

O REILLY AUTOMOTIVE INC
Form 10-Q
May 09, 2011
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2011

OR

.. **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission file number 000-21318

O REILLY AUTOMOTIVE, INC.

(Exact name of registrant as specified in its charter)

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Missouri
(State or other jurisdiction of
incorporation or organization)

27-4358837
(I.R.S. Employer
Identification No.)

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, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by a check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer

Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date: Common stock, \$0.01 par value 137,870,262 shares outstanding as of May 2, 2011.

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O REILLY AUTOMOTIVE, INC. AND SUBSIDIARIES

FORM 10-Q

Quarter Ended March 31, 2011

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Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements****O REILLY AUTOMOTIVE, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS**

(In thousands, except share data)

	March 31, 2011 (Unaudited)	December 31, 2010 (Note)
Assets		
Current assets:		
Cash and cash equivalents	\$ 230,048	\$ 29,721
Accounts receivable, net	128,224	121,807
Amounts receivable from vendors	68,641	61,845
Inventory	2,001,314	2,023,488
Deferred income taxes	10,018	33,877
Other current assets	29,166	30,514
Total current assets	2,467,411	2,301,252
Property and equipment, at cost	2,785,032	2,705,434
Less: accumulated depreciation and amortization	812,612	775,339
Net property and equipment	1,972,420	1,930,095
Notes receivable, less current portion	16,379	18,047
Goodwill	743,895	743,975
Other assets, net	47,981	54,458
Total assets	\$ 5,248,086	\$ 5,047,827
Liabilities and shareholders equity		
Current liabilities:		
Accounts payable	\$ 977,627	\$ 895,736
Self-insurance reserves	53,852	51,192
Accrued payroll	45,351	52,725
Accrued benefits and withholdings	37,502	45,542
Income taxes payable	30,870	4,827
Other current liabilities	171,564	177,505
Current portion of long-term debt	1,208	1,431
Total current liabilities	1,317,974	1,228,958
Long-term debt, less current portion	497,641	357,273
Deferred income taxes	63,083	68,736
Other liabilities	181,538	183,175
Shareholders equity:		
Common stock, \$0.01 par value:		
Authorized shares 245,000,000		
Issued and outstanding shares 138,741,655 as of March 31, 2011, and 141,025,544 as of December 31, 2010	1,387	1,410

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Additional paid-in capital	1,138,249	1,141,749
Retained earnings	2,048,214	2,069,496
Accumulated other comprehensive loss		(2,970)
Total shareholders' equity	3,187,850	3,209,685
Total liabilities and shareholders' equity	\$ 5,248,086	\$ 5,047,827

Note: The balance sheet at December 31, 2010, 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.

See accompanying Notes to condensed consolidated financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(In thousands, except per share data)

	Three Months Ended March 31,	
	2011	2010
Sales	\$ 1,382,738	\$ 1,280,067
Cost of goods sold, including warehouse and distribution expenses	712,957	661,720
Gross profit	669,781	618,347
Selling, general and administrative expenses	473,344	449,902
Operating income	196,437	168,445
Other income (expense):		
Write-off of asset-based revolving credit facility debt issuance costs	(21,626)	
Termination of interest rate swap agreements	(4,237)	
Interest expense	(5,237)	(10,879)
Interest income	542	396
Other, net	295	514
Total other expense	(30,263)	(9,969)
Income before income taxes	166,174	158,476
Provision for income taxes	63,700	61,000
Net income	\$ 102,474	\$ 97,476
<i>Earnings per share-basic:</i>		
Earnings per share	\$ 0.73	\$ 0.71
Weighted-average common shares outstanding basic	140,579	137,583
<i>Earnings per share-assuming dilution:</i>		
Earnings per share	\$ 0.72	\$ 0.70
Weighted-average common shares outstanding assuming dilution	142,866	139,612

See accompanying Notes to condensed consolidated financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(in thousands)

	Three Months Ended March 31,	
	2011	2010
Operating activities:		
Net income	\$ 102,474	\$ 97,476
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization on property and equipment	38,934	38,263
Amortization of intangibles	(143)	1,672
Amortization of premium on exchangeable notes		(185)
Amortization of discount on senior notes	74	
Amortization of debt issuance costs	265	2,137
Write-off of asset-based revolving credit facility debt issuance costs	21,626	
Excess tax benefit from stock options exercised	(2,148)	(1,775)
Deferred income taxes	16,331	18,287
Stock option compensation programs	4,445	3,650
Other share based compensation programs	691	464
Other	3,058	1,558
Changes in operating assets and liabilities:		
Accounts receivable	(9,503)	(17,424)
Inventory	22,175	10,110
Accounts payable	81,907	(23,509)
Income taxes payable	28,191	28,767
Other	(14,264)	11,155
Net cash provided by operating activities	294,113	170,646
Investing activities:		
Purchases of property and equipment	(94,404)	(90,725)
Proceeds from sale of property and equipment	252	382
Payments received on notes receivable	1,679	1,272
Other	227	(1,186)
Net cash used in investing activities	(92,246)	(90,257)
Financing activities:		
Proceeds from borrowings on asset-based revolving credit facility	42,400	122,700
Payments on asset-based revolving credit facility	(398,400)	(208,300)
Proceeds from the issuance of long-term debt	496,485	
Payment of debt issuance costs	(7,385)	
Principal payments on capital leases	(409)	(2,463)
Repurchases of common stock	(145,064)	
Excess tax benefit from stock options exercised	2,148	1,775
Net proceeds from issuance of common stock	8,685	8,836
Net cash used in financing activities	(1,540)	(77,452)
Net increase in cash and cash equivalents	200,327	2,937

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Cash and cash equivalents at beginning of period	29,721	26,935
Cash and cash equivalents at end of period	\$ 230,048	\$ 29,872

Supplemental disclosures of cash flow information:

Income taxes paid	\$ 17,682	\$ 13,171
Interest paid, net of capitalized interest	1,637	7,276

See accompanying Notes to condensed consolidated financial statements.

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O REILLY AUTOMOTIVE, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

March 31, 2011

NOTE 1 BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements of O Reilly Automotive, Inc. and its subsidiaries (the Company or O Reilly) have been prepared in accordance with United States generally accepted accounting principles (GAAP) for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three months ended March 31, 2011, are not necessarily indicative of the results that may be expected for the year ended December 31, 2011. Certain prior period amounts have been reclassified to conform to current period presentation. These reclassifications had no effect on reported t