

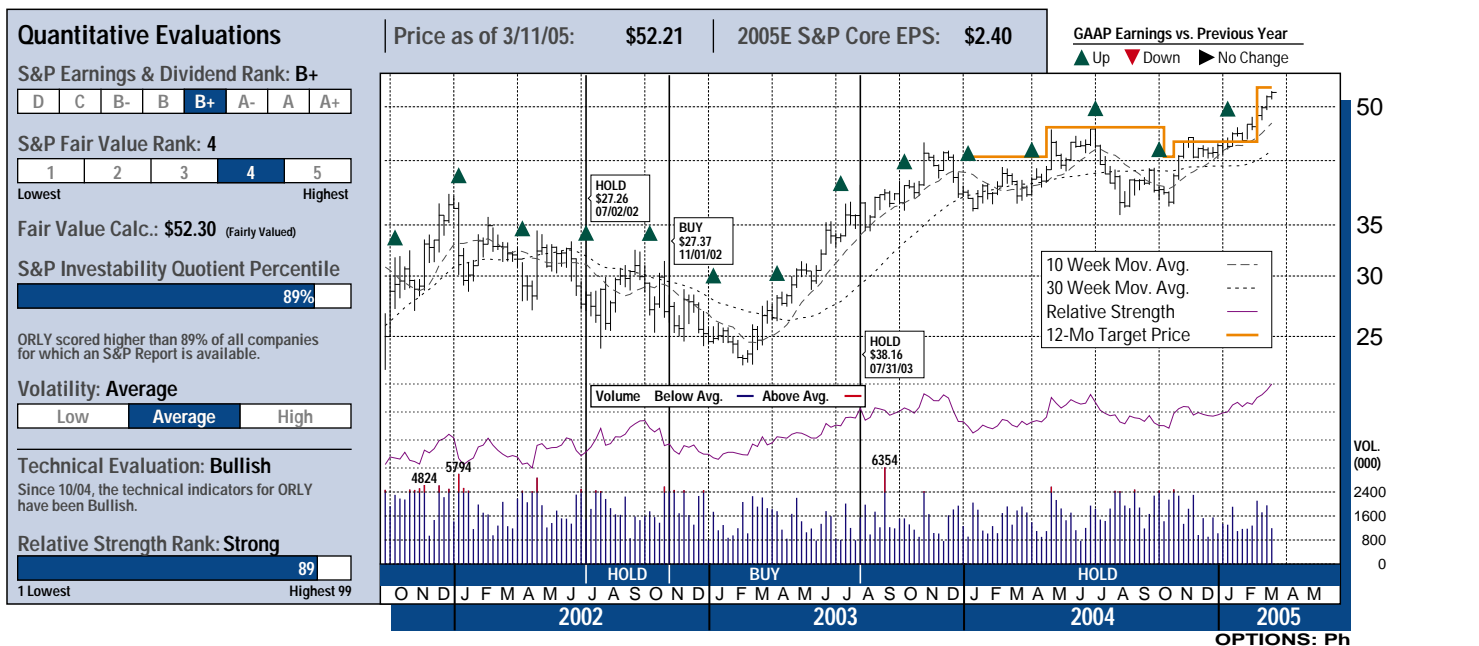
Recommendation: **HOLD** ★★☆☆☆
SELL SELL HOLD BUY BUY

12-Month Target Price: **\$53.00**
(as of February 24, 2005)

ORLY has an approximate 0.27% weighting in the **S&P MidCap 400**

Sector: Consumer Discretionary
Sub-Industry: Specialty Stores
Peer Group: Auto Parts Retailers

Summary: This company is one of the largest U.S. retailers of car parts and accessories.



Analyst commentary prepared by Michael Souers/AE/BK

Highlights March 02, 2005

- We look for sales growth in the low- to mid-teens in 2005, driven by an expected 160 new store openings and acquisitions, and by mid-single digit same-store sales growth. In addition, we believe the opening of a new 350,000 sq. ft. state-of-the-art distribution center in Atlanta, GA, with service capacity for up to 250 stores, will aid gross margins beginning in the second half of 2005.
- We anticipate slightly wider gross margins, on continued efficiency improvements of distribution centers and vendor programs. In addition, we think operating margins will improve due to better expense management, partly offset by increasing costs of employee healthcare and workers' compensation.
- After projected slightly higher interest expense, and taxes estimated at 37.3%, we expect 2005 EPS of \$2.60, up 17% from the \$2.23 earned in 2004. We expect ORLY to maintain what we see as a strong balance sheet in 2005, with long term debt equal to about 10% of capitalization. We also believe ORLY will continue to plow back cash into growing the company through investment in new stores or acquisitions rather than utilize it for dividend payouts or share repurchases. Our 2005 S&P Core Earnings estimate of \$2.40 implies an 8% reduction in earnings due to projected stock option expense.

Key Stock Statistics

S&P Oper. EPS 2005E	2.60	52-week Range	\$52.43-36.06
P/E on S&P Oper. EPS 2005E	20.1	12 Month P/E	23.4
S&P Oper. EPS 2006E	2.97	Beta	0.76
Yield (%)	Nil	Shareholders	26,299
Dividend Rate/Share	Nil	Market Cap (B)	\$ 2.9
Shares Outstanding (M)	55.2		

Value of \$10,000 invested five years ago: **\$ 42,498**

Dividend Data

No cash dividends have been paid.

Investment Rationale/Risk March 02, 2005

- We recommend holding the shares. With a dual sales strategy focused on both commercial and retail customers, ORLY is seen as well hedged against potential weakness in the core DIY market relative to its competitors, in our opinion. In addition, what we see as ORLY's conservative capital structure and solid operating cash flow growth should provide the foundation for future store expansion. Although we expect ORLY to outpace the industry in terms of square footage, sales and EPS growth over the next few years, we believe that the current share price already reflects the company's stronger-than-industry average growth potential.
- Risks to our recommendation and target price include a slowdown in the U.S. economy; failure of the company to attain its aggressive expansion plans; a further hike in oil prices that could dampen auto usage; severe or unseasonable weather patterns that could impact sales; and technological changes that could reduce the need for auto parts.
- At 19X our 2005 EPS estimate, ORLY trades at a significant premium to its peers, justified, in our view, by the company's better-than-industry average growth potential. Our 12-month target price of \$53 is based on our DCF model, which assumes a weighted average cost of capital of 9.6% and a terminal growth rate of 3.5%.

Revenues/Earnings Data Fiscal year ending December 31

Revenues (Million \$)	2004	2003	2002	2001	2000	1999
1Q	403.3	339.5	295.5	239.1	195.8	166.4
2Q	435.2	393.1	343.2	280.7	226.4	196.1
3Q	455.2	412.2	359.6	294.0	251.4	208.4
4Q	427.6	367.1	314.2	278.4	216.9	183.2
Yr.	1,721	1,512	1,312	1,092	890.4	754.1

Earnings Per Share (\$)	2004	2003	2002	2001	2000	1999
1Q	0.49	0.37	0.31	0.24	0.23	0.20
2Q	0.59	0.50	0.42	0.34	0.28	0.23
3Q	0.60	0.54	0.45	0.38	0.32	0.26
4Q	0.51	0.43	0.35	0.30	0.18	0.23
Yr.	2.23	1.84	1.53	1.26	1.00	0.92

Next earnings report expected: late-April Source: S&P, Company Reports
 EPS Estimates based on S&P Operating Earnings; historical GAAP earnings are as reported.

Recommendation: **HOLD** ★★☆☆☆ 12-Month Target Price: **\$53.00** (as of February 24, 2005)

Business Summary March 02, 2005

Founded in 1957 as a single store in Springfield, MO, O'Reilly Automotive has become one of the largest U.S. specialty retailers of automotive aftermarket parts, tools, supplies, equipment and accessories.

The company has a dual market strategy, targeting both do-it-yourself (DIY) customers and professional installers. ORLY believes this gives it a competitive advantage, allowing it to target a larger base of consumers of automotive aftermarket parts; capitalize on existing retail and distribution infrastructure; operate profitably not only in large metropolitan markets, but also in less densely populated areas, which typically attract fewer competitors; and enhance service levels to the DIY market by offering a broad selection of products and extensive product knowledge required by professional installers. In 2003, 53% of sales were to the DIY market, and 47% to professional installers.

At December 31, 2003, ORLY operated 1,109 stores (up from 981 a year earlier) in Texas (381), Missouri (302), Oklahoma (99), Iowa (64), Arkansas (72), Tennessee (78), Kansas (57), Louisiana (50), Nebraska (24), Alabama (43), Kentucky (21), Mississippi (32), Illinois (10), Georgia (8), Indiana (6) and Florida (7). ORLY's stores carry on average about 22,000 SKUs, and average about 6,000 sq. ft. in size.

The company's stores carry an extensive product line of new and remanufactured automotive hard parts (alternators, starters, fuel pumps, water pumps, brake

shoes and pads), maintenance items (oil, antifreeze, fluids, engine additives, appearance products), accessories (floor mats, seat covers), and a complete line of autobody paint, automotive tools and professional service equipment. Merchandise consists of nationally recognized brands, and a wide variety of private label products under the O'Reilly Auto Parts, Parts Payoff, SuperStart, BrakeBest, Omnispark, First Call, Ultima, Master Pro and other brands. ORLY offers engine machining services through its stores, but does not sell tires or perform automotive repairs or installations.

ORLY also operates 10 distribution centers, in Texas, Missouri, Oklahoma, Iowa, Arkansas, Alabama and Tennessee. The centers not only serve the company's retail operations, but, as Ozark Automotive Distributors, Inc., ORLY sells automotive products to independently owned parts stores with retail stores generally located in areas not served by an O'Reilly store.

ORLY has aggressively opened new stores. It added 106 stores in 2002 and 128 stores in 2003. In 2001, it added 203 stores, including 82 stores from its acquisition of Mid-State Automotive Distributors, Inc. The company planned to add about 140 net new stores in 2004, including acquisitions of small independent chains.

As of February 2004, the O'Reilly family owned about 9.9% of the common shares, down from 12.8% in early 2003.

Company Financials Fiscal Year ending December 31

Per Share Data (\$)

(Year Ended December 31)	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
Tangible Bk. Val.	NA	14.35	12.19	10.53	9.00	7.93	5.12	4.31	3.72	3.23
Cash Flow	NA	2.61	2.21	1.84	1.48	1.28	0.99	0.74	0.60	0.51
Earnings	2.23	1.84	1.53	1.26	1.00	0.92	0.71	0.55	0.46	0.40
S&P Core Earnings	NA	1.67	1.39	1.15	NA	NA	NA	NA	NA	NA
Dividends	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Payout Ratio	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Prices - High	47.07	44.90	37.25	38.44	27.25	27.31	24.18	14.00	10.18	8.40
- Low	36.06	22.91	24.10	15.50	8.25	17.87	12.31	7.75	7.18	5.75
P/E Ratio - High	21	24	24	31	27	30	34	26	22	21
- Low	16	12	16	12	8	19	17	14	16	15

Income Statement Analysis (Million \$)

Revs.	NA	1,512	1,312	1,092	890	754	616	316	259	201
Oper. Inc.	NA	208	175	144	65.2	94.8	69.1	45.4	35.0	26.1
Depr.	NA	42.4	36.9	30.5	24.8	17.9	12.2	8.28	6.10	4.04
Int. Exp.	NA	6.86	9.25	9.09	8.36	5.34	8.13	0.14	0.04	0.20
Pretax Inc.	NA	160	131	107	83.2	73.0	49.9	37.6	30.0	23.3
Eff. Tax Rate	NA	37.5%	37.4%	37.8%	37.8%	37.5%	38.4%	38.4%	36.8%	36.7%
Net Inc.	NA	100	82.0	66.4	51.7	45.6	30.8	23.1	19.0	14.1
S&P Core Earnings	NA	90.9	74.8	60.9	NA	NA	NA	NA	NA	NA

Balance Sheet & Other Fin. Data (Million \$)

Cash	NA	21.1	29.3	15.0	9.20	9.79	1.73	2.29	2.20	26.2
Curr. Assets	NA	687	631	551	449	364	311	134	100	99
Total Assets	NA	1,188	1,009	857	716	610	493	248	184	154
Curr. Liab.	NA	246	147	121	153	115	103	40.4	26.0	18.2
LT Debt	NA	121	190	166	90.5	90.7	170	22.6	0.24	0.36
Common Equity	NA	784	651	556	464	403	218	182	156	134
Total Cap.	NA	935	857	731	558	495	389	207	156	135
Cap. Exp.	NA	136	102	68.5	82.0	86.0	57.7	37.2	34.5	28.6
Cash Flow	NA	142	119	96.9	76.5	63.5	42.9	31.4	25.1	18.1
Curr. Ratio	NA	2.8	4.3	4.5	2.9	3.2	3.0	3.3	3.8	5.4
% LT Debt of Cap.	NA	12.9	22.2	22.7	16.2	18.3	43.8	10.9	0.2	0.3
% Net Inc. of Revs.	NA	6.6	6.2	6.1	5.8	6.1	5.0	7.3	7.3	7.0
% Ret. on Assets	NA	9.1	8.8	8.4	7.8	8.3	8.3	10.7	11.3	11.7
% Ret. on Equity	NA	14.0	13.6	13.0	11.9	14.7	15.4	13.7	13.1	13.8

Data as orig reptd.; bef. results of disc opers/spec. items. Per share data adj. for stk. divs.; EPS diluted. E-Estimated. NA-Not Available. NM-Not Meaningful. NR-Not Ranked. UR-Under Review.

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Co-Chrmn: L.P. O'Reilly.
Co-Chrmn & CEO: D.E. O'Reilly.
Pres: T.F. Wise.

Pres: G. Henslee.
Vice Chrmn: C.H. O'Reilly, Jr.
EVP, CFO, Treas & Investor Contact: J.R. Batten 417-862-3333.
Dir: J. D. Burchfield, J. C. Greene, P. R. Lederer, J. Murphy, D. E. O'Reilly, L. P. O'Reilly, C. H. O'Reilly, Jr., R. O'Reilly-Wooten, R. Rashkow.

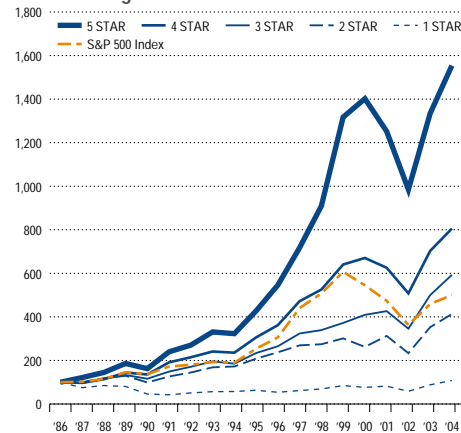
Founded: in 1957.
Domicile: Missouri.
Employees: 15,554.
S&P Analyst: Michael Souers/AE/BK

Recommendation: **HOLD** ★★☆☆☆ 12-Month Target Price: **\$53.00** (as of February 24, 2005)

Glossary

S&P Recommendation - Since January 1, 1987, Standard & Poor's has ranked a universe of common stocks based on a given stock's potential for future performance. Under our proprietary STARS (STock Appreciation Ranking System), S&P equity analysts rank stocks according to their individual forecast of a stock's future capital appreciation potential versus the expected performance of the S&P 500 index, based on a 12-month time horizon. STARS was designed to meet the needs of investors looking to put their investment decisions in perspective.

STARS Average Annual Performance



S&P 12-Month Target Price - The S&P equity analyst's projection of the market price a given security will command 12 months hence, based on a combination of intrinsic, relative, and private market valuation metrics.

Quantitative Evaluations - In contrast to our qualitative STARS recommendations, which are assigned by S&P analysts, the quantitative evaluations described below are derived from proprietary arithmetic models. These computer-driven evaluations may at times contradict an analyst's qualitative assessment of a stock. One primary reason for this is that different measures are used to determine each. For instance, when designating STARS, S&P analysts assess many factors that cannot be reflected in a model, such as risks and opportunities, management changes, recent competitive shifts, patent expiration, litigation risk, etc.

S&P Earnings & Dividend (Quality) Rank - S&P's appraisals of the growth and stability of earnings and dividends over the past 10 years for individual companies are indicated by the following quality ranks. Quality Rankings are not intended to predict stock movements.

- A+ Highest
- A High
- A- Above Average
- B+ Average
- NR Not Ranked
- B Lower
- B- Below Average
- C Lowest
- D In Reorganization

S&P Fair Value Rank - Using S&P's exclusive proprietary quantitative model, stocks are ranked in one of five groups, ranging from Group 5, listing the most undervalued stocks, to Group 1, the most overvalued issues. Group 5 stocks are expected to generally outperform all others. A positive (+) or negative (-) Timing Index is placed next to the Fair Value ranking to further aid the selection process.

A stock with a (+) added to the Fair Value Rank simply means that this stock has a somewhat better chance to outperform other stocks with the same Fair Value Rank. A stock with a (-) has a somewhat lesser chance to outperform other stocks with the same Fair Value Rank. The Fair Value rankings imply the following: 5-Stock is significantly undervalued; 4-Stock is moderately undervalued; 3-Stock is fairly valued; 2-Stock is modestly overvalued; 1-Stock is significantly overvalued.

S&P Fair Value Calc. - The price at which a stock should trade at, according to S&P's proprietary quantitative model that incorporates both actual and estimated variables (as opposed to only actual variables in the case of S&P Earnings & Dividend Rankings). Relying heavily on a company's actual return on equity, the S&P Fair Value model places a value on a security based on placing a formula-derived price-to-book multiple on a company's consensus earnings per share estimate.

Investability Quotient (IQ) - The IQ is a measure of investment desirability. It serves as an indicator of potential medium-to-long term return and as a caution against downside risk. The measure takes into account variables such as technical indicators, earnings estimates, liquidity, financial ratios and selected S&P proprietary measures.

Standard & Poor's IQ Rationale:
O'Reilly Automotive

	Raw Score	Max Value
Proprietary S&P Measures	42	115
Technical Indicators	28	40
Liquidity/Volatility Measures	17	20
Quantitative Measures	45	75
IQ Total	132	250

Volatility - Rates the volatility of the stock's price over the past year.

Technical Evaluation - In researching the past market history of prices and trading volume for each company, S&P's computer models apply special technical methods and formulas to identify and project price trends for the stock.

Relative Strength Rank - Shows, on a scale of 1 to 99, how the stock has performed versus all other companies in S&P's universe on a rolling 13-week basis.

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For purposes of this report, 4 & 5 STARS are BUYS, 1 & 2 STARS are SELLS and 3 STARS are HOLDS. The BUY-HOLD-SELL ranking system used in this report is a consolidated version of our proprietary STARS ranking system defined below:

★★★★★ **5-STARS:** Total return is expected to outperform the total return of the S&P 500 Index by a wide margin, with shares rising in absolute price.

★★★★★ **4-STARS:** Total return is expected to outperform the total return of the S&P 500 Index, with shares rising in absolute price.

★★★★★ **3-STARS:** Total return is expected to closely approximate that of the total return of the S&P 500 Index, with shares generally rising in price.

★★★★★ **2-STARS:** Total return is expected to underperform the total return of the S&P 500 Index, and share price is not anticipated to show a gain.

★★★★★ **1-STAR:** Total return is expected to underperform the total return of the S&P 500 Index, with shares falling in absolute price.

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