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O REILLY AUTOMOTIVE INC  
Form 8-K  
February 25, 2005

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 8-K  
CURRENT REPORT

Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934

Date of report (Date of earliest event reported): February 23, 2005

O'REILLY AUTOMOTIVE, INC.  
(Exact Name of Registrant as Specified in Its Charter)

Missouri

44-0618012

-----  
(State or Other Jurisdiction  
of Incorporation)

(IRS Employer Identification No.)

-----  
233 S. 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 or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240-13e-4(c))

Section 2 - Financial Information  
Item 2.02 Results of Operations and Financial Condition.

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On February 25, 2005, O'Reilly Automotive, Inc. issued a press release announcing fourth quarter earnings. The text of the press release is attached hereto as Exhibit 99.1.

Section 7 - Regulation FD  
ITEM 7.01. REGULATION FD DISCLOSURE

On February 25, 2005, O'Reilly Automotive, Inc. issued a press release announcing fourth quarter earnings. The text of the press release is attached hereto as Exhibit 99.1.

Section 9 - Financial Statements and Exhibits  
Item 9.01 Financial Statements and Exhibits

Exhibit Number	Description
99.1	Press Release dated February 25, 2005

The information in this Current Report on Form 8-K, including the exhibit hereto, shall not be deemed "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: February 25, 2005

O'REILLY AUTOMOTIVE, INC.

By: /s/ James R. Batten

James R. Batten  
Executive Vice President of Finance  
Chief Financial Officer and Treasurer  
(principal financial officer)

For further information contact:

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James R. Batten  
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O'REILLY AUTOMOTIVE, INC., REPORTS FOURTH QUARTER AND ANNUAL EARNINGS  
12TH CONSECUTIVE YEAR OF RECORD REVENUES AND EARNINGS  
8.5% INCREASE IN FOURTH QUARTER COMPARABLE STORE PRODUCT SALES

Springfield, MO, February 23, 2005 -- O'Reilly Automotive, Inc. ("O'Reilly" or "the Company") (Nasdaq: ORLY) today announced record revenues and earnings for the fourth quarter and year ended December 31, 2004, representing 12 consecutive years of record revenues and earnings and positive comparable store product

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sales increases for O'Reilly since becoming a public company in April 1993.

Net income, before the cumulative effect of accounting change, for the year ended December 31, 2004, totaled \$124.2 million, up 24.1% from \$100.1 million for the same period a year ago. Diluted earnings per common share, before the cumulative effect of accounting change, for the year ended December 31, 2004, increased 21.2% to \$2.23 on 55.7 million shares versus \$1.84 a year ago on 54.5 million shares. Product sales for the year ended December 31, 2004, totaled \$1.72 billion, up 13.9% from \$1.51 billion for the year ending December 31, 2003. Gross profit for the year ended December 31, 2004, increased to \$743.2 million (or 43.2% of product sales) from \$638.3 million (or 42.2% of product sales) for the year ended December 31, 2003, representing an increase of 16.4%. Operating, selling, general and administrative ("OSG&A") expenses for the year ended December 31, 2004, increased to \$542.3 million (or 31.5% of product sales) from \$473.1 million (or 31.3% of product sales) for the year ended December 31, 2003, representing an increase of 14.6%. The cumulative effect of accounting change resulted in a one-time benefit of \$21.9 million, net of taxes, or an additional \$0.39 per diluted share, bringing total earnings for the year to \$146.1 million or \$2.62 per diluted share.

Net income for the fourth quarter ended December 31, 2004, totaled \$28.5 million, up 19.2% from \$23.9 million for the same period in 2003. Diluted earnings per common share for the fourth quarter of 2004 increased 18.6% to \$0.51 on 56.0 million shares compared to \$0.43 for the fourth quarter of 2003 on 55.3 million shares. Product sales for the fourth quarter ended December 31, 2004, totaled \$427.6 million, up 16.5% from \$367.0 million for the same period a year ago. Gross profit for the fourth quarter ended December 31, 2004, increased to \$186.0 million (or 43.5% of product sales) from \$156.0 million (or 42.5% of product sales) for the same period a year ago, representing an increase of 19.2%. OSG&A expenses for the fourth quarter of 2004, increased to \$139.5 million (or 32.6% of product sales) from \$117.2 million (or 31.9% of product sales) for the same period a year ago, representing an increase of 19.0%.

Comparable store product sales for stores open at least one year increased 8.5% and 6.8% for the fourth quarter and year ending December 31, 2004, respectively, representing 47 quarters of comparable store product sales increases since becoming a public company in April 1993.

David O'Reilly, Chairman of the Board, stated, "We are extremely proud of the tremendous effort by all O'Reilly team members with this quarter's same store sales performance. Clearly there have been challenges in the market and through hard work and determination we have been able to gain market share. This has been accomplished by leading edge product availability and a very high level of customer service. 2005 is another year of opportunity as we expect to add approximately 160 new O'Reilly stores and continue to focus on growing our existing store volumes and providing outstanding customer service."

Effective January 1, 2004, the Company changed its method of applying its LIFO accounting policy for inventory costs. Under the new method, the Company has inventoried certain procurement, warehousing and distribution center costs. The previous method was to recognize those costs as incurred, reported as a component of costs of goods sold. The Company believes the new method is preferable as it better matches revenues and expenses and is the prevalent method used by other entities within the automotive aftermarket. The cumulative effect of this change was a one-time benefit of \$21.9 million, net of income taxes, or an additional \$ 0.39 per diluted share.

The change increased income before income taxes and cumulative effect of accounting change by \$4.4 million and \$123,000 for the year and fourth quarter ended December 31, 2004, respectively. The change increased income before cumulative effect of accounting change by \$2.7 million (or \$0.05 per diluted share) and \$76,000 (or \$0.00 per diluted share) for the year and fourth quarter

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ended December 31, 2004, respectively.

Also, the Company is currently reviewing certain lease accounting practices in light of recent SEC guidance relating to operating leases. Based upon its preliminary review, management believes that any adjustments determined to be appropriate, if any, would be immaterial to its current and prior years' financial results and condition.

The Company will host a conference call Thursday, February 24, 2005, at 10:00 a.m. central time to discuss its results as well as future expectations. The call will be available by web cast at [www.oreillyauto.com](http://www.oreillyauto.com), [www.vcall.com](http://www.vcall.com) or [www.streetevents.com](http://www.streetevents.com). Investors may listen to the conference call live on the Company web site, [www.oreillyauto.com](http://www.oreillyauto.com), by clicking "News". A replay will also be available on the web site shortly after the call.

O'Reilly Automotive, Inc. is one of the largest specialty retailers of automotive aftermarket parts, tools, supplies, equipment and accessories in the United States, serving both the do-it-yourself and professional installer markets. Founded in 1957 by the O'Reilly family, the Company operated 1,249 stores within the states of Alabama, Arkansas, Florida, Georgia, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Mississippi, Missouri, Nebraska, North Carolina, Oklahoma, South Carolina, Tennessee, Texas and Virginia as of December 31, 2004.

The Company claims the protection of the safe-harbor for forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements can be identified by forward-looking words such as "expect," "believe," "anticipate," "good," "plan," "intend," "estimate," "project," "will" or similar words. In addition, statements contained within this press release that are not historical facts are forward-looking statements, such as statements discussing among other things, expected growth, store development and expansion strategy, business strategies, future revenues and future performance. These forward-looking statements are based on estimates, projections, beliefs and assumptions and are not guarantees of future events and results. Such statements are subject to risks, uncertainties and assumptions, including, but not limited to, competition, product demand, the market for auto parts, the economy in general, inflation, consumer debt levels, governmental approvals, our ability to hire and retain qualified employees, risks associated with the integration of acquired businesses, weather, terrorist activities, war and the threat of war. Actual results may materially differ from anticipated results described or implied in these forward-looking statements. Please refer to the Risk Factors sections of the Company's Form 10-K for the year ended December 31, 2003, for more details.

### O'REILLY AUTOMOTIVE, INC. AND SUBSIDIARIES CONDENSED CONSOLIDATED BALANCE SHEETS (In thousands, except per share data)

	December 31, 2004	December 31, 2003
	-----	-----
	(Unaudited)	(Note)
Assets		
Current assets:		
Cash and cash equivalents	\$ 69,028	\$ 21,094
Accounts receivable, net	60,928	52,235

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Amounts receivable from vendors, net	52,976	50,695
Inventory	625,320	523,750
Deferred income taxes	-	4,753
Other current assets	5,225	4,399
	-----	-----
Total current assets	813,477	656,926
Property and equipment, at cost	791,794	626,142
Accumulated depreciation and amortization	218,243	177,084
	-----	-----
Net property and equipment	573,551	449,058
Notes receivable, less current portion	21,690	24,313
Other assets, net	29,697	26,736
	-----	-----
Total assets	\$ 1,438,415	\$ 1,157,033
	=====	=====
Liabilities and shareholders' equity		
Current liabilities:		
Income taxes payable	\$ 9,736	\$ 6,872
Accounts payable	240,548	145,954
Accrued payroll	15,130	17,307
Accrued benefits and withholdings	35,794	27,368
Deferred income taxes	7,198	-
Other current liabilities	24,817	16,883
Current portion of long-term debt	592	925
	-----	-----
Total current liabilities	333,815	215,309
Long-term debt, less current portion	100,322	120,977
Deferred income taxes	42,381	29,448
Other liabilities	7,596	7,014
Shareholders' equity:		
Common stock, \$0.01 par value:		
Authorized shares - 90,000,000		
Issued and outstanding shares - 55,377,130 at		
December 31, 2004, and		
54,664,976 at December 31, 2003		
	554	547
Additional paid-in capital	326,650	302,691
Retained earnings	627,097	481,047
	-----	-----
Total shareholders' equity	954,301	784,285
	-----	-----
Total liabilities and shareholders' equity	\$ 1,438,415	\$ 1,157,033
	=====	=====

Note: The balance sheet at December 31, 2003, 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.

O'REILLY AUTOMOTIVE, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF INCOME  
(In thousands, except per share data)

Three Months Ended

Twelve Months Ended

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	December 31,		December 31,	
	2004	2003	2004	2003
	(Unaudited)	(Unaudited)	(Unaudited)	(Note)
Product sales	\$ 427,618	\$ 367,047	\$ 1,721,241	\$ 1,511,816
Cost of goods sold, including warehouse and distribution expenses	241,650	211,024	978,076	873,481
Gross profit	185,968	156,023	743,165	638,335
Operating, selling, general and administrative expenses	139,484	117,177	542,282	473,060
Operating income	46,484	38,846	200,883	165,275
Other expense, net	(1,046)	(639)	(2,721)	(5,233)
Income before income taxes and cumulative effect of accounting change	45,438	38,207	198,162	160,042
Provision for income taxes	16,947	14,305	74,004	59,955
Income before cumulative effect of accounting change	28,491	23,902	124,158	100,087
Cumulative effect of accounting change, net of tax	-	-	21,892	-
Net income	\$ 28,491	\$ 23,902	\$ 146,050	\$ 100,087
Net income per common share:				
Income before cumulative effect of accounting change	\$ 0.52	\$ 0.44	\$ 2.26	\$ 1.86
Cumulative effect of accounting change, net of tax	-	-	0.40	-
Net income	\$ 0.52	\$ 0.44	\$ 2.66	\$ 1.86
Net income per common share - assuming dilution:				
Income before cumulative effect of accounting change	\$ 0.51	\$ 0.43	\$ 2.23	\$ 1.84
Cumulative effect of accounting change, net of tax	-	-	0.39	-
Net income	\$ 0.51	\$ 0.43	\$ 2.62	\$ 1.84
Weighted average common shares outstanding	55,267	54,492	55,010	53,908
Adjusted weighted average common shares outstanding - assuming dilution	55,962	55,266	55,711	54,530

Note: The income statement at December 31, 2003, has been derived from the audited consolidated financial statements but does not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements.

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SELECTED FINANCIAL INFORMATION  
(Unaudited)

	December 31,			
	Excluding Cumulative Effect of Accounting Change 2004		Including Cumulative Effect of Accounting Change 2004	
Inventory turnover (1)	1.8		1.7	
Inventory turnover, net of payables (2)	2.7		2.6	
AP to Inventory (3)	40.8%		38.5%	
Debt-to-capital (4)	9.8%		9.6%	
Return on equity (5)	14.5%		16.8%	
Return on assets (6)	9.7%		11.3%	
	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2004	2003	2004	2003
Other Information (in thousands):				
Capital Expenditures	\$ 47,266	\$ 36,450	\$ 173,486	\$ 136,497
Depreciation & Amortization	\$ 13,192	\$ 11,131	\$ 48,268	\$ 42,374
Interest Expense	\$ 1,288	\$ 956	\$ 4,700	\$ 6,864
Lease & Rental Expense	\$ 9,659	\$ 8,587	\$ 35,803	\$ 33,456
Sales per weighted-average square foot (7)	\$ 51.31	\$ 49.82	\$ 217.13	\$ 214.73
Sales per weighted-average store (in thousands) (8)	\$ 342	\$ 330	\$ 1,443	\$ 1,413
Square footage (in thousands)			8,318	7,348
Store count:				
New stores, net (twelve months ended)			140	128
Total stores			1,249	1,109
Total employment			17,410	15,484