



# Stock Selection Guide <sup>®</sup>

The most widely used aid to good investment judgment

Company O'REILLY AUTOMOTIVE, INC. Date 12/22/03

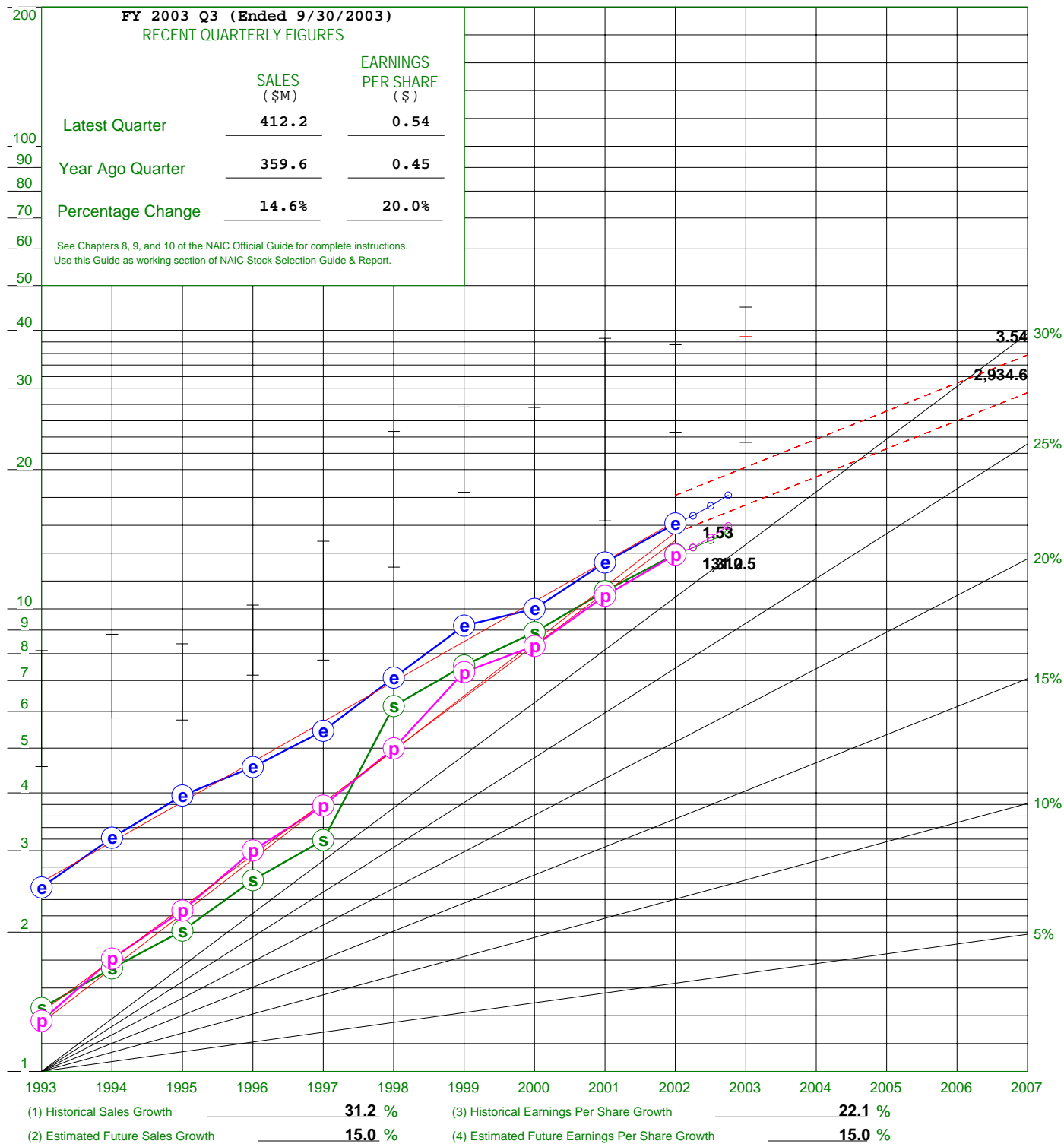
Prepared by MG Data taken from NAIC Data

Where traded NASDAQ Major product/service Specialty S

CAPITALIZATION --- Outstanding Amounts		Reference	
Preferred (\$M)	0.0	% Insiders	% Institution
Common (M Shares)	54.3	14.5	79.2
Debt (\$M)	110.6	% to Tot.Cap.	14.3
		% Potential Dil.	None

## 1 VISUAL ANALYSIS of Sales, Earnings and Price

ORLY



## 2 EVALUATING MANAGEMENT

Company **O'REILLY AUTOMOTIVE, INC.**

(ONLY)

12/22/03

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	LAST 5 YEAR AVG.	TREND	
												UP	DOWN
<b>A</b> % Pre-tax Profit on Sales (Net Before Taxes ÷ Sales)	9.4	10.5	11.1	11.6	11.9	8.1	9.7	9.3	9.8	10.0	9.4	UP	
<b>B</b> % Earned on Equity (E/S ÷ Book Value)	14.9	15.8	12.2	12.2	12.6	13.9	11.6	11.1	12.0	12.6	12.2	EVEN	

## 3 PRICE-EARNINGS HISTORY as an indicator of the future

This shows how stock prices have fluctuated with earnings and dividends. It is a building block for translating earnings into future stock prices.

Year	PRESENT PRICE		38.790	HIGH THIS YEAR		44.900	LOW THIS YEAR		22.910
	A	B	C	D		E	F	G	H
	HIGH	LOW	Earnings Per Share	Price Earnings Ratio		Dividend Per Share	% Payout	% High Yield	
1 1998	24.2	12.3	0.71	34.1		17.3	0.000	0.0	0.0
2 1999	27.3	17.9	0.92	29.7		19.5	0.000	0.0	0.0
3 2000	27.3	8.3	1.00	27.3		8.3	0.000	0.0	0.0
4 2001	38.4	15.5	1.26	30.5		12.3	0.000	0.0	0.0
5 2002	37.3	24.1	1.53	24.4		15.8	0.000	0.0	0.0
6 TOTAL	78.1		146.0		73.2	0.0		0.0	
7 AVERAGE	15.6		29.2		14.6	0.0		0.0	
8 AVERAGE PRICE EARNINGS RATIO	21.9		9 CURRENT PRICE EARNINGS RATIO		22.0				

## 4 Proj. P/E [19.17] Based on Next 4 qtr. EPS [2.02] Current P/E Based on Last 4 qtr. EPS [1.76] EVALUATING RISK and REWARD over the next 5 years

Assuming one recession and one business boom every 5 years, calculations are made of how high and how low the stock might sell. The upside-downside ratio is the key to evaluating risk and reward.

### A HIGH PRICE -- NEXT 5 YEARS

Avg. High P/E ~~29.2~~ 23.4 X Estimate High Earnings/Share 3.54 = Forecast High Price \$ 82.8  
(3D7 as adj.) (4A1)

### B LOW PRICE -- NEXT 5 YEARS

(a) Avg. Low P/E ~~14.6~~ 15.1 X Estimated Low Earnings/Share 1.53 = \$ 23.1  
(3E7 as adj.)  
 (b) Avg. Low Price of Last 5 Years = 15.6  
(3B7)  
 (c) Recent Severe Market Low Price = 15.5  
 (d) Price Dividend Will Support  $\frac{\text{Present Divd.}}{\text{High Yield (H)}} = \frac{0.000}{0.000} = 0.0$   
 Selected Estimate Low Price = \$ 23.1  
(4B1)

### C ZONING

82.8 High Forecast Price Minus 23.1 Low Forecast Price Equals 59.7 Range. 1/3 of Range = 14.9  
(4A1) (4B1) (C) (4CD)  
 (4C2) Lower 1/3 = 23.1 to 38.0 (Buy) Note: Ranges changed to 25%/50%/25%  
 (4C3) Middle 1/3 = 38.0 to 67.9 (Maybe)  
 (4C4) Upper 1/3 = 67.9 to 82.8 (4A1) (Sell)

Present Market Price of 38.790 is in the Hold Range  
(4C5)

### D UP-SIDE DOWN-SIDE RATIO (Potential Gain vs. Risk of Loss)

High Price (4A1) 82.8 Minus Present Price 38.790  
 Present Price 38.790 Minus Low Price (4B1) 23.1 =  $\frac{44.0}{15.7} = \frac{2.8}{1}$  To 1  
(4D)

### E PRICE TARGET (Note: This shows the potential market price appreciation over the next five years in simple interest terms.)

High Price (4A1) 82.8  
 Present Market Price 38.790 =  $(\frac{2.135}{38.790}) \times 100 = (213.5) - 100 = \frac{113.5}{(4E)}$  % Appreciation

Relative Value: 100.5% Proj. Relative Value: 87.5%

## 5 5-YEAR POTENTIAL

This combines price appreciation with dividend yield to get an estimate of total return. It provides a standard for comparing income and growth stocks.

**A Present Full Year's Dividend \$ 0.000** Note: Results are expressed as a simple rate; use the table below to convert to a compound rate.  
 Present Price of Stock \$ 38.790 =  $\frac{0.000}{38.790} \times 100 = \frac{0.0}{(5A)}$  Present Yield or % Returned on Purchase Price

### B AVERAGE YIELD OVER NEXT 5 YEARS

Avg. Earnings Per Share Next 5 Years 2.68 X Avg. % Payout (3G7) 0.0 = 0.0 = 0.0 %  
(5B)

### C ESTIMATED AVERAGE ANNUAL RETURN OVER NEXT FIVE YEARS

5 Year Appreciation Potential <small>(4E)</small>	<u>113.5</u>						
Average Yield <small>(5B)</small>	<u>0.0</u>		<u>22.7</u>	%	<u>0.0%</u>	<u>0.0%</u>	
Average Total Annual Return Over the Next 5 Years <small>(5C)</small>	<u>22.7</u>	%	<u>11.9%</u>		<u>16.4%</u>		

Trailing 4 quarters

# PERT Worksheet-A Graph

Company O'REILLY AUTOMOTIVE, INC.

(ORLY)

