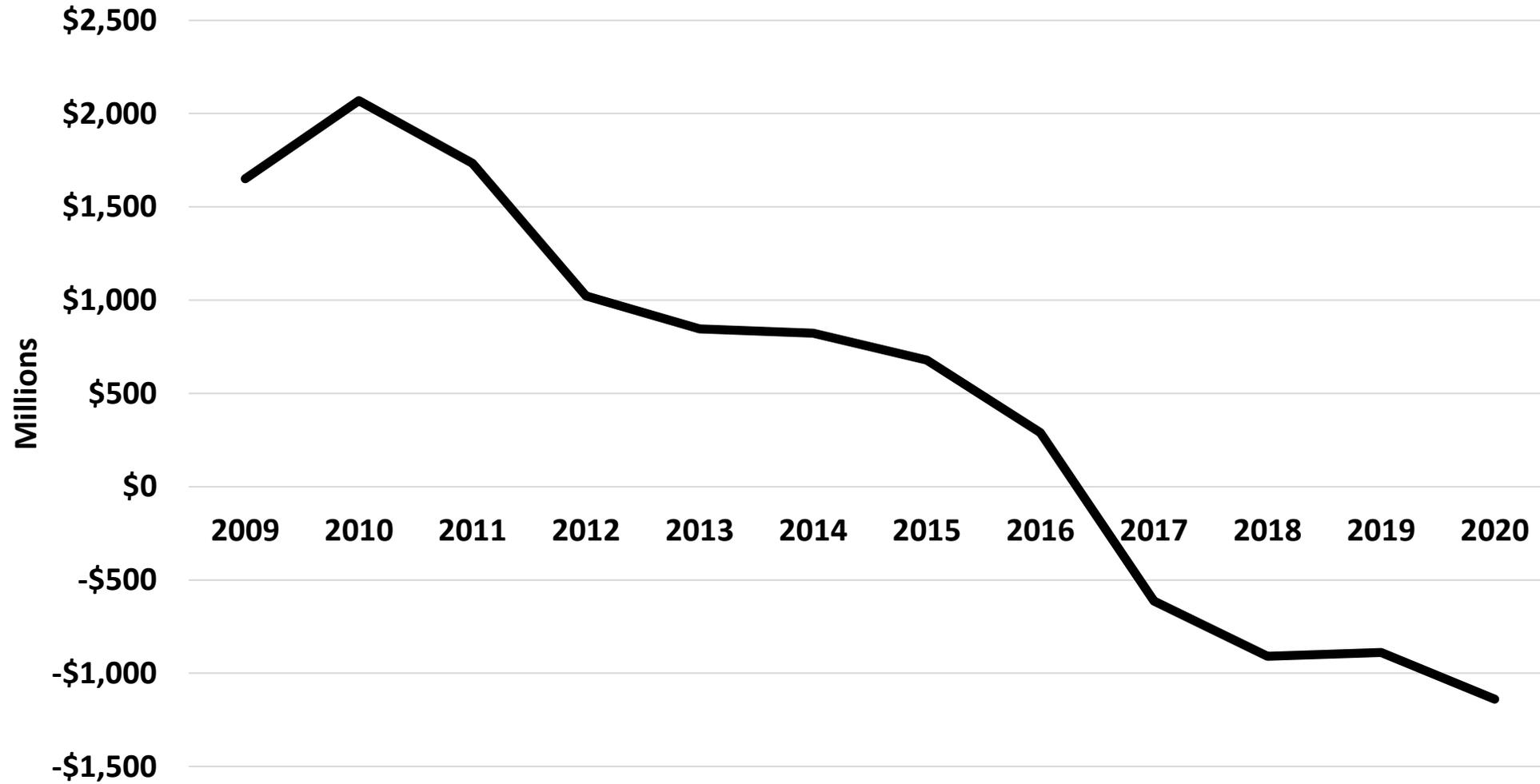


CAGR	10-year	5-year	1-year
Shares Outstanding	-5.84%	-6.64%	-7.46%

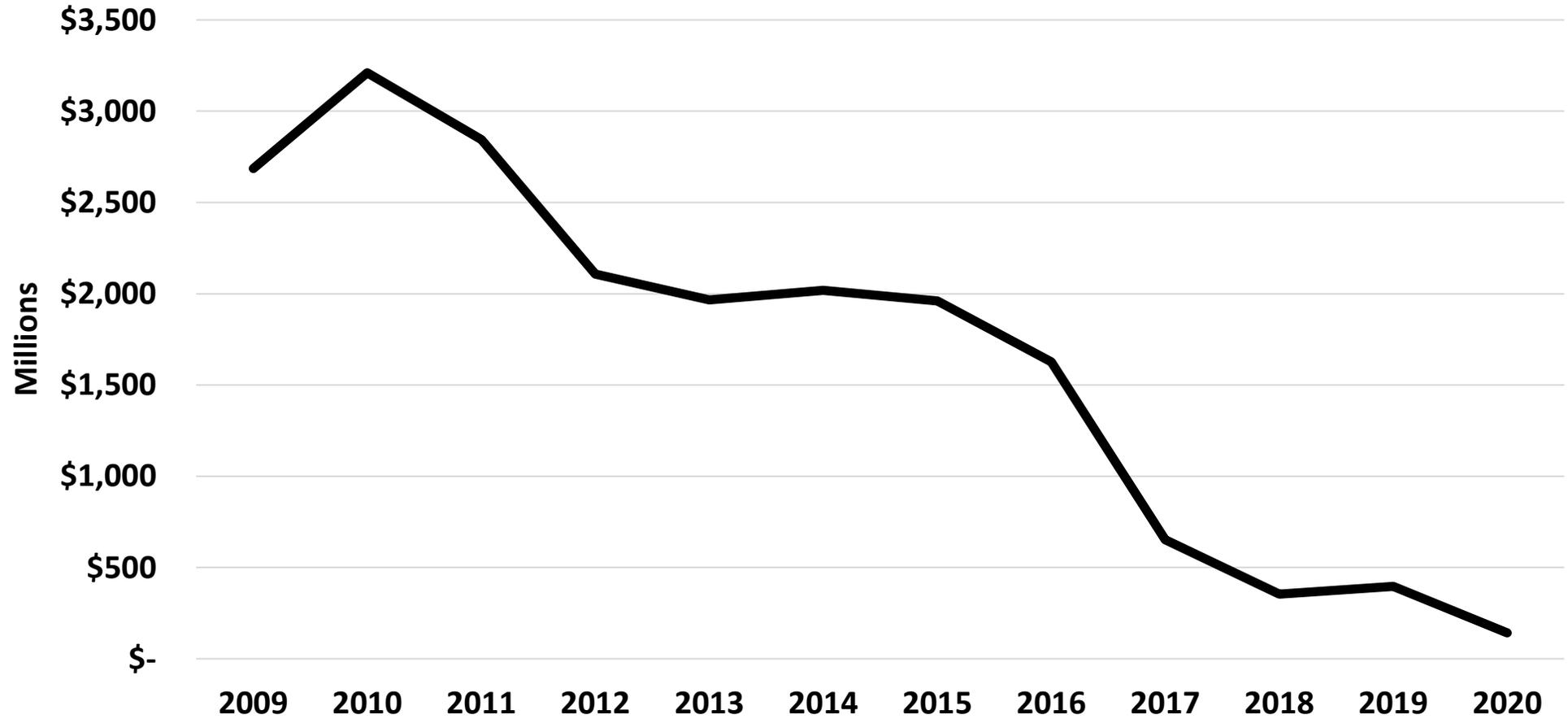
# LONG-TERM DEBT



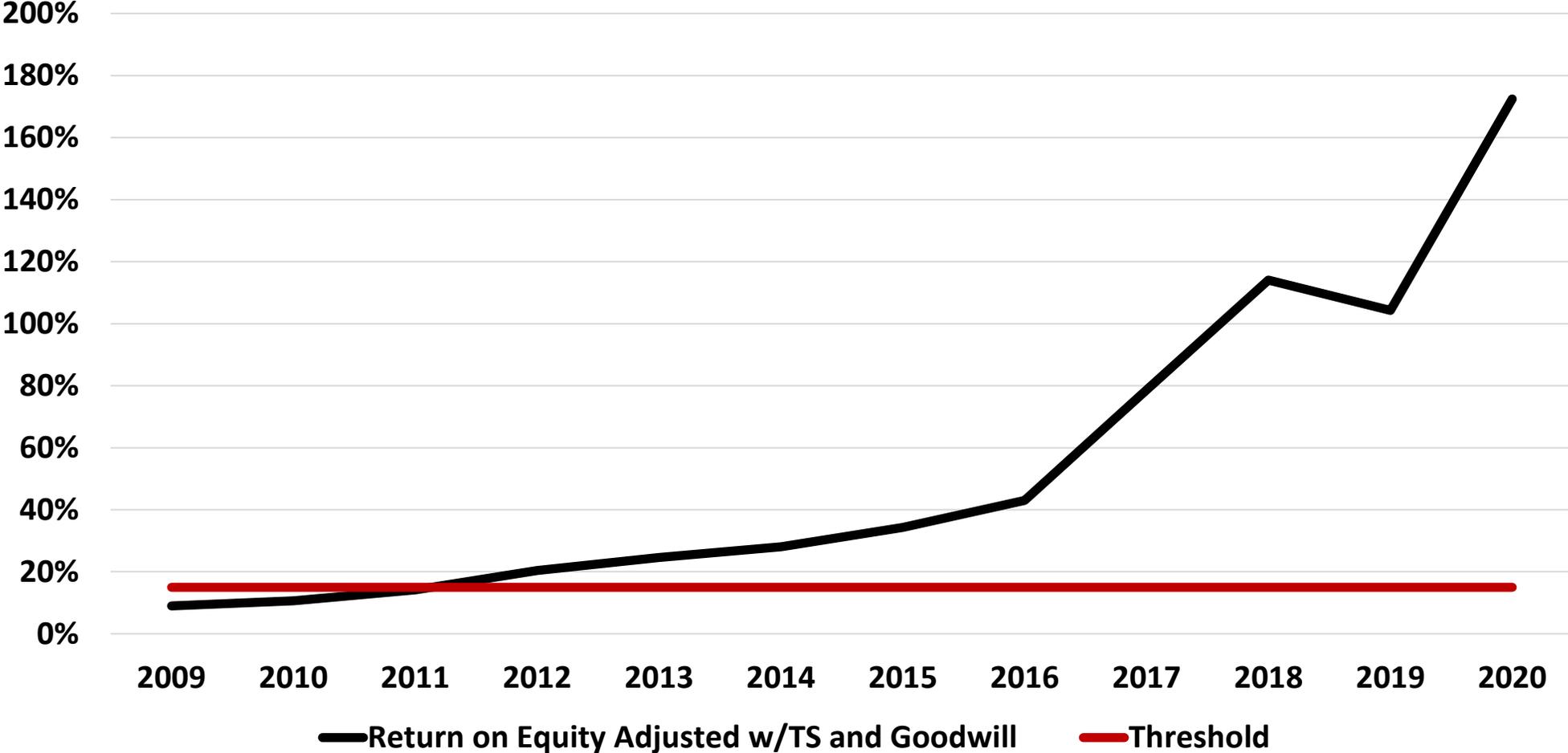
# RETAINED EARNINGS



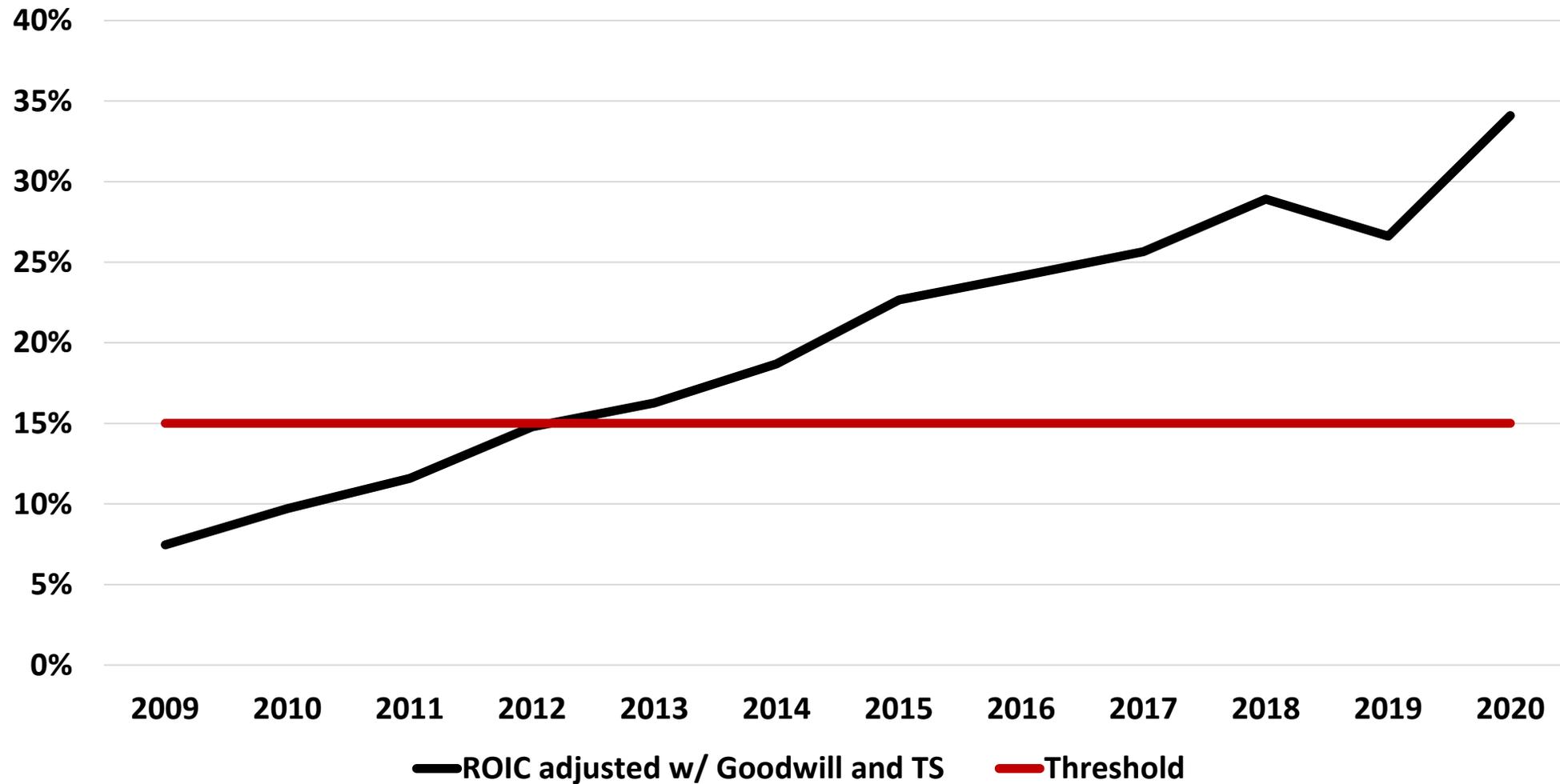
# SHAREHOLDER'S EQUITY



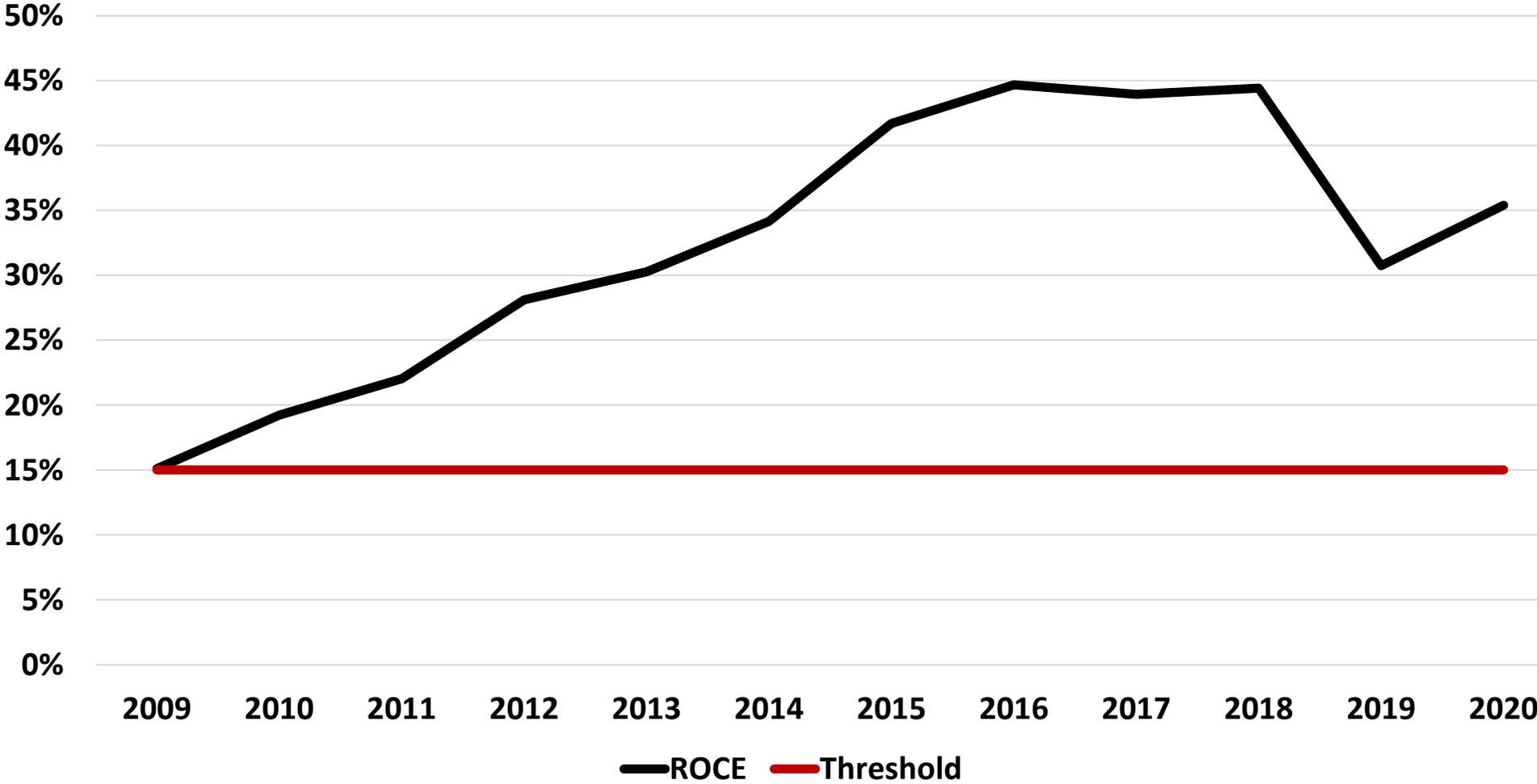
# RETURN ON EQUITY



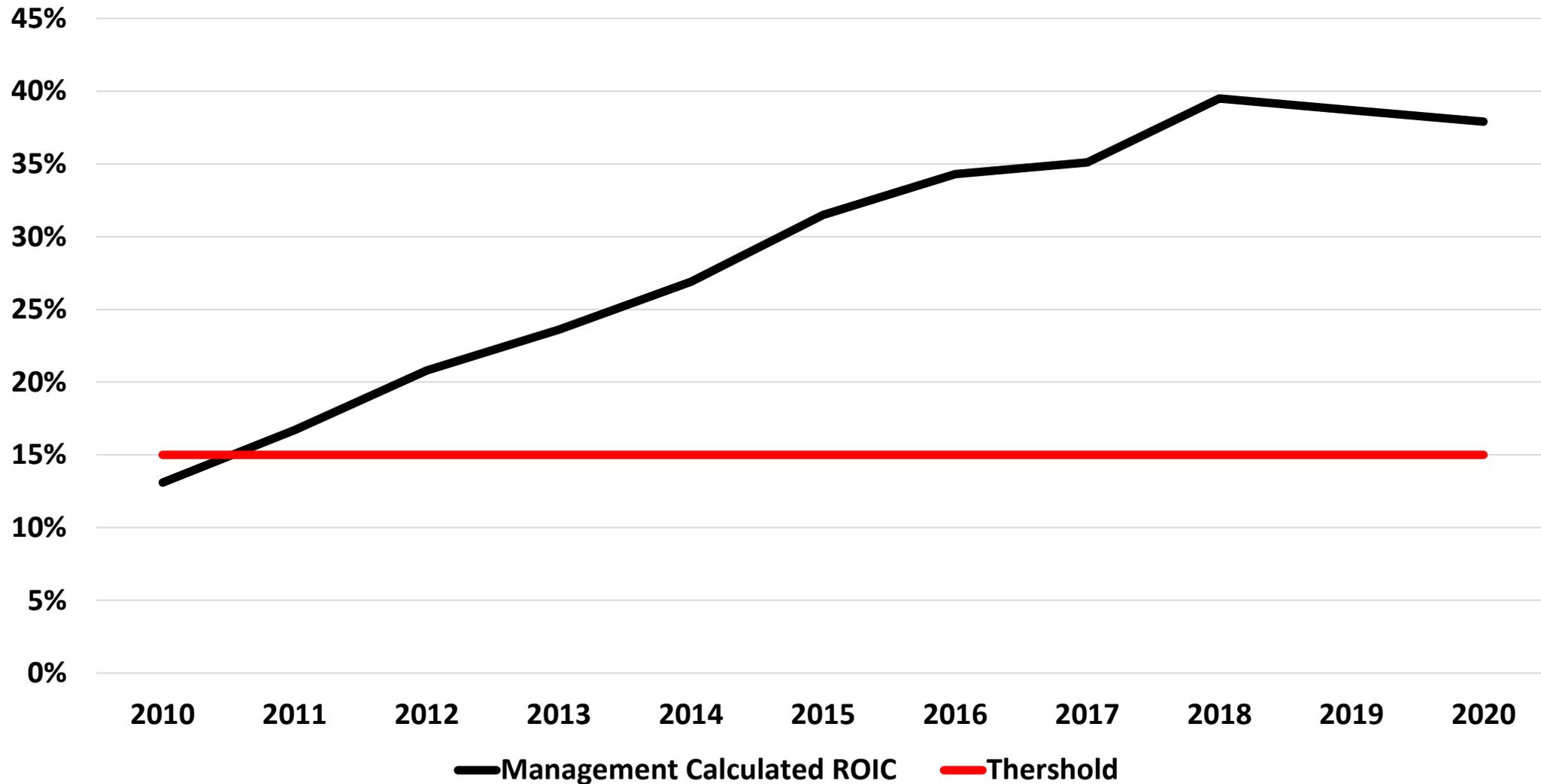
# RETURN ON INVESTED CAPITAL



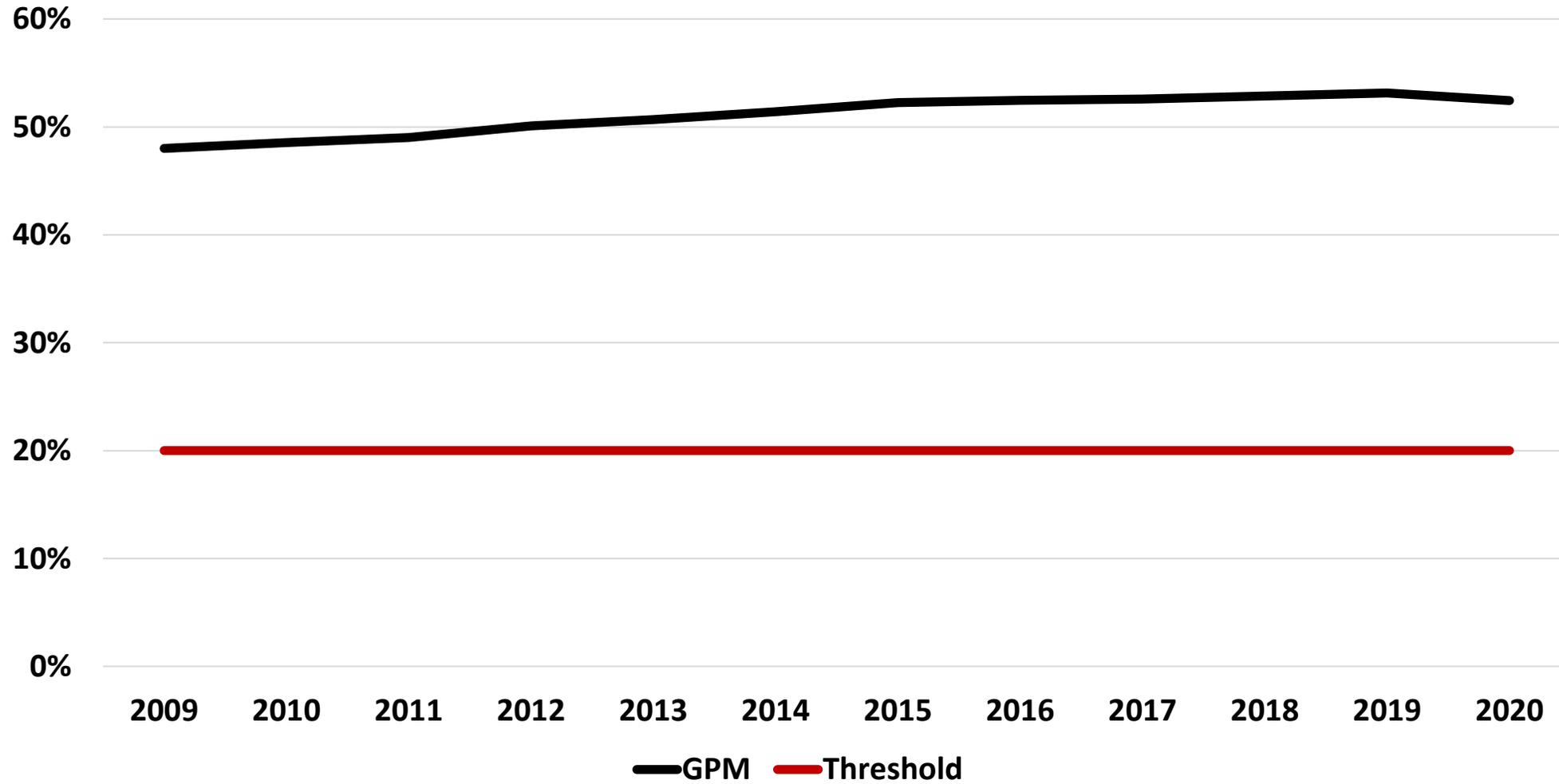
# RETURN ON CAPITAL EMPLOYED



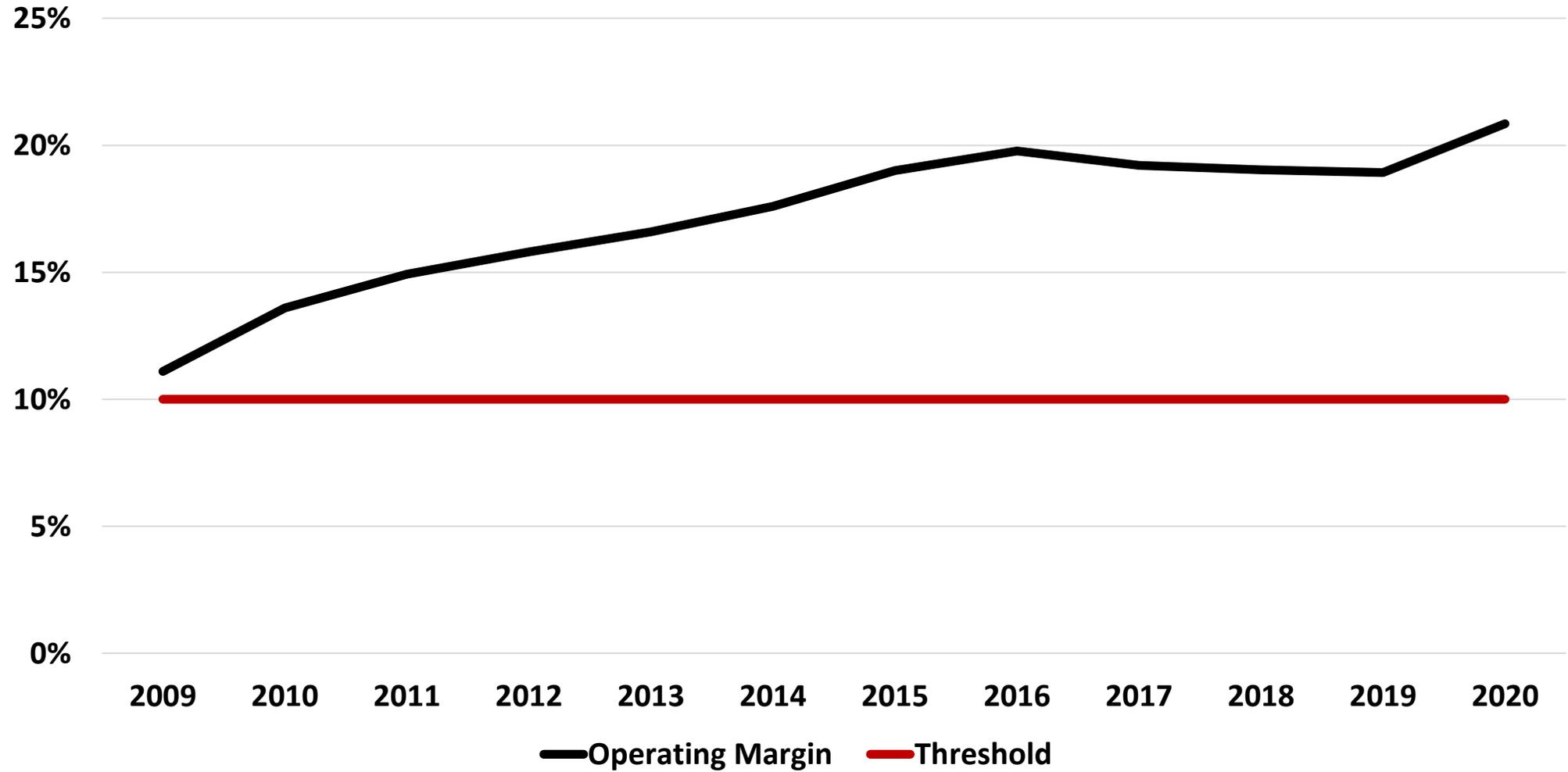
# MANAGEMENT CALCULATED ROIC



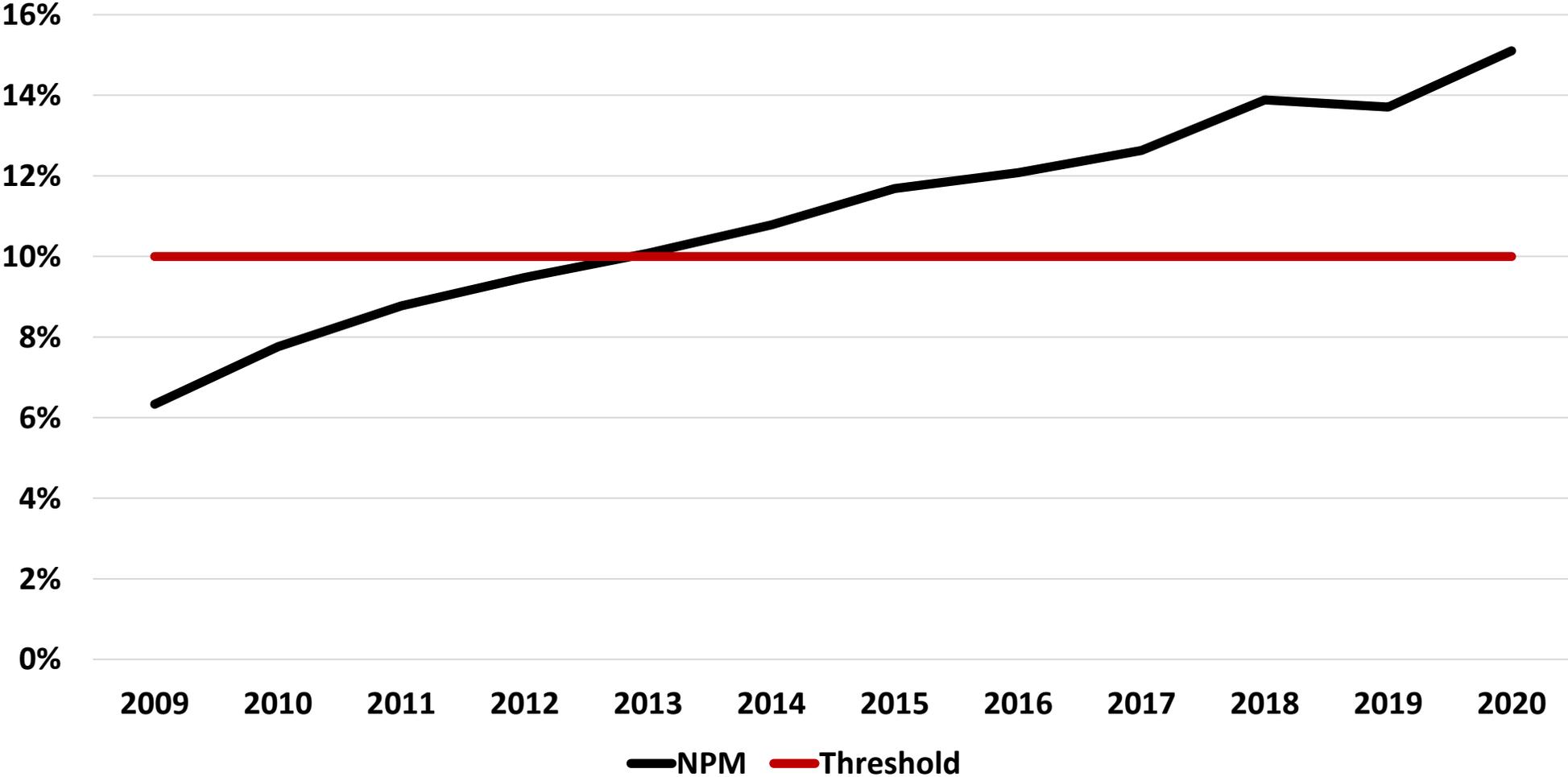
# GROSS PROFIT MARGIN



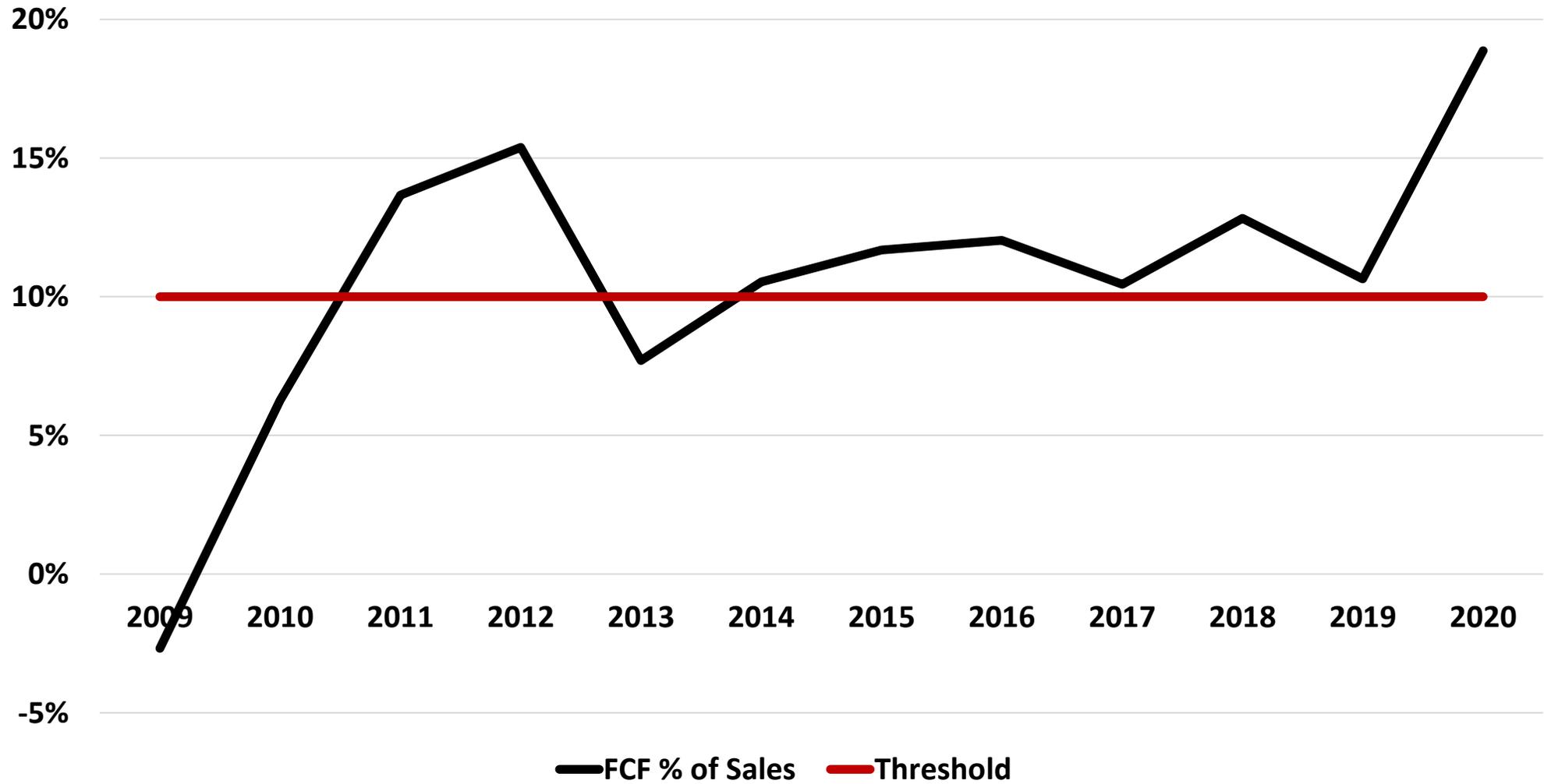
# OPERATING MARGIN



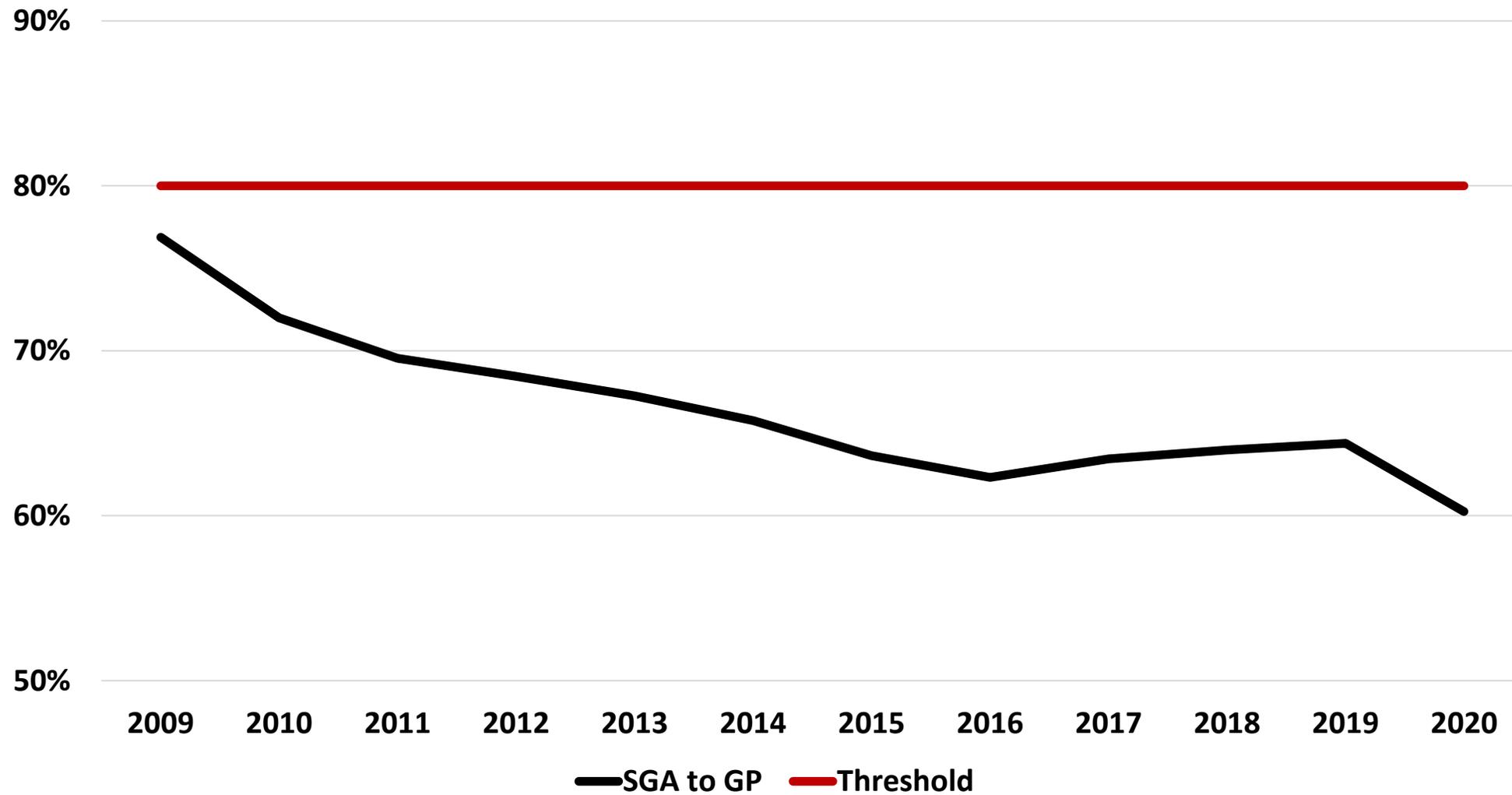
# NET PROFIT MARGIN



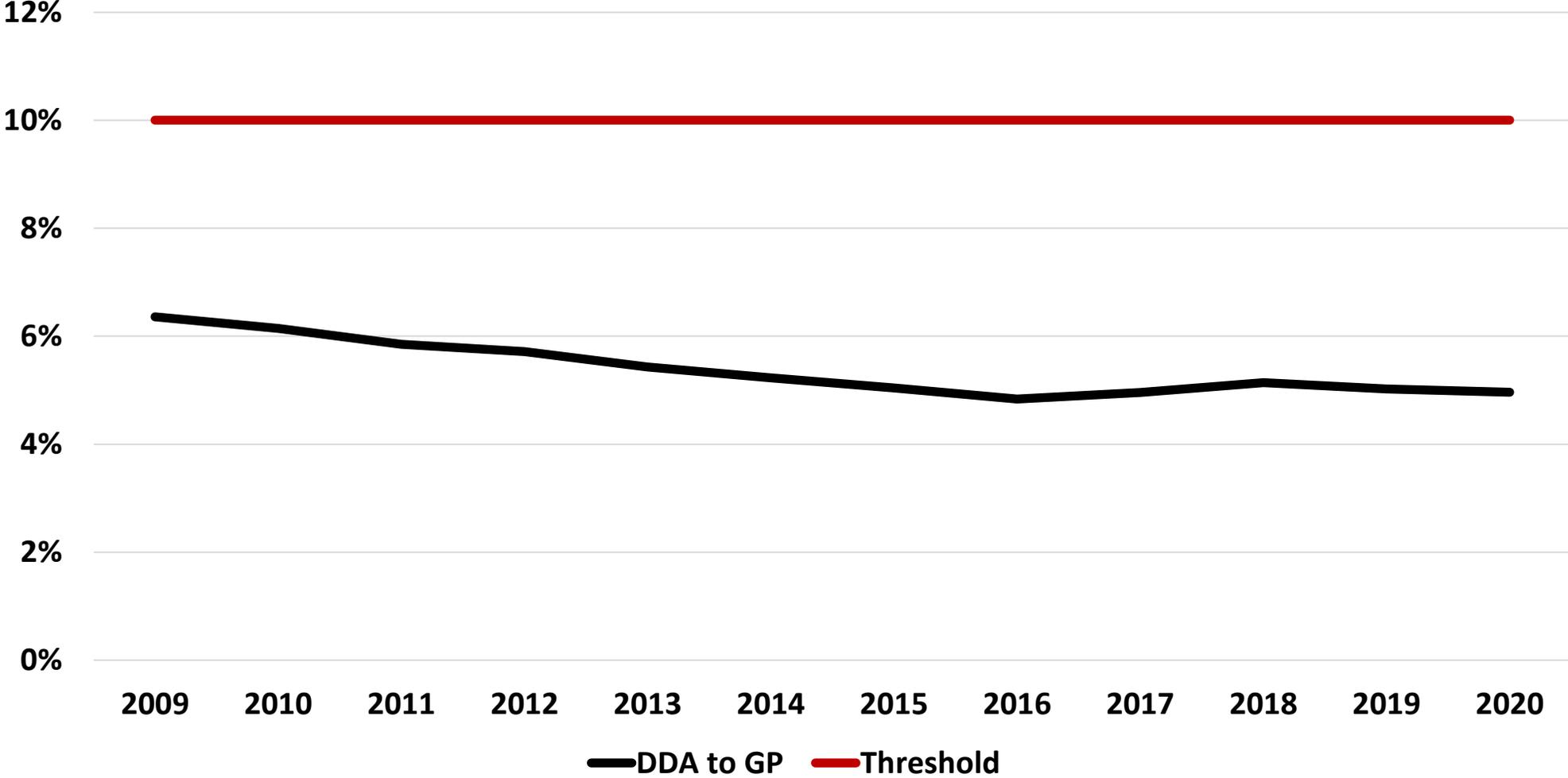
# FREE CASH FLOW MARGIN



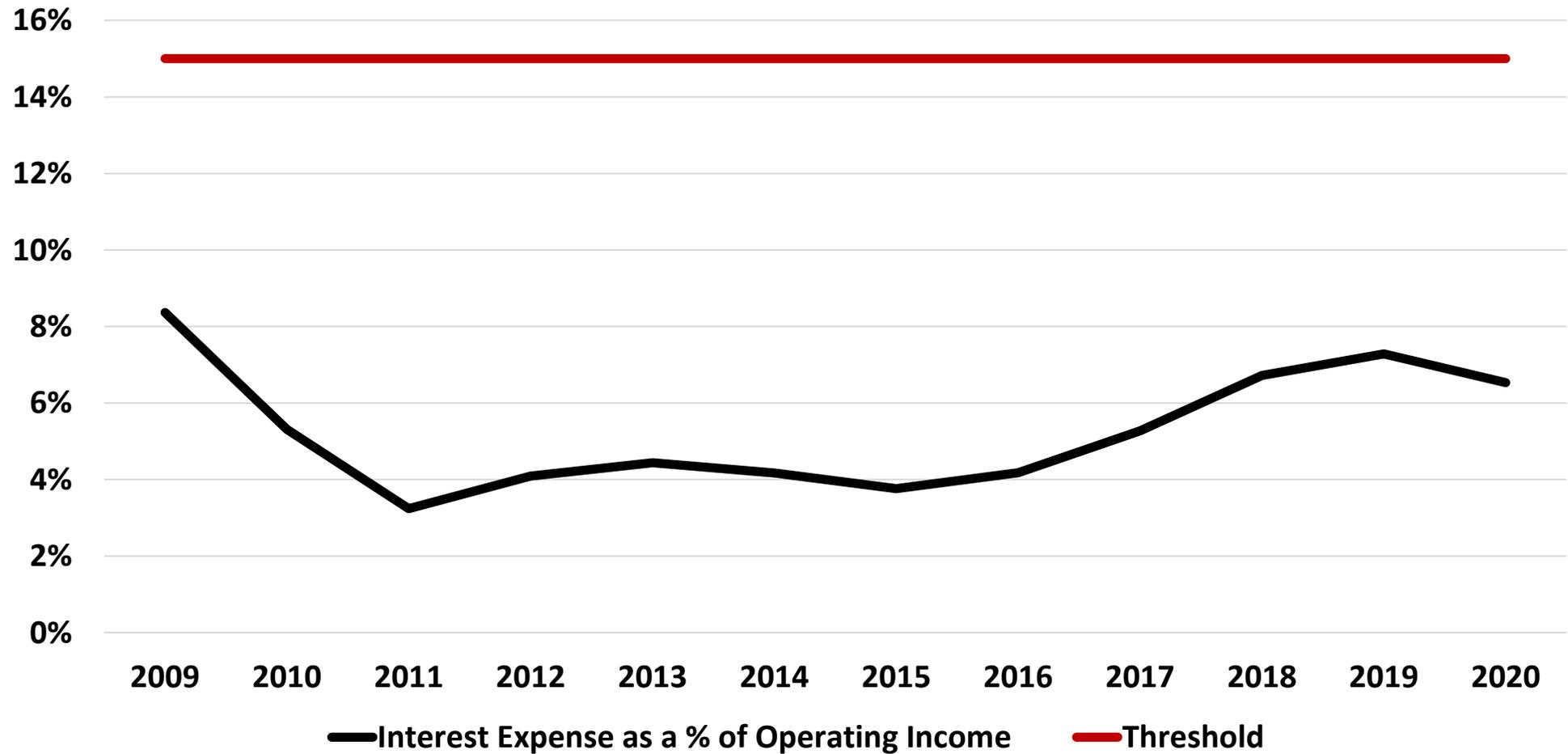
# SG&A EXPENSES TO GROSS PROFIT



# DD&A EXPENSES TO GROSS PROFIT



# INTEREST EXPENSE TO OP. INCOME



# OBLIGATION RATIO

<b>LONG-TERM DEBT</b>	<b>\$4,122 (Millions)</b>
<b>SHORT-TERM DEBT</b>	<b>\$0</b>
<b>LEASES*7</b>	<b>\$2,213</b>
<b>PENSION SHORTFALL</b>	<b>\$0</b>
<b>PREFERRED STOCK</b>	<b>\$0</b>
<b>CASH ASSETS</b>	<b>-\$466</b>
<b>NET INCOME</b>	<b>\$1,752</b>
<b>OBLIGATION RATIO</b>	<b>3.35 Years</b>

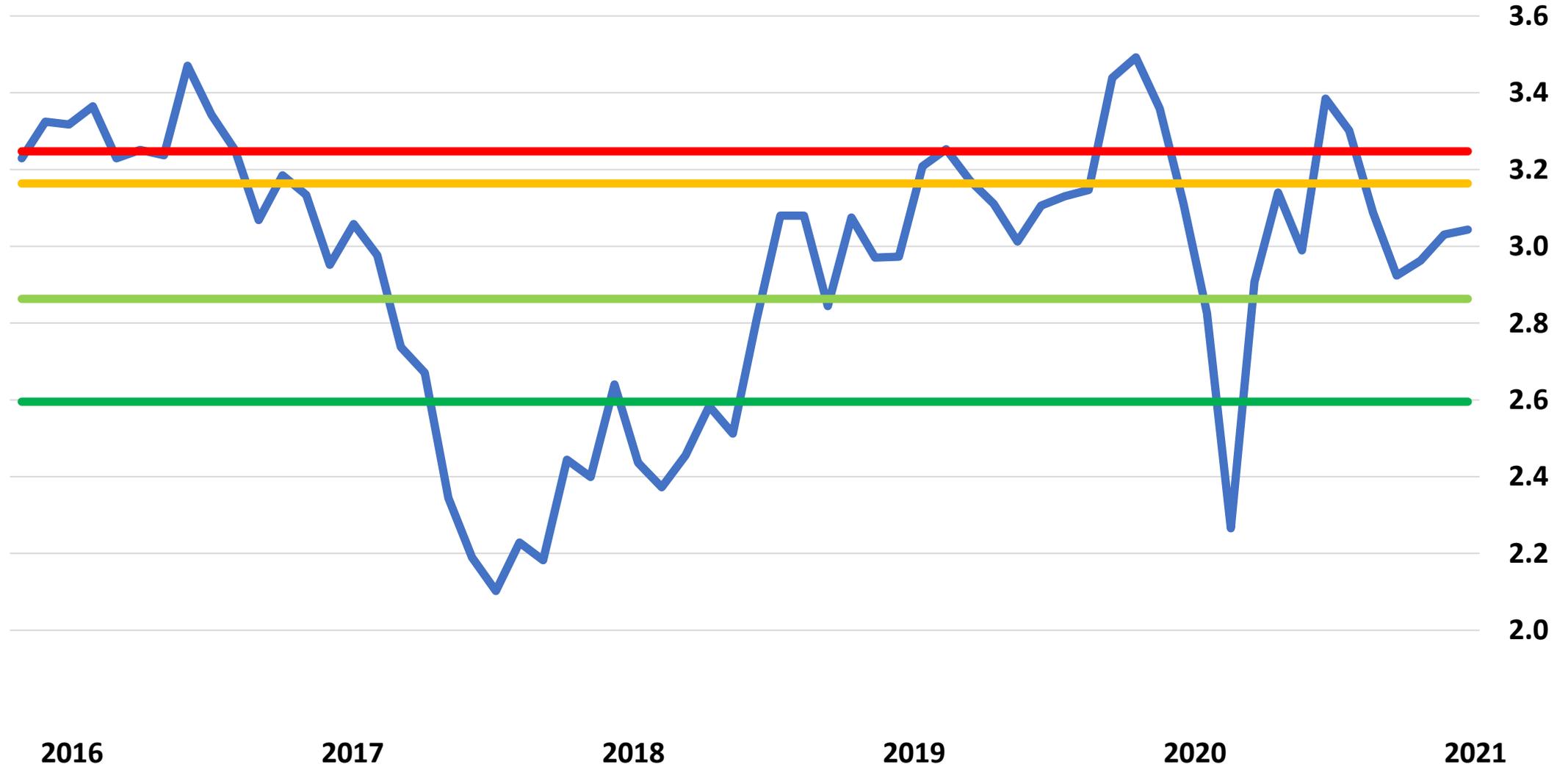
# DEBT MATURITIES SCHEDULE

<b>Contractual Obligations</b>	<b>Payments Due By Period</b>				
	<b>Total</b>	<b>Before 1 Year</b>	<b>Years 1 and 2</b>	<b>Years 3 and 4</b>	<b>Years 5 and Over</b>
Long-term debt principal and interest payments <sup>(1)</sup>	\$ 4,779,438	\$ 157,958	\$ 1,624,882	\$ 477,935	\$ 2,518,663
Future minimum lease payments under operating leases <sup>(2)</sup>	2,437,219	316,050	574,102	456,857	1,090,210
Self-insurance reserves <sup>(3)</sup>	168,279	79,079	54,148	21,772	13,280
Construction commitments	100,086	100,086	—	—	—
Capital contributions to certain tax credit equity investments <sup>(4)</sup>	95,000	95,000	—	—	—
<b>Total contractual cash obligations</b>	<b>\$ 7,580,022</b>	<b>\$ 748,173</b>	<b>\$ 2,253,132</b>	<b>\$ 956,564</b>	<b>\$ 3,622,153</b>

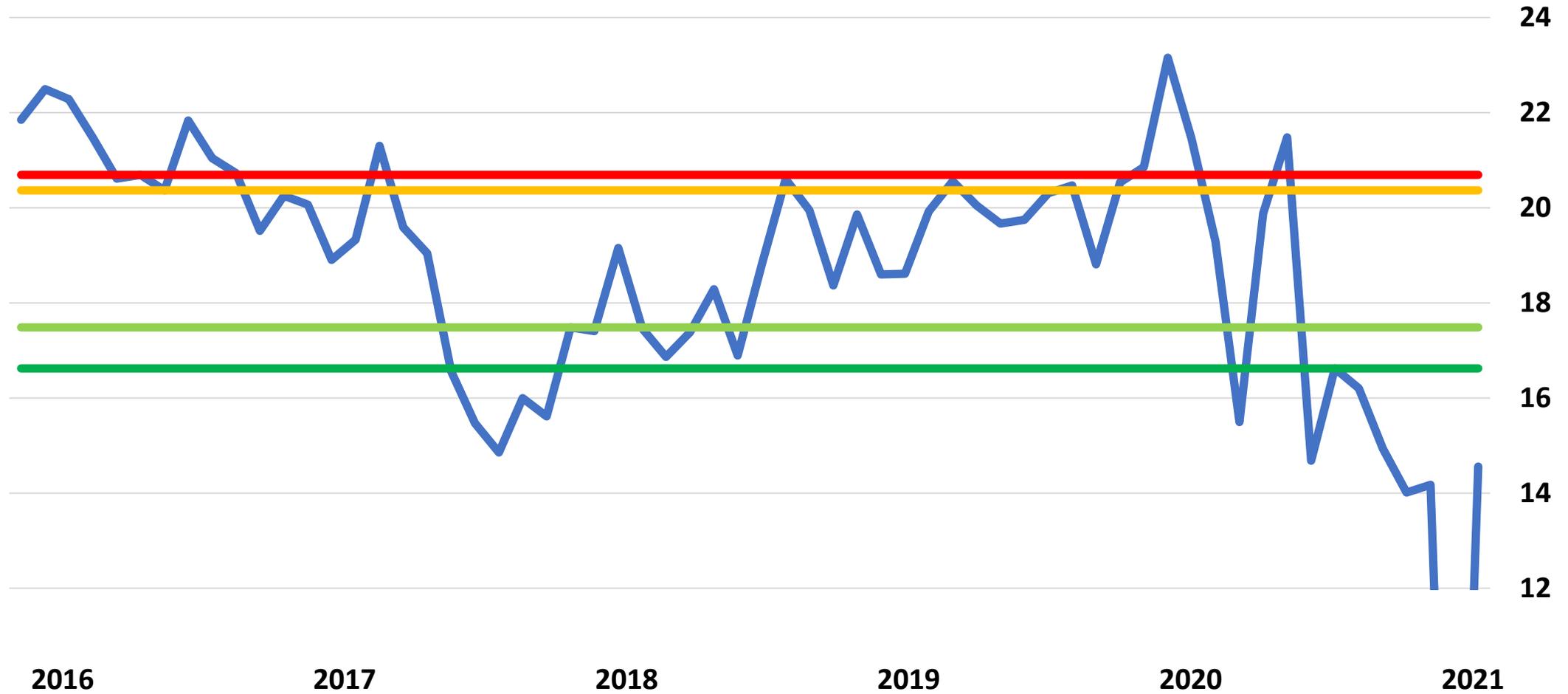


# Value Bands

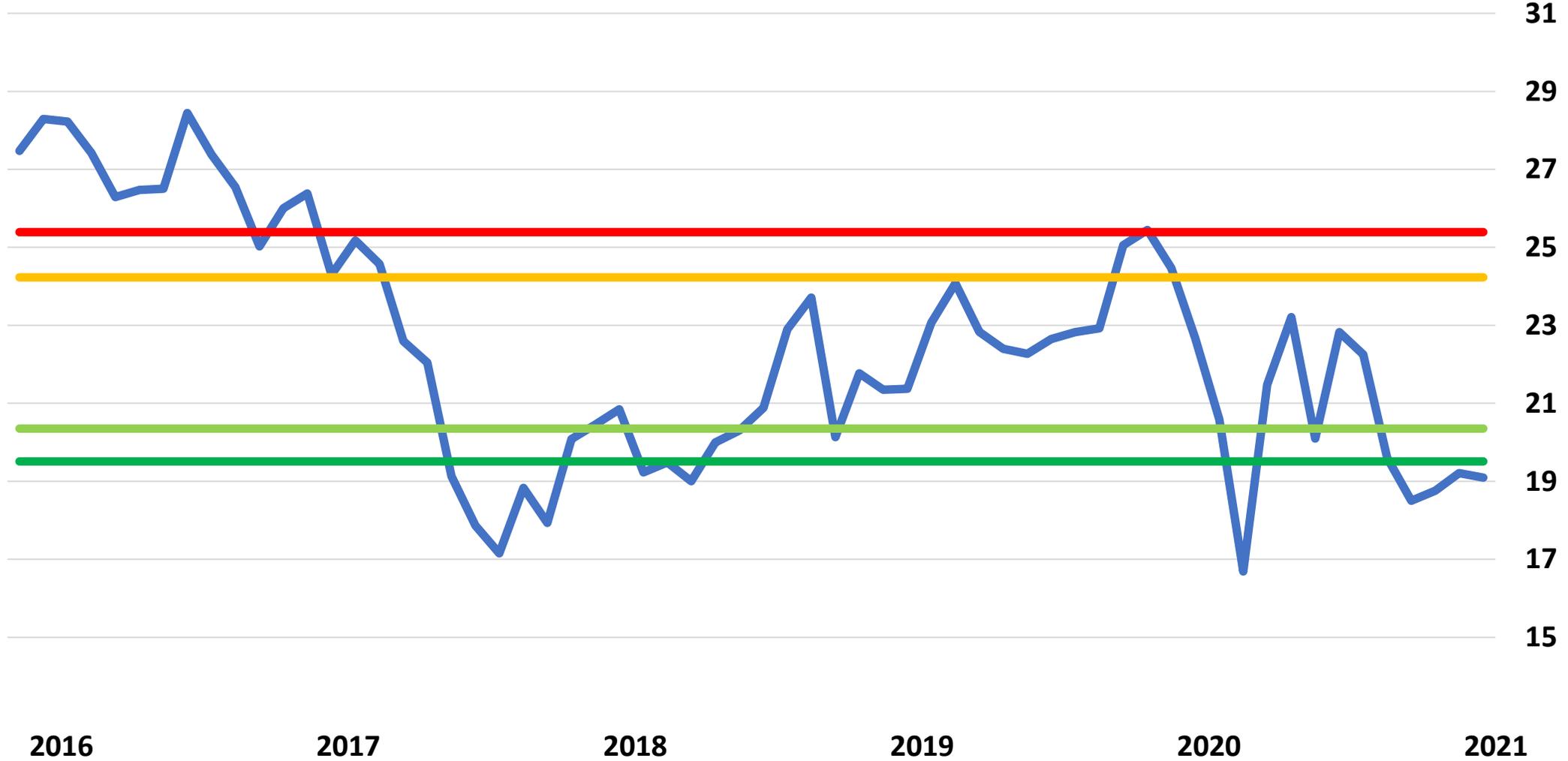
# PRICE TO SALES



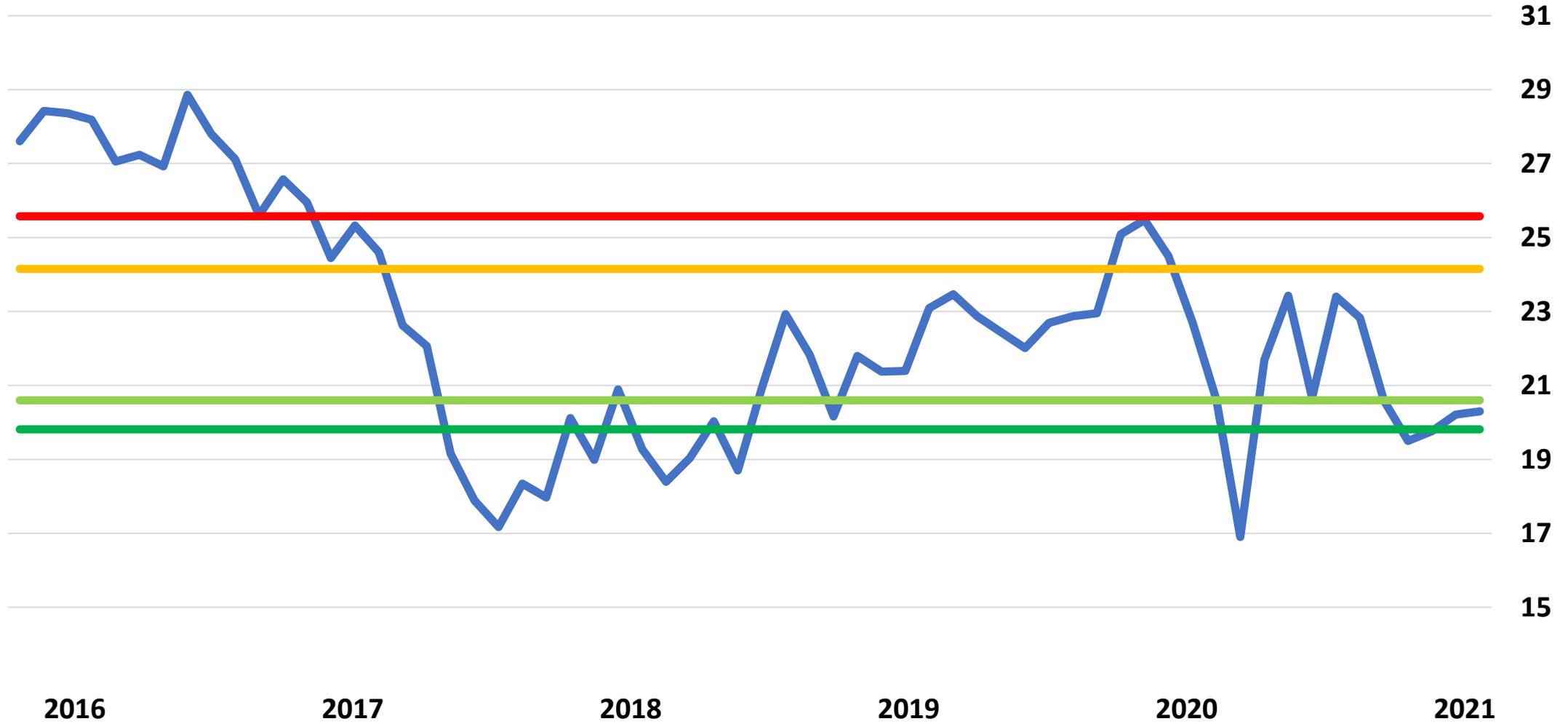
# PRICE TO OWNER'S EARNINGS



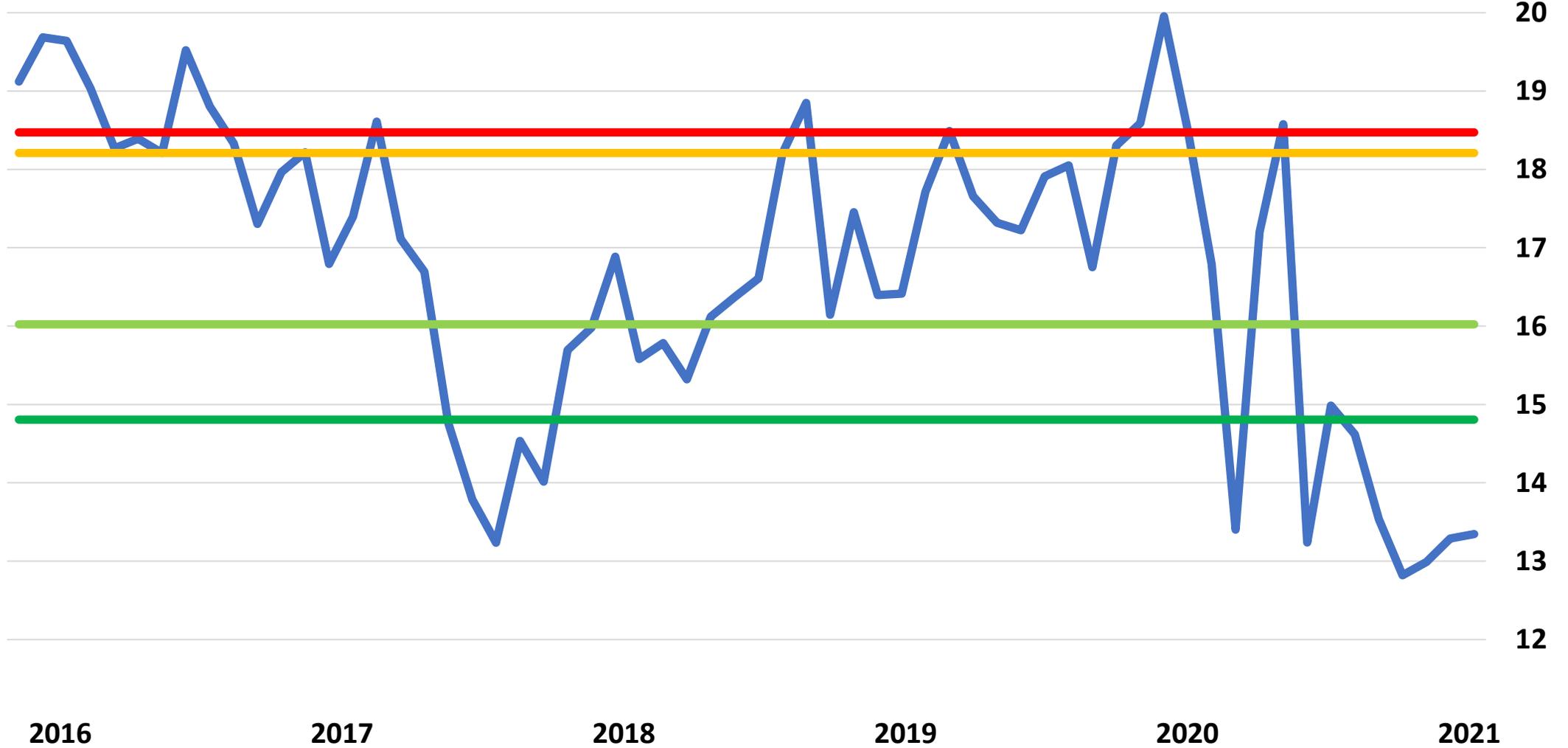
# PRICE TO EARNINGS LESS CASH



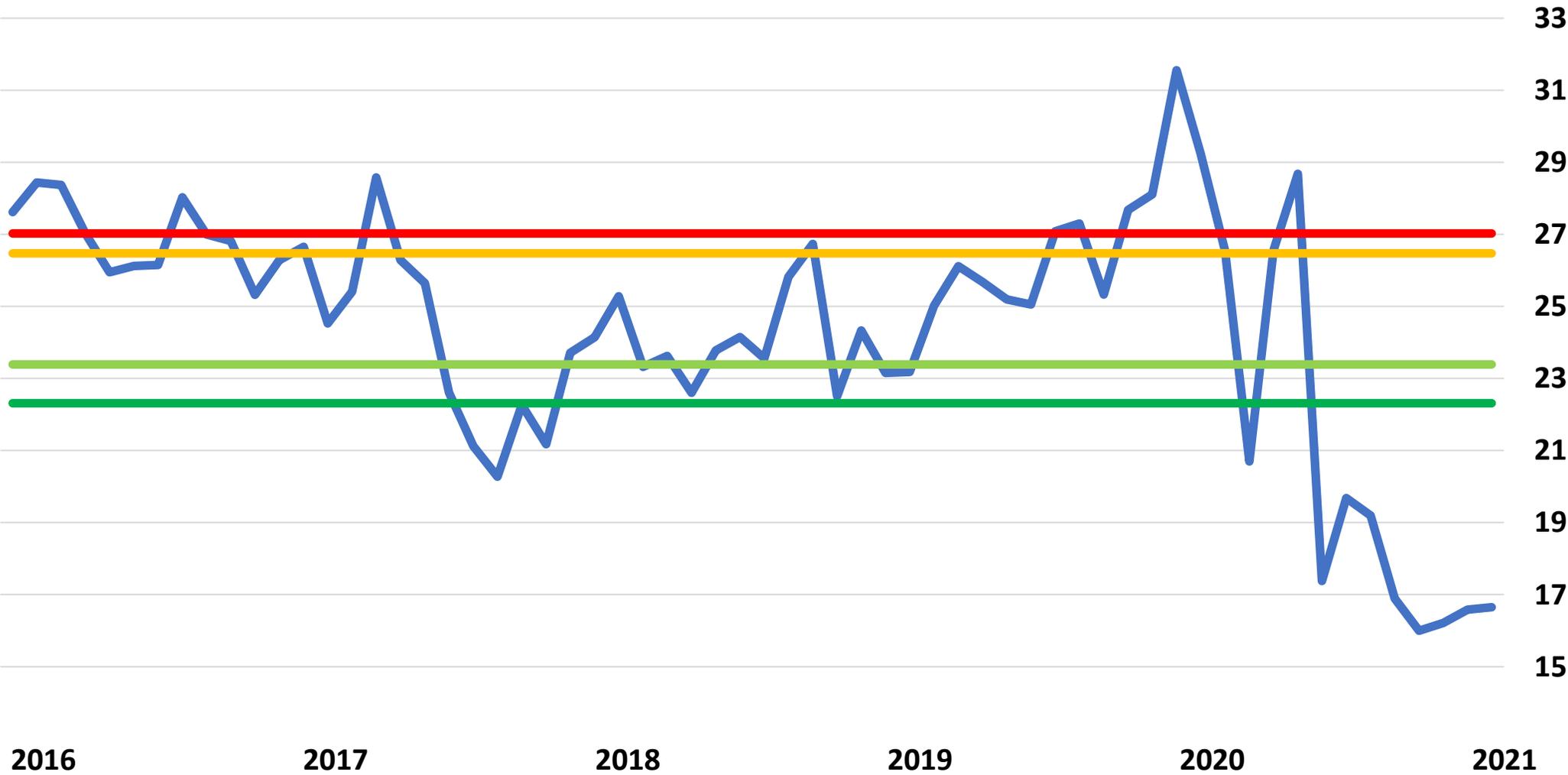
# PRICE TO EARNINGS



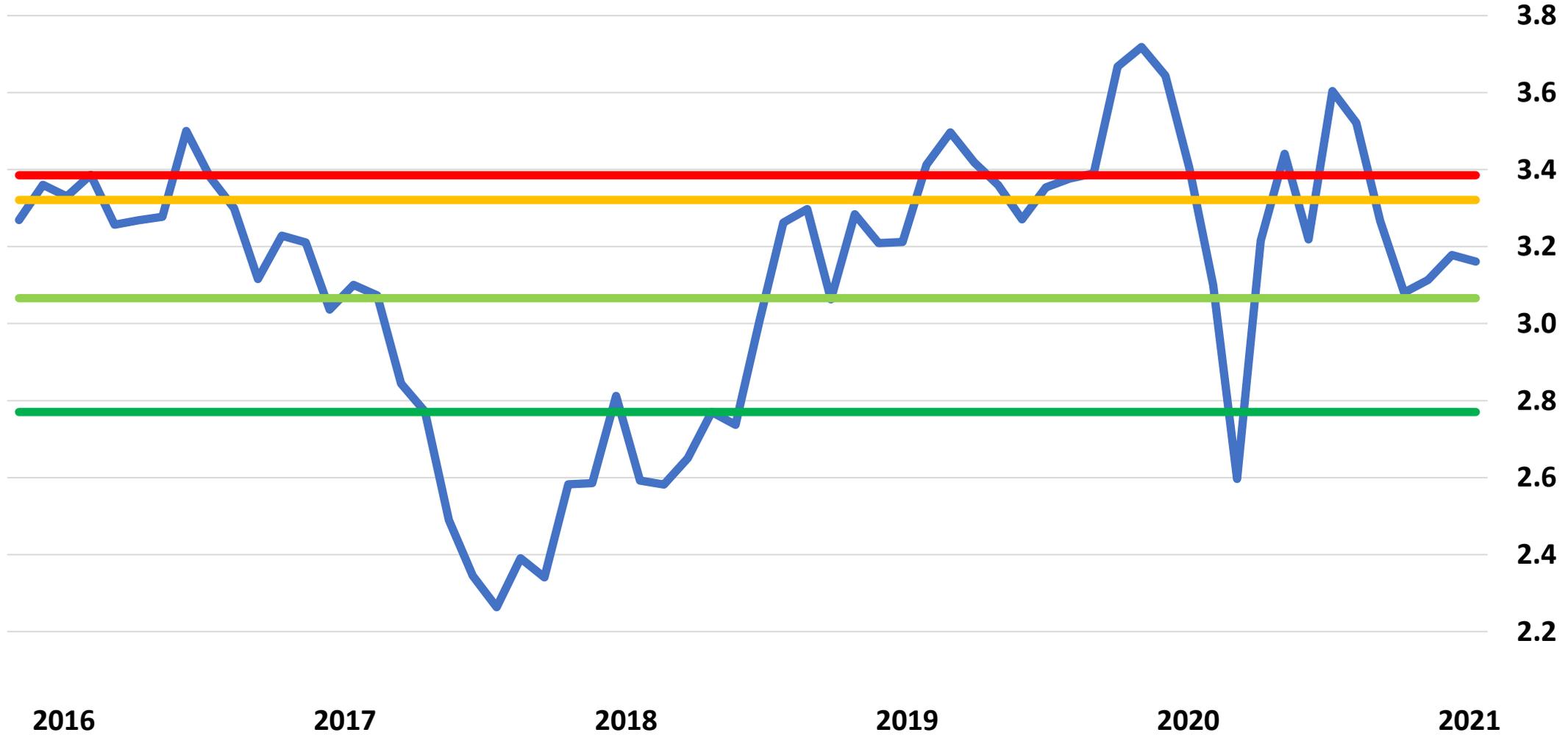
# PRICE TO CASH FLOW



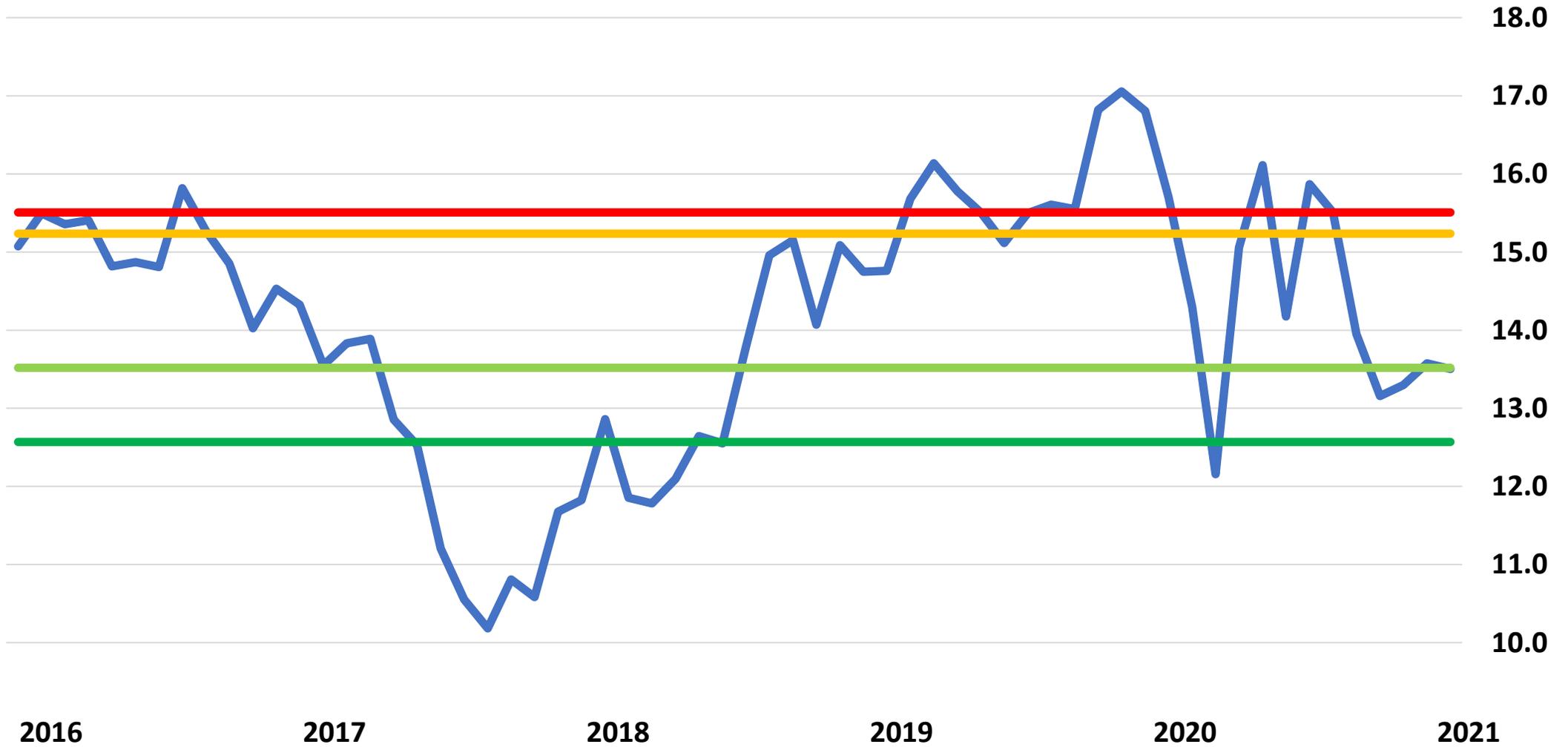
# PRICE TO FREE CASH FLOW



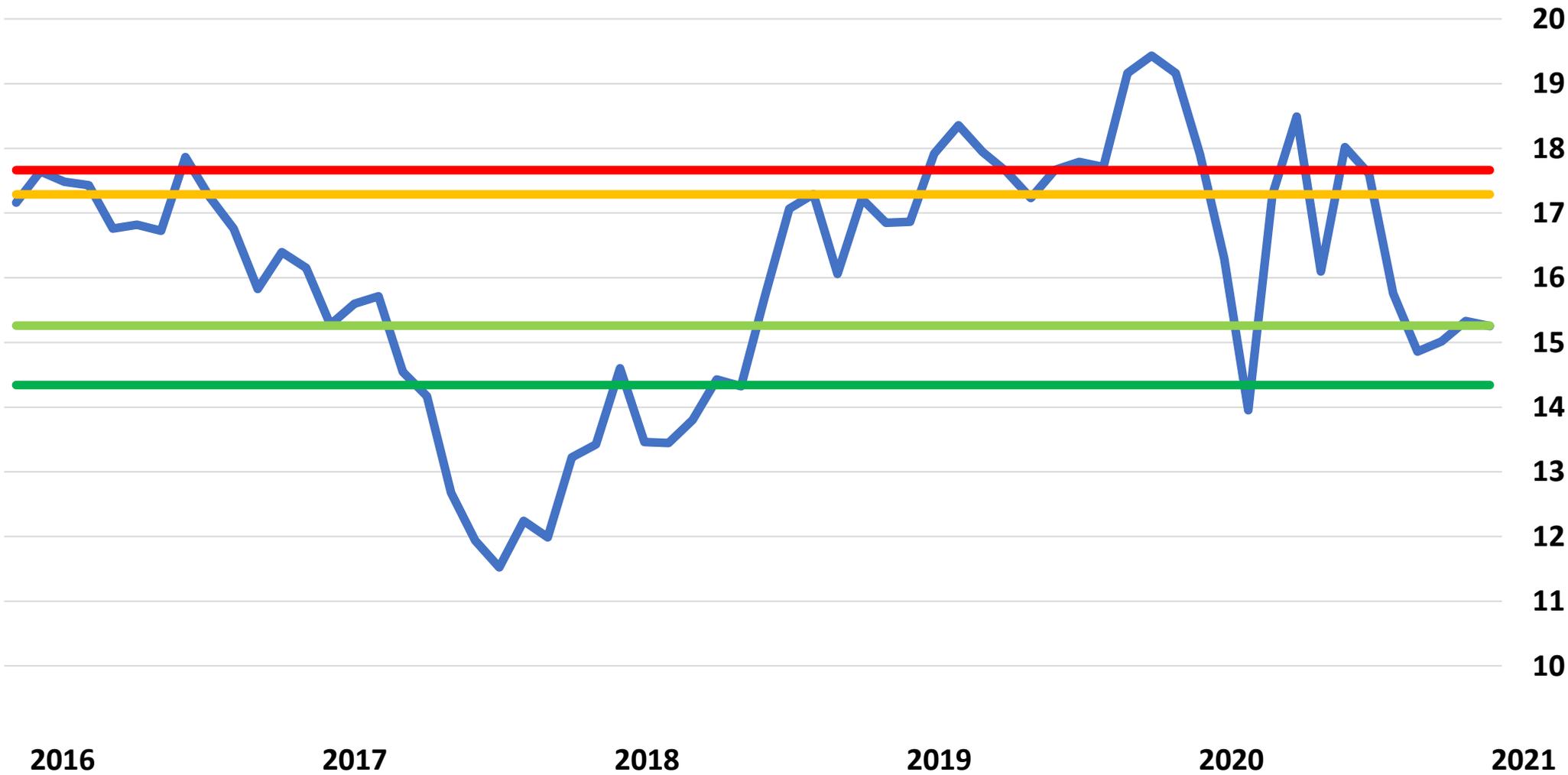
# ENTERPRISE VALE TO REVENUE



# ENTERPRISE VALUE TO EBITDA



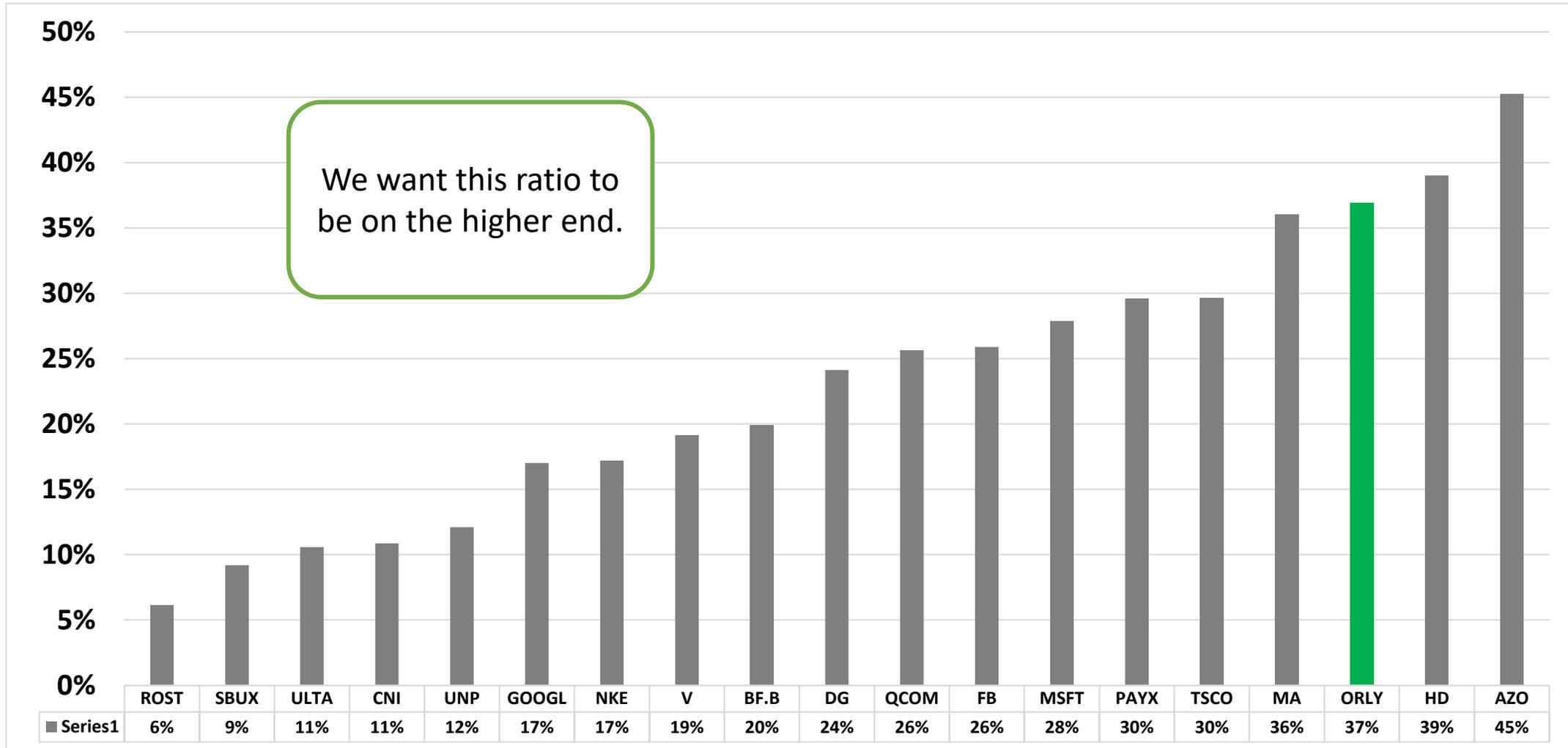
# ENTERPRISE VALUE TO EBIT



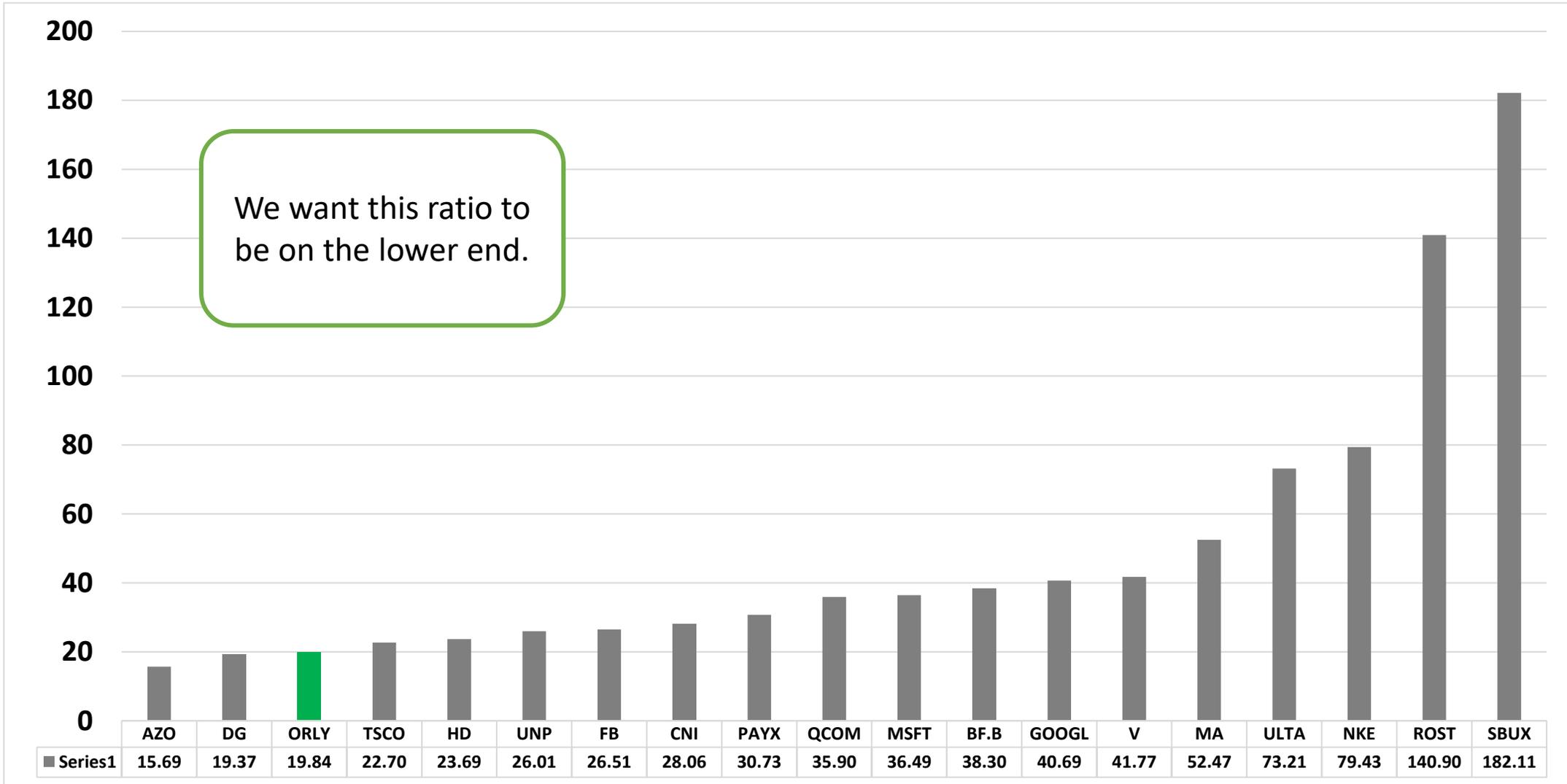


# Intraportfolio Analysis

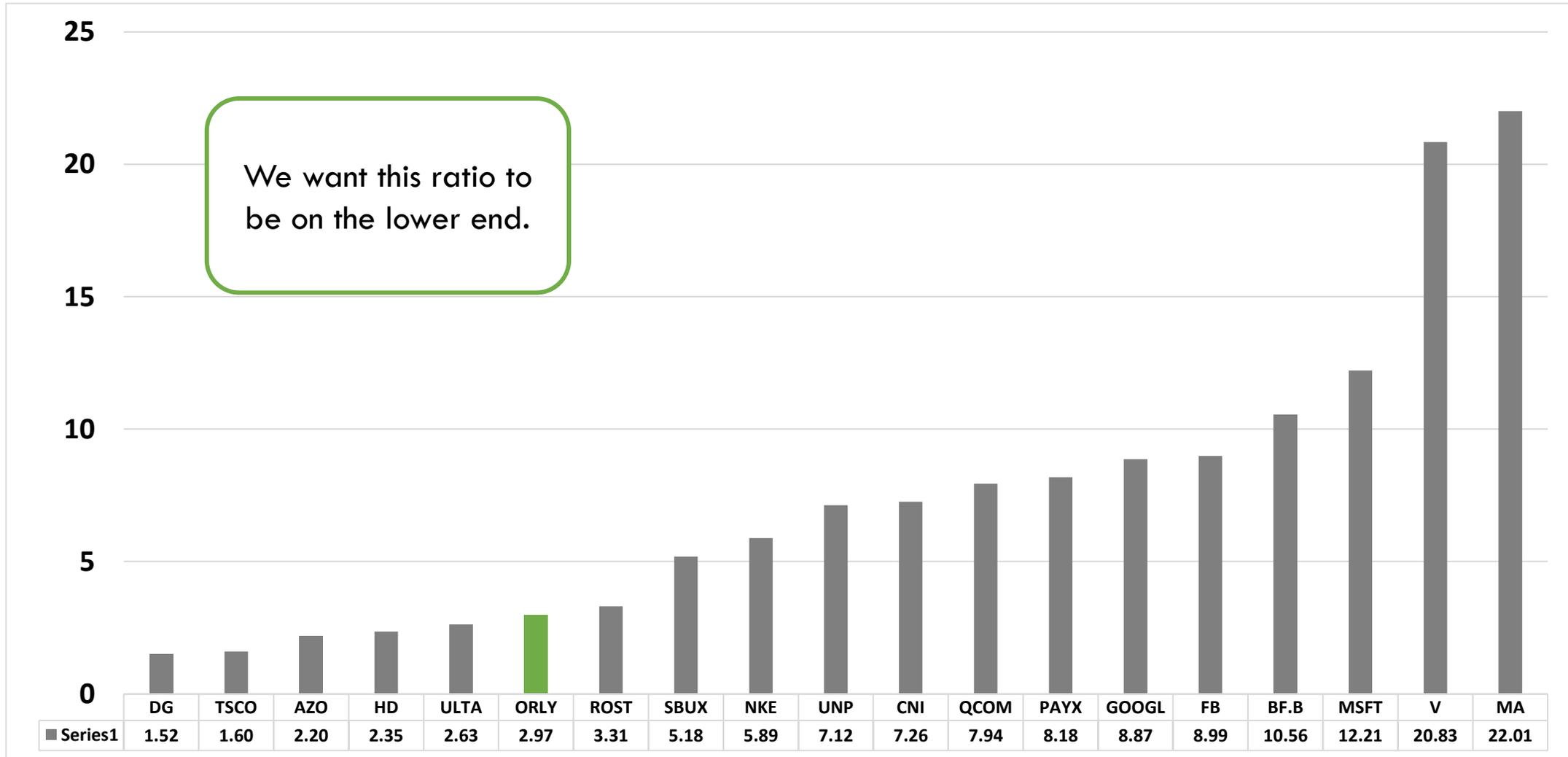
# RETURN ON INVESTED CAPITAL



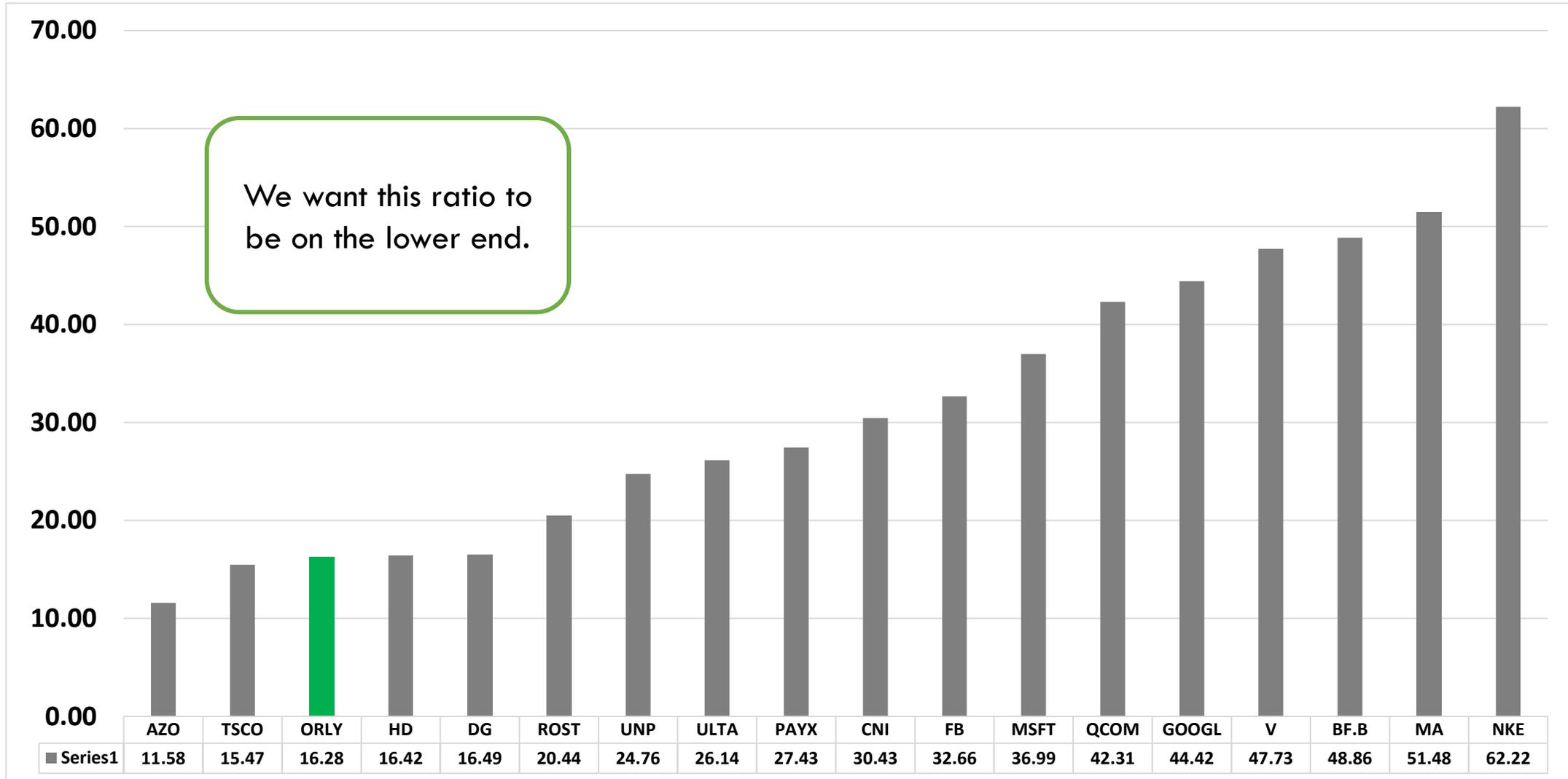
# PRICE TO EARNINGS



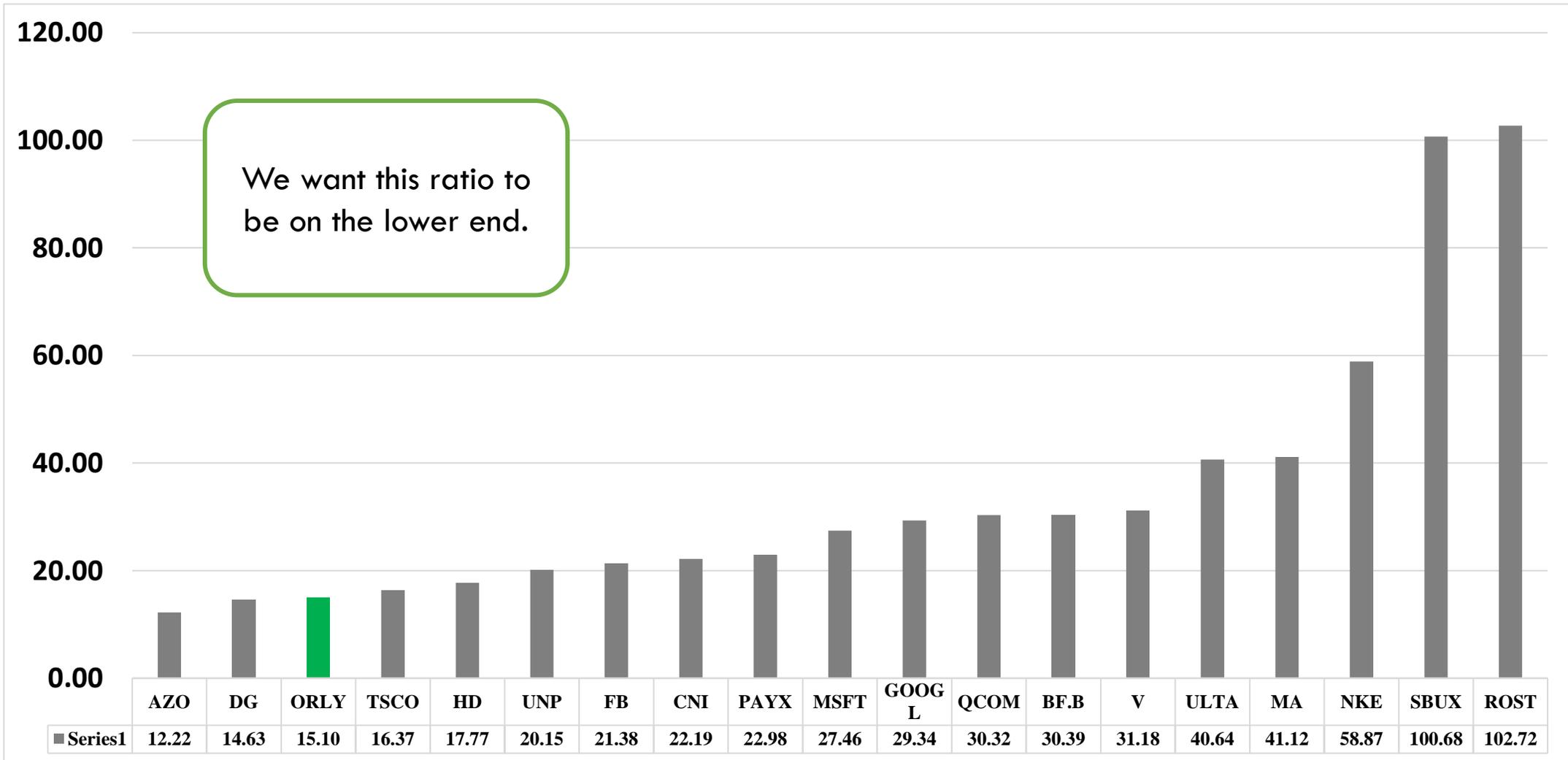
# PRICE TO SALES



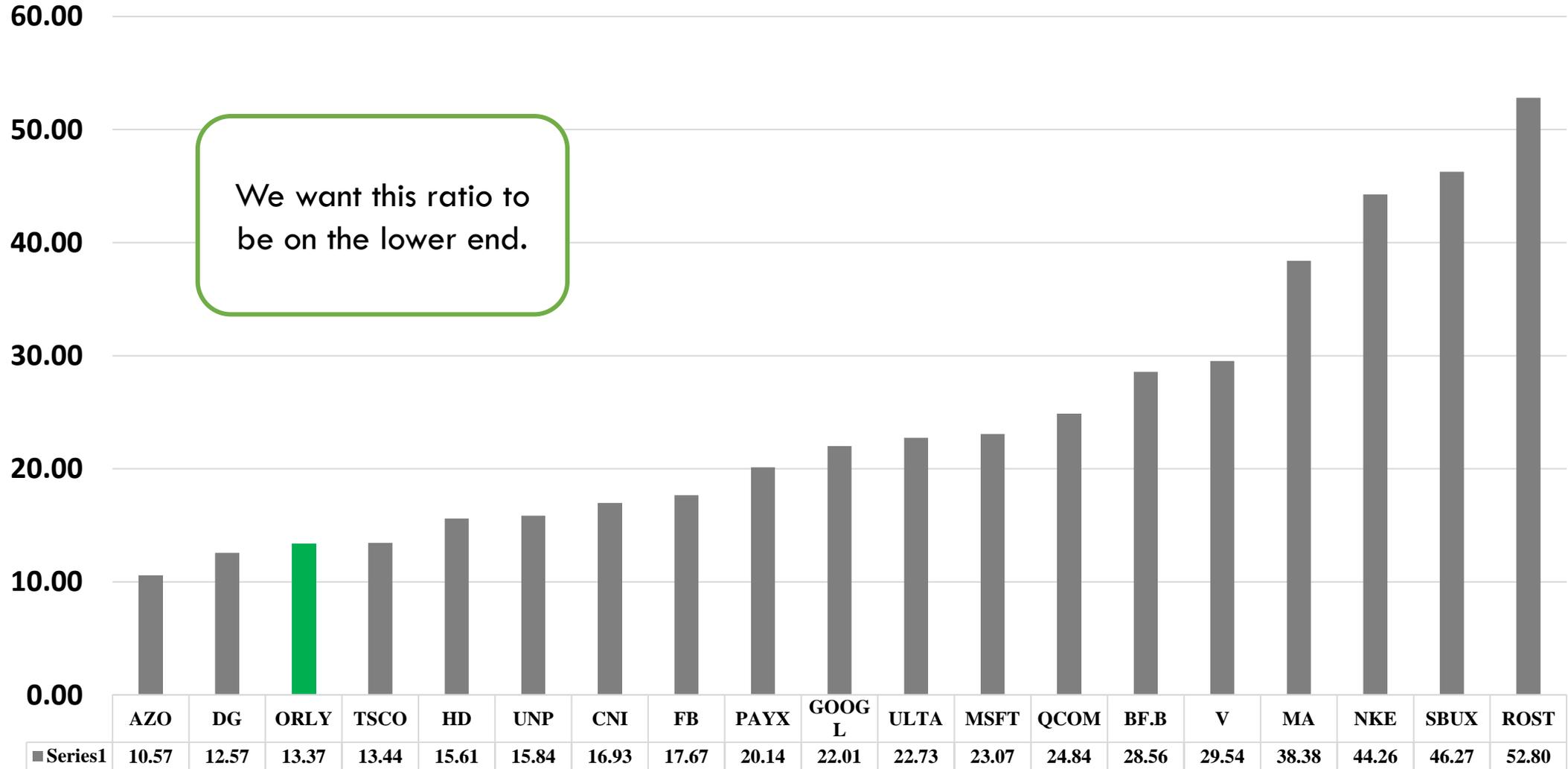
# PRICE TO FREE CASH FLOW



# EV TO EBIT



# EV TO EBITDA





# Discounted Cash Flow Analysis

# DISCOUNTED CASH FLOW - EPS

## Bear Case

EPS	\$23.53
Growth Rate	8%
Years	10
Terminal Rate	4%
Discount Rate	9%
Current Price	\$434.00
Fair Value	\$391.00
Margin of Safety	-10.74%

## Base Case

EPS	\$23.53
Growth Rate	11%
Years	10
Terminal Rate	4%
Discount Rate	9%
Current Price	\$434.00
Fair Value	\$480.37
Margin of Safety	9.86%

## Bull Case

EPS	\$23.53
Growth Rate	14%
Years	10
Terminal Rate	4%
Discount Rate	9%
Current Price	\$434.00
Fair Value	\$590.83
Margin of Safety	26.71%



# Valuation Model

# BEAR CASE SCENARIOS

5 year EPS projection							Discount rate:				
							P/E	Projected total return price	PV	5 year Upside	annual return
Bear	Current	2021	2022	2023	2024	2025	15.0x	\$ 518.60	\$ 322.01	17.5%	<b>3.3%</b>
	EPS	\$ 23.53	\$ 25.41	\$ 27.45	\$ 29.64	\$ 32.01	23.0x	\$ 795.19	\$ 493.75	80.2%	<b>12.5%</b>
	5yr growth estimate	8%	8%	8%	8%	8%	30.0x	\$ 1,037.20	\$ 644.02	135.1%	<b>18.6%</b>

# BEAR CASE SCENARIOS

5 year EPS projection							Discount rate:					
		Current	2021	2022	2023	2024	2025	P/E	Projected total return price	PV	5 year Upside	annual return
Bear	EPS	\$ 23.53	\$ 25.41	\$ 27.45	\$ 29.64	\$ 32.01	\$ 34.57	15.0x	\$ 518.60	\$ 322.01	17.5%	<b>3.3%</b>
								23.0x	\$ 795.19	\$ 493.75	80.2%	<b>12.5%</b>
	5yr growth estimate		8%	8%	8%	8%	8%	30.0x	\$ 1,037.20	\$ 644.02	135.1%	<b>18.6%</b>

# BEAR CASE SCENARIOS

5 year EPS projection							Discount rate:					
		Current	2021	2022	2023	2024	2025	P/E	Projected total return price	PV	5 year Upside	annual return
Bear	EPS	\$ 23.53	\$ 25.41	\$ 27.45	\$ 29.64	\$ 32.01	\$ 34.57	15.0x	\$ 518.60	\$ 322.01	17.5%	<b>3.3%</b>
								23.0x	\$ 795.19	\$ 493.75	80.2%	<b>12.5%</b>
	5yr growth estimate		8%	8%	8%	8%	8%	30.0x	\$ 1,037.20	\$ 644.02	135.1%	<b>18.6%</b>

# BEAR CASE SCENARIOS

5 year EPS projection							Discount rate:				
							P/E	Projected total return price	PV	5 year Upside	annual return
Bear	Current	2021	2022	2023	2024	2025	15.0x	\$ 518.60	\$ 322.01	17.5%	<b>3.3%</b>
	EPS	\$ 23.53	\$ 25.41	\$ 27.45	\$ 29.64	\$ 32.01	23.0x	\$ 795.19	\$ 493.75	80.2%	<b>12.5%</b>
	5yr growth estimate	8%	8%	8%	8%	8%	30.0x	\$ 1,037.20	\$ 644.02	135.1%	<b>18.6%</b>

# BEAR CASE SCENARIOS

5 year EPS projection							Discount rate:				
							P/E	Projected total return price	PV	5 year Upside	annual return
Bear	Current	2021	2022	2023	2024	2025	15.0x	\$ 518.60	\$ 322.01	17.5%	<b>3.3%</b>
	EPS	\$ 23.53	\$ 25.41	\$ 27.45	\$ 29.64	\$ 32.01	23.0x	\$ 795.19	\$ 493.75	80.2%	<b>12.5%</b>
	5yr growth estimate	8%	8%	8%	8%	8%	30.0x	\$ 1,037.20	\$ 644.02	135.1%	<b>18.6%</b>

# BEAR CASE SCENARIOS

5 year EPS projection							Discount rate:				
							P/E	Projected total return price	PV	5 year Upside	annual return
Bear	Current	2021	2022	2023	2024	2025	15.0x	\$ 518.60	\$ 322.01	17.5%	<b>3.3%</b>
	EPS	\$ 23.53	\$ 25.41	\$ 27.45	\$ 29.64	\$ 32.01	23.0x	\$ 795.19	\$ 493.75	80.2%	<b>12.5%</b>
	5yr growth estimate	8%	8%	8%	8%	8%	30.0x	\$ 1,037.20	\$ 644.02	135.1%	<b>18.6%</b>

# BEAR CASE SCENARIOS

5 year EPS projection							Discount rate:				
							P/E	Projected total return price	PV	5 year Upside	annual return
Bear	Current	2021	2022	2023	2024	2025	15.0x	\$ 518.60	\$ 322.01	17.5%	<b>3.3%</b>
	EPS	\$ 23.53	\$ 25.41	\$ 27.45	\$ 29.64	\$ 32.01	23.0x	\$ 795.19	\$ 493.75	80.2%	<b>12.5%</b>
	5yr growth estimate	8%	8%	8%	8%	8%	30.0x	\$ 1,037.20	\$ 644.02	135.1%	<b>18.6%</b>

# BEAR CASE SCENARIOS

5 year EPS projection							Discount rate:				
							P/E	Projected total return price	PV	5 year Upside	annual return
Bear	Current	2021	2022	2023	2024	2025	15.0x	\$ 518.60	\$ 322.01	17.5%	3.3%
	EPS	\$ 23.53	\$ 25.41	\$ 27.45	\$ 29.64	\$ 32.01	23.0x	\$ 795.19	\$ 493.75	80.2%	
	5yr growth estimate	8%	8%	8%	8%	8%	30.0x	\$ 1,037.20	\$ 644.02	135.1%	

# BASE CASE SCENARIOS

5 year EPS projection							Discount rate:				
							P/E	Projected total return price	PV	5 year Upside	annual return
Base	Current	2021	2022	2023	2024	2025	15.0x	\$ 594.74	\$ 369.29	Upside	
	EPS	\$ 23.53	\$ 26.12	\$ 28.99	\$ 32.18	\$ 35.72	23.0x	\$ 911.94	\$ 566.24	34.8%	<b>6.2%</b>
	5yr growth estimate	11%	11%	11%	11%	11%	30.0x	\$ 1,189.48	\$ 738.58	106.7%	<b>15.6%</b>
										169.6%	<b>21.9%</b>

# BASE CASE SCENARIOS

5 year EPS projection							Discount rate:				
							P/E	Projected total return price	PV	5 year Upside	annual return
Base	Current	2021	2022	2023	2024	2025	15.0x	\$ 594.74	\$ 369.29	Upside	
	EPS	\$ 23.53	\$ 26.12	\$ 28.99	\$ 32.18	\$ 35.72	23.0x	\$ 911.94	\$ 566.24	34.8%	<b>6.2%</b>
	5yr growth estimate	11%	11%	11%	11%	11%	30.0x	\$ 1,189.48	\$ 738.58	106.7%	<b>15.6%</b>
										169.6%	<b>21.9%</b>

# BASE CASE SCENARIOS

5 year EPS projection							Discount rate:				
							P/E	Projected total return price	PV	5 year Upside	annual return
Base	Current	2021	2022	2023	2024	2025	15.0x	\$ 594.74	\$ 369.29	Upside	6.2%
	EPS	\$ 23.53	\$ 26.12	\$ 28.99	\$ 32.18	\$ 35.72	23.0x	\$ 911.94	\$ 566.24	34.8%	15.6%
	5yr growth estimate	11%	11%	11%	11%	11%	30.0x	\$ 1,189.48	\$ 738.58	106.7%	21.9%

# BULL CASE SCENARIOS

5 year EPS projection							Discount rate:				
							P/E	Projected total return price	PV	5 year Upside	annual return
Bull	Current	2021	2022	2023	2024	2025	15.0x	\$ 679.58	\$ 421.96	Upside	9.0%
	EPS	\$ 23.53	\$ 26.82	\$ 30.58	\$ 34.86	\$ 39.74	23.0x	\$ 1,042.02	\$ 647.01	136.2%	18.8%
	Syr growth estimate	14%	14%	14%	14%	14%	30.0x	\$ 1,359.15	\$ 843.93	208.0%	25.2%

# BULL CASE SCENARIOS

5 year EPS projection							Discount rate:					
							P/E	Projected total return price	PV	5 year Upside	annual return	
Bull	Current	2021	2022	2023	2024	2025	15.0x	\$ 679.58	\$ 421.96	Upside		
	EPS	\$ 23.53	\$ 26.82	\$ 30.58	\$ 34.86	\$ 39.74	\$ 45.31	23.0x	\$ 1,042.02	\$ 647.01	54.0%	<b>9.0%</b>
	Syr growth estimate	14%	14%	14%	14%	14%	30.0x	\$ 1,359.15	\$ 843.93	136.2%	<b>18.8%</b>	
										208.0%	<b>25.2%</b>	

# BULL CASE SCENARIOS

5 year EPS projection							Discount rate:					
							P/E	Projected total return price	PV	5 year Upside	annual return	
Bull	Current	2021	2022	2023	2024	2025	15.0x	\$ 679.58	\$ 421.96	Upside	54.0%	9.0%
	EPS	\$ 23.53	\$ 26.82	\$ 30.58	\$ 34.86	\$ 39.74	\$ 45.31	23.0x	\$ 1,042.02	\$ 647.01	136.2%	18.8%
	Syr growth estimate	14%	14%	14%	14%	14%	30.0x	\$ 1,359.15	\$ 843.93	208.0%	25.2%	

# SENSATIVITY ANALYSIS

Sensitivity Analysis: Exp		Total RoR Range		
		Est. EPS growth rate		
		8%	11%	14%
Price/Earning	15.0x	3.3%	6.2%	9.0%
	23.0x	12.5%	15.6%	18.8%
	30.0x	18.6%	21.9%	25.2%

# Why O'Reilly Instead of More Autozone?

- O'Reilly and Autozone trade at similar valuation multiples and are both leaders in the industry.
- However, they dominate different markets. O'Reilly dominates the professional services market which is growing faster, while Autozone dominates the DIY and international markets.
- We want to make sure we can capture the growth of both of these markets by owning both companies.



# Conclusion

- We believe that O'Reilly is a business that is predictable, consistent, and understandable.
- It has consistently improved and is currently trading at a discount relative to historical valuation.
- We believe it fits all of our investment criteria and is a long-term compounder



# Recommendation

- We want to make ORLY 2% of our portfolio since Autozone is 3%.
- Our recommendation is to buy 40 shares of ORLY at a limit of \$445





# Appendix

# 5-YEAR P/E



# Morningstar Estimates

**Fair Value and Profit Drivers** | by Zain Akbari [Updated Nov 17, 2020](#)

We are raising our valuation of O'Reilly to \$410 per share from \$378, reflecting stellar third-quarter sales results (17% comparable growth) that led us to lift our 2020 marks (to 11% comparable growth from 7%). Our estimate implies forward fiscal 2021 enterprise value/adjusted EBITDA of 13 times and adjusted forward P/E of 17.

Fourth quarter comparable growth should moderate from recent levels as ebbing stimulus effects and renewed restrictions as COVID-19 case counts rise slow expansion that should nevertheless be brisk relative to historical levels. Management indicates O'Reilly saw a low-double-digit comparable growth rate in October, and our 11% full-year target is also in line with O'Reilly's year-to-date mark. We expect a return to trend after strong 2020 sales are lapped in 2021, with 5% average annual revenue growth from 2022-29, fueled by industry consolidation and the firm's Mexican expansion.



# Model for Revenue Growth

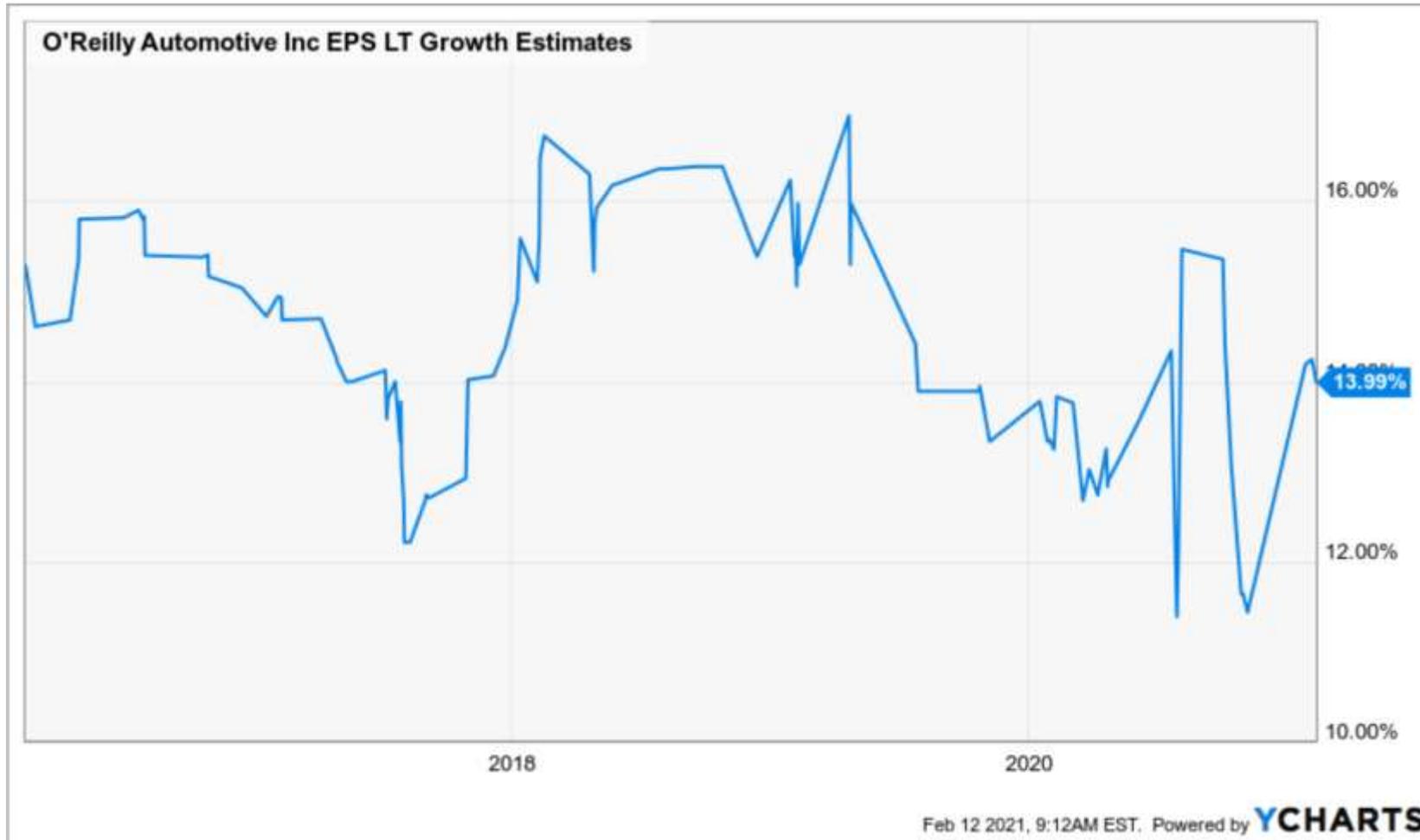
	2020	2021	2022	2023	2024	2025
Revenue (2% then 5%)	11,604	11,836	12,428	13,049	13,702	14,387
Net Income (14% margin)	1,752	1,775	1,864	1,957	2,055	2,158
Shares Outstanding (6% Decrease)	74	70	65	61	58	54
EPS	23.68	25.52	28.51	31.85	35.57	39.74

# Value Line Estimates

<b>ANNUAL RATES</b> of change (per sh)	<b>Past</b> 10 Yrs.	<b>Past</b> 5 Yrs.	<b>Est'd '17-'19</b> to '23-'25
Sales	16.0%	15.0%	11.5%
"Cash Flow"	22.0%	20.0%	13.0%
Earnings	23.5%	21.0%	14.0%
Dividends	--	--	Nil
Book Value	-10.0%	-20.5%	25.0%

<b>2023-25 PROJECTIONS</b>			<b>Ann'l Total</b>
	<b>Price</b>	<b>Gain</b>	<b>Return</b>
<b>High</b>	<b>780</b>	<b>(+60%)</b>	<b>13%</b>
<b>Low</b>	<b>520</b>	<b>(+5%)</b>	<b>2%</b>

# S&P Global Estimates



# DISCOUNTED CASH FLOW - FCF

## Bear Case

FCF	\$30.42
Growth Rate	4%
Years	10
Terminal Rate	4%
Discount Rate	9%
Current Price	\$454.40
Fair Value	\$385.36
Margin of Safety	-14.83%

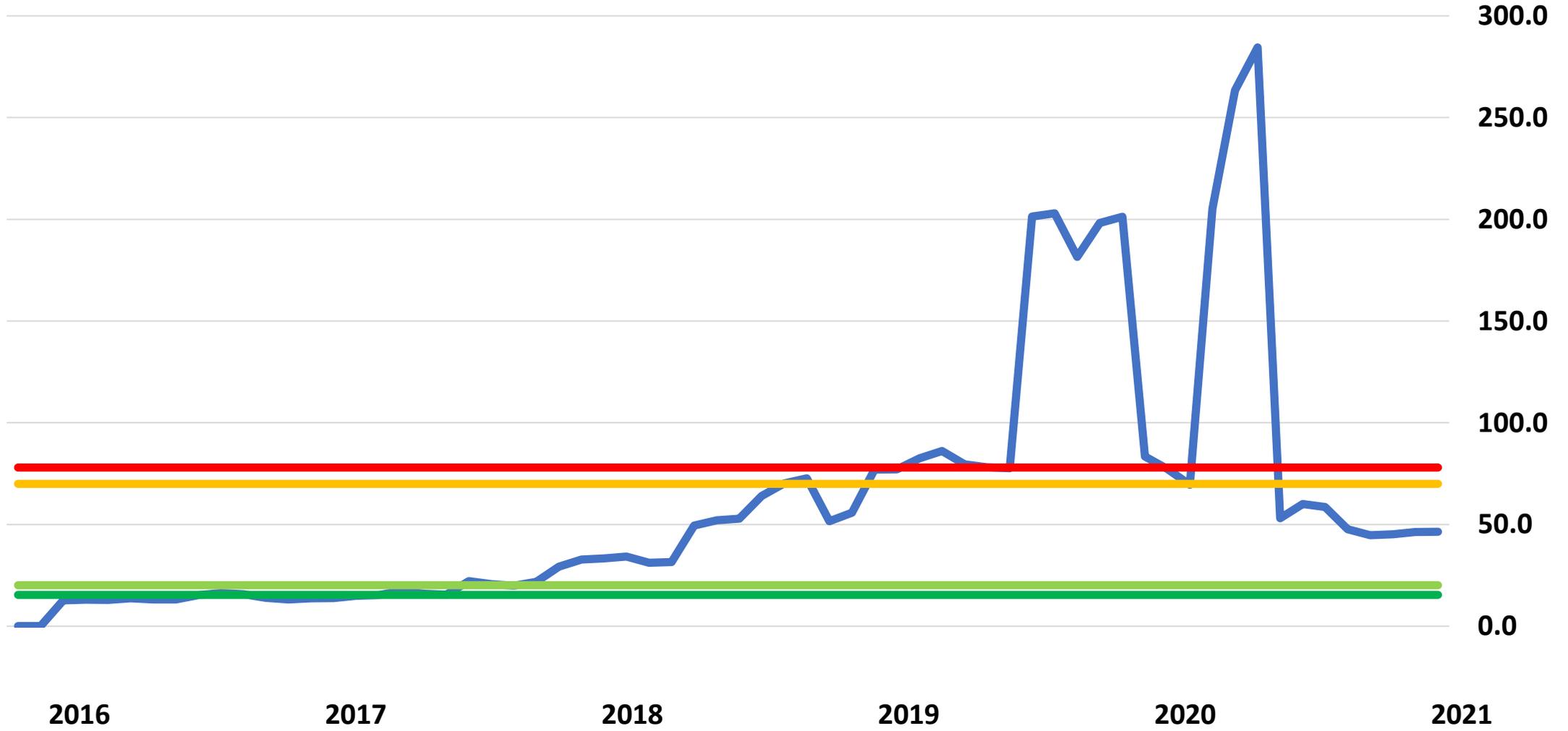
## Base Case

FCF	\$30.42
Growth Rate	6%
Years	10
Terminal Rate	4%
Discount Rate	9%
Current Price	\$454.40
Fair Value	\$441.12
Margin of Safety	-0.31%

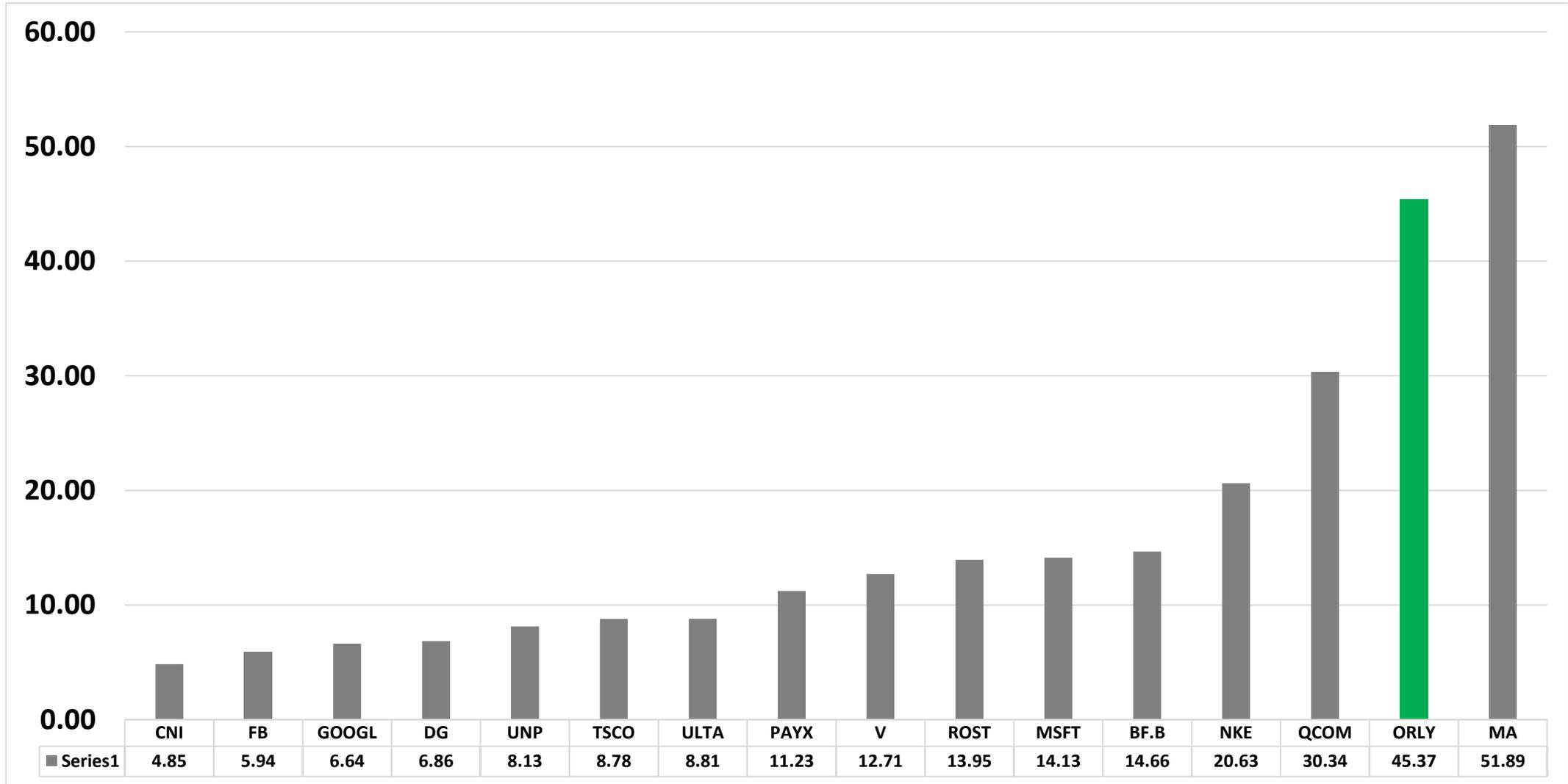
## Bull Case

FCF	\$30.42
Growth Rate	8%
Years	10
Terminal Rate	4%
Discount Rate	9%
Current Price	\$454.40
Fair Value	\$505.41
Margin of Safety	12.46%

# PRICE TO BOOK



# PRICE TO BOOK



Our Team's commitment to excellent customer service and expense control also resulted in our generation of \$1.0 billion in free cash in 2019, after reinvesting \$628 million in capital projects at our stores, DCs and offices. During 2019, we returned excess capital of \$1.4 billion to you, our shareholders, through our share repurchase program. Since we began this program in 2011, we have returned \$12.5 billion through the repurchase of 77 million shares, at an average price of \$162.72 per share. We continue to view the disciplined execution of our share repurchase program as an effective means of returning capital after we have exhausted all opportunities to profitably grow the business and drive a high rate of return for our shareholders. We remain committed to a balanced capital structure that supports our investment grade credit ratings and provides the flexibility to take advantage of future growth opportunities while also providing outstanding returns for our shareholders.



# Future Buybacks

Today, the Company also announced that its Board of Directors (the “Board”) approved a resolution to increase the authorization amount under its share repurchase program by an additional \$1.0 billion, raising the aggregate authorization under the program to \$15.75 billion. The additional \$1.0 billion authorization is effective for a three-year period, beginning on February 10, 2021. Stock repurchases under the program may be made from time to time, as the Company deems appropriate, solely through open market repurchases effected through a broker dealer at prevailing market prices, based on a variety of factors such as price, corporate requirements and overall market conditions. There can be no assurance as to the number of shares the Company will purchase, if any. The share repurchase program may be increased or otherwise modified, renewed, suspended or terminated by the Company at any time, without prior notice. As of the date of this release, the Company had approximately \$1.18 billion remaining under its current share repurchase authorization



