

O REILLY AUTOMOTIVE INC

Form 10-Q

November 08, 2011

[Table of Contents](#)

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 September 30, 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)

Edgar Filing: O REILLY AUTOMOTIVE INC - Form 10-Q

Missouri
(State or other jurisdiction of
incorporation or organization)

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

233 South Patterson Avenue
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 128,328,282 shares outstanding as of October 31, 2011.

Table of Contents

O REILLY AUTOMOTIVE, INC. AND SUBSIDIARIES

FORM 10-Q

Quarter Ended September 30, 2011

TABLE OF CONTENTS

	Page
<u>PART I FINANCIAL INFORMATION</u>	3
<u>ITEM 1 FINANCIAL STATEMENTS (UNAUDITED)</u>	3
<u>Condensed Consolidated Balance Sheets</u>	3
<u>Condensed Consolidated Statements of Income</u>	4
<u>Condensed Consolidated Statements of Cash Flows</u>	5
<u>Notes to Condensed Consolidated Financial Statements</u>	6
<u>ITEM 2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	15
<u>ITEM 3 QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	26
<u>ITEM 4 CONTROLS AND PROCEDURES</u>	26
<u>PART II OTHER INFORMATION</u>	27
<u>ITEM 1 LEGAL PROCEEDINGS</u>	27
<u>ITEM 1A RISK FACTORS</u>	27
<u>ITEM 2 UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS</u>	28
<u>ITEM 6 EXHIBITS</u>	29
<u>SIGNATURE PAGES</u>	30

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)

	September 30, 2011 (Unaudited)	December 31, 2010 (Note)
Assets		
Current assets:		
Cash and cash equivalents	\$ 276,717	\$ 29,721
Accounts receivable, net	136,520	121,807
Amounts receivable from vendors	65,035	61,845
Inventory	2,009,407	2,023,488
Deferred income taxes	20,823	33,877
Other current assets	28,012	30,514
Total current assets	2,536,514	2,301,252
Property and equipment, at cost	2,951,367	2,705,434
Less: accumulated depreciation and amortization	893,492	775,339
Net property and equipment	2,057,875	1,930,095
Notes receivable, less current portion	11,961	18,047
Goodwill	743,943	743,975
Other assets, net	46,490	54,458
Total assets	\$ 5,396,783	\$ 5,047,827
Liabilities and shareholders equity		
Current liabilities:		
Accounts payable	\$ 1,190,842	\$ 895,736
Self-insurance reserves	52,895	51,192
Accrued payroll	49,948	52,725
Accrued benefits and withholdings	39,544	45,542
Income taxes payable	12,126	4,827
Other current liabilities	159,888	177,505
Current portion of long-term debt	804	1,431
Total current liabilities	1,506,047	1,228,958
Long-term debt, less current portion	796,962	357,273
Deferred income taxes	76,919	68,736
Other liabilities	186,307	183,175
Shareholders equity:		
Common stock, \$0.01 par value: Authorized shares 245,000,000 Issued and outstanding shares 128,449,476 as of September 30, 2011, and 141,025,544 as of December 31, 2010	1,284	1,410
Additional paid-in capital	1,098,017	1,141,749
Retained earnings	1,731,247	2,069,496
Accumulated other comprehensive loss		(2,970)
Total shareholders equity	2,830,548	3,209,685

Edgar Filing: O REILLY AUTOMOTIVE INC - Form 10-Q

Total liabilities and shareholders' equity	\$	5,396,783	\$	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.

Table of Contents**O REILLY AUTOMOTIVE, INC. AND SUBSIDIARIES**

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(In thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Sales	\$ 1,535,453	\$ 1,425,887	\$ 4,397,509	\$ 4,087,195
Cost of goods sold, including warehouse and distribution expenses	781,243	732,472	2,254,857	2,102,800
Gross profit	754,210	693,415	2,142,652	1,984,395
Selling, general and administrative expenses	513,160	488,484	1,482,797	1,414,855
Legacy CSK DOJ investigation charge		5,900		20,900
Operating income	241,050	199,031	659,855	548,640
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	(7,212)	(9,756)	(18,706)	(31,781)
Interest income	516	510	1,620	1,409
Other, net	675	407	1,279	1,845
Total other expense	(6,021)	(8,839)	(41,670)	(28,527)
Income before income taxes	235,029	190,192	618,185	520,113
Provision for income taxes	86,590	73,650	233,500	206,500
Net income	\$ 148,439	\$ 116,542	\$ 384,685	\$ 313,613
<i>Earnings per share-basic:</i>				
Earnings per share	\$ 1.12	\$ 0.84	\$ 2.81	\$ 2.27
Weighted-average common shares outstanding basic	132,777	138,831	136,895	138,219
<i>Earnings per share-assuming dilution:</i>				
Earnings per share	\$ 1.10	\$ 0.82	\$ 2.76	\$ 2.23
Weighted-average common shares outstanding assuming dilution	135,033	141,706	139,183	140,874

See accompanying Notes to condensed consolidated financial statements.

Table of Contents**O REILLY AUTOMOTIVE, INC. AND SUBSIDIARIES**

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In thousands)

	Nine Months Ended September 30,	
	2011	2010 (Note)
Operating activities:		
Net income	\$ 384,685	\$ 313,613
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	123,009	118,817
Amortization of intangibles	(268)	1,914
Amortization of premium on exchangeable notes		(561)
Amortization of discount on senior notes	252	
Amortization of debt issuance costs	1,120	6,418
Write-off of asset-based revolving credit facility debt issuance costs	21,626	
Excess tax benefit from stock options exercised	(14,705)	(11,755)
Deferred income taxes	19,362	85,823
Stock option compensation programs	13,721	11,273
Other share based compensation programs	2,164	1,519
Other	7,064	4,956
Changes in operating assets and liabilities:		
Accounts receivable	(22,117)	(23,749)
Inventory	14,082	(84,500)
Accounts payable	295,151	124,909
Income taxes payable	22,004	952
Other	(27,001)	42,934
Net cash provided by operating activities	840,149	592,563
Investing activities:		
Purchases of property and equipment	(243,311)	(276,463)
Proceeds from sale of property and equipment	750	1,866