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OVERVIEW:

Company Summary

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PRESENTATION

Operator

Welcome to the O'Reilly Automotive, Inc., fourth-quarter and full-year 2025 earnings call. My name is Matthew, and I'll be your operator for today's call. (Operator Instructions)

I will now turn the call over to Jeremy Fletcher. Mr. Fletcher, you may begin.

Jeremy Fletcher - *O'Reilly Automotive Inc - Chief Financial Officer, Executive Vice President*

Thank you, Matthew. Good morning, everyone, and thank you for joining us. During today's conference call, we will discuss our fourth quarter and full year 2025 results and our outlook for 2026. After our prepared comments, we will host a question-and-answer period.

Before we begin this morning, I would like to remind everyone that our comments today contain forward-looking statements, and we intend to be covered by, and we claim the protection under the Safe Harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. You can identify these statements by forward-looking words such as estimate, may, could, will, believe, expect, would, consider, should, anticipate, project, plan, intend, or similar words.

The company's actual results could differ materially from any forward-looking statements due to several important factors described in the company's latest annual report on Form 10-K for the year ended December 31, 2024, and other recent SEC filings. The company assumes no obligation to update any forward-looking statements made during this call.

At this time, I would like to introduce Brad Beckham.

Brad Beckham - *O'Reilly Automotive Inc - Chief Executive Officer*

Thanks, Jeremy. Good morning, everyone, and welcome to the O'Reilly Auto Parts fourth quarter conference call. Participating on the call with me this morning are Brent Kirby, our President; and Jeremy Fletcher, our Chief Financial Officer. Greg Henslee, our Executive Chairman; and David O'Reilly, our Executive Vice Chairman, are also present on the call.

I am once again pleased to begin our call today by congratulating Team O'Reilly on another strong year in 2025. We finished the year with a comparable store sales increase of 5.6% in the fourth quarter, which brought our full year comp for 2025 to 4.7%. The 4.7% was at the high end of our revised guidance range of 4% to 5% and above the expectations we set in our initial guidance coming into 2025.

Our strong comparable store sales performance, coupled with the continued successful execution of our new store expansion, drove a total sales increase of 6.4% to \$17.8 billion. To provide some perspective, our total '25 sales reflect an increase of over 50% in total sales volume over the last five years, representing growth of over \$6 billion since 2020.

Our ability to continue to grow our business and capture market share year in and year out is a testament to our team's commitment to providing excellent customer service. I want to thank each member of Team O'Reilly for their daily commitment to our customers and our company.

To touch on the rest of our results as we finish out the year, I want to briefly highlight both areas of strength and some headwinds we faced in 2025, before Brent provides more color in his remarks. For the full year, we generated operating profit of \$3.5 billion, a 6.4% increase over 2024. On a sales -- a percentage of sales basis, our 2025 operating profit of 19.5% was flat to the prior year and right at the midpoint of the guidance range we maintained throughout 2025.

We are pleased with our team's ability to drive robust gross margin results in an environment of rising costs and prices by ensuring that we are providing exceptional value to our customers to earn their business. We are also pleased that our team continues to capitalize on the investments we have made in our business, including enhancements to our distribution and hub store network, expanded inventory assortments, and strategic technology investments.

We believe our continued sales growth trends reflect share gains won by consistently executing our proven business model while also delivering incremental improvements to further differentiate our service from the competition. We will continue to prioritize these initiatives to lean into our business to sustain our growth momentum.

However, we unfortunately also faced substantial cost pressures in 2025, including headwinds reflected in our fourth quarter results, primarily from rising costs related to our team member health care and self-insurance programs. We are certainly not pleased that these headwinds dampened an otherwise strong finish for our company in 2025, but we remain intensely focused on managing our business effectively to deliver the excellent customer service that drives long-term growth and profitability.

During the fourth quarter, we generated diluted earnings per share of \$0.71, which represents an increase of 13% over the prior year. For the full year, we generated EPS of \$2.97, which was an increase of 10% over 2024. As we noted in yesterday's press release, our 2025 results represent our 33rd consecutive year of annual comparable store sales increases and record levels of revenue, operating income, and EPS. This remarkable track record of strong, consistent earnings growth is a reflection of the effectiveness of Team O'Reilly's customer service-oriented culture and our focus on profitable, sustainable growth.

Now I'd like to take a few minutes to provide some color on our fourth quarter sales results. Our comparable store sales for the fourth quarter grew 5.6%, which was at the high end of our expectations. Similar to the third quarter, growth in our professional business was the stronger driver of our sales results with an increase in comparable store sales of over 10% for the second consecutive quarter. We're also pleased to generate a positive DIY comp in the low single digits as this side of our business also performed largely in line with the trends we saw in the third quarter.

Our comparable store sales increase in the fourth quarter reflected growth in both transaction volume and average ticket value, with the average ticket growth representing the stronger of the two drivers. Average ticket grew in the mid-single digits on both sides of our business, driven by a contribution from same-SKU inflation of approximately 6%, partially offset by a headwind from the composition of our product mix.

As we have noted throughout 2025, the pricing environment has remained rational in response to tariff-induced product cost pressures. After a significant ramp in these cost pressures and corresponding price changes in the third quarter, the fourth quarter leveled out and the inflation benefit was realized in a very consistent -- was very consistent month to month. This dynamic aligned with our expectations given the timing of the impact we have seen in tariff and acquisition costs, and we believe also reflects a stable pricing environment in the aftermarket.

We were pleased with the positive contribution to comps from ticket count growth in the fourth quarter driven by continued robust growth in our professional business, partially offset by modest pressure in DIY transaction counts.

Our fourth quarter performance in our professional business matched the consistent strength we saw throughout 2025. The value proposition we are creating for our customers is clearly distinguishing O'Reilly as the preferred partner to the professional service provider.

Next, I want to provide an update on the results in our DIY business in the fourth quarter. As we have discussed throughout 2025, we have remained cautious regarding the impact to consumers from broad-based inflation and macroeconomic pressures. This included our comments on the pressure trends to transaction counts we saw midway through our third quarter and into the beginning of Q4.

As we moved through the fourth quarter, we saw stabilization in the demand backdrop in our DIY business, including some modest improvements in DIY transactions month to month, but -- both in absolute terms and relative to our initial plan expectations for the cadence of our business.

To be clear, we still experienced some pressure that resulted in slightly negative traffic comps as we finished out our fourth quarter. This was most evident in the small subset of our DIY business that is highly discretionary in nature, including categories like appearance and accessories.

On balance, we view the current sales trends in our DIY business is pretty consistent with what we have seen for the last several quarters now. However, we are pleased to not see any heightened pressure to the consumer that would indicate a more significant negative reaction to economic conditions.

Turning to the cadence for the quarter for our consolidated business. Our results were fairly consistent throughout the quarter with December being slightly stronger than the first two months. This was due in part to a solid performance as we finished out the year in winter weather-related categories.

These categories performed well even against tougher comparisons to last year. We view this season, both in the fourth quarter and what we have seen so far in '26, as typical winter weather and consistent with last year.

Beyond the strength in our winter weather-related categories, we also saw strong results in the fourth quarter in maintenance-related categories, in line with the trends we have seen for several quarters now.

Next, I want to transition to a discussion of our guidance for 2026, starting with our sales outlook. As we disclosed in our release yesterday, we're establishing our annual comparable store sales guidance for 2026 at a range of 3% to 5%. We want to provide some additional color on how we're viewing the economic conditions in our industry and the opportunities -- and our opportunities to outperform the market.

Beginning with our industry outlook, we view the fundamental backdrop for the automotive aftermarket as relatively stable. While we believe the industry has experienced some sluggishness over the last several quarters from a more cautious consumer, we believe the drivers for demand in our industry remain very solid. There continues to be a very compelling value proposition for consumers to invest in the repair and maintenance of their existing vehicles to meet their daily transportation needs.

The US car park has seen an increase in total miles driven of approximately 1% over the last two years. We expect to continue to see steady growth in this metric supported by growth in the total size of the car park. Due to the resiliency of our customers and the nondiscretionary

nature of our business, we have confidence in a steady industry environment in 2026 even if we continue to see a cautious stance from consumers.

Ultimately, our performance this year will depend on our effectiveness in executing our business model, providing exceptional customer service, and, in turn, gaining market share. To that end, our 2026 comparable store sales guidance includes expected growth in both our professional and DIY businesses that we anticipate will again outpace the industry.

For 2026, we expect to see continued growth in average ticket values, primarily supported by anticipated same-SKU inflation. As a reminder, our 2025 results reflected a muted impact from inflation in the first half of the year before we began to pass through tariff cost increases beginning in the third quarter.

In total, 2025 saw same-SKU inflation of just under 3% on both sides of our business, and we anticipate similar levels in 2026. However, we expect to see most of this benefit in the first half of the year as the inverse of the 2025 timing as we calendar the period before the ramp in tariff costs and associated price increases.

These projections reflect our typical assumption of only modest incremental changes in prices from the current levels exiting 2025 as we move throughout the year. This assumption also reflects our best read on the broader pricing environment in our industry.

As such, our guidance expectations do not anticipate incremental changes in tariffs or subsequent impacts to the pricing environment within our industry. Given the uncertainty surrounding potential future changes in this landscape, we still expect the industry to behave rationally from a pricing perspective and only react as necessary to realize changes in acquisition costs.

Consistent with our experience in 2025, we anticipate there will be limited incremental benefit within our average ticket growth outside of inflation. However, as we begin to calendar the comparison to the ramp in same-SKU inflation in the back half of '25, we expect a return to the normal dynamics supporting our average ticket. So for the back half of 2026, we expect growth in average ticket to reflect muted inflation and a more substantial benefit from increasing parts complexity.

We anticipate average ticket growth will be the larger contributor to our projected comparable store sales performance, but we also expect ticket count growth to positively support our comps in 2026. We believe professional ticket counts will continue to be strong and will reflect incremental market share gains on this side of our business.

Given our history of performance in growing our share in the professional business, our 2026 expectations anticipate some moderation in ticket growth as we compare against the high bar we have set. However, we have been extremely pleased with our team's ability to comp the comp and stack continued professional transaction growth year after year, and anticipate 2026 will be no different.

We also continue to believe that we have substantial opportunities to earn a bigger piece of the pie in our DIY business. In 2026, we expect DIY transaction counts to be pressured and slightly negative as a result of the long-term industry trend of better engineered and manufactured parts and extended service and repair intervals, along with our continued caution regarding the confidence of the entry-level DIY consumer. Even though we have seen some pressure to transaction counts on this side of our business, we still believe we're outperforming the industry and gaining share.

Before I move on from our sales guidance, I would like to highlight our expectations for the quarterly cadence of our sales growth in 2026. On a weekly volume basis, our guidance assumes our business will be fairly steady in 2026 absent unforeseen seasonal variability in weather. As a result, our quarterly comparable store sales assumptions are primarily driven by the comparisons to the results we generated in 2025.

Based on the same-SKU inflation dynamics I outlined earlier, we would anticipate the first half of the year to generate a strong comp at the high end of our guidance range, with the back half of the year reflecting the more challenging comparisons. We are pleased to be off to a solid start in 2026, in line with these expectations, supported by favorable winter weather in January.

Now I'd like to move on to discuss our capital investment and expansion plans. Our capital expenditures for 2025 came in just under \$1.2 billion, in line with our revised full year guidance range of approximately \$150 million from 2024. For 2026, we are setting our CapEx guidance at \$1.3 billion to \$1.4 billion. The primary driver of the increase in our projected investment is centered around our planned acceleration in new store growth.

As we noted on last quarter's call, we have established a target of 225 to 235 net new store openings for 2026, an increase of approximately 25 stores over our growth in 2025. This new store target contemplates a step-up in US store openings as well as a similar growth in Mexico to the 25 stores we added in that market last year.

The increase in new store openings is motivated by our continued strong new store performance and the confidence we have in our ability to grow strong store teams and effectively execute our business model across our North American footprint.

We are also pleased to have opened our first greenfield location in Canada in the fourth quarter of 2025. We anticipate a handful of our projected 2026 new store openings to be opened in Canada as we see the early fruits from the development of our organic growth machine in this expansion market.

The second major component of our 2026 CapEx outlook is our continued investment in distribution capabilities. Our anticipated investment in these projects is expected to be down slightly in 2026, but still represent a key element of our business model and growth strategy. Brent will provide an update on our current distribution projects and expectations for '26 during his supply chain update.

Finally, our capital investment outlook includes an expected step-up in our ongoing investments to maintain and refresh the image and appearance of our store fleet as well as continued strategic investments in technology projects and infrastructure.

As I wrap up my comments before turning the call over to Brent, I want to take a moment to thank our team for their continued dedication to our customers and our company. We once again had the privilege to come together with the entire leadership team of our company at our annual leadership conference in January of this year. Our conference theme was, Built for This, and there absolutely could not have been a more appropriate rallying cry to capture the excitement we have for our company's prospects as we enter 2026.

Time and again, our professional parts people have proven they truly are the most highly-skilled and customer-focused team in our industry, and they continue to be the key to our success. We couldn't be more excited about the coming year, and I look forward to the next chapter of outstanding performance our team is going to deliver.

Now I'll turn the call over to Brent.

Brent Kirby - *O'Reilly Automotive Inc - President*

Thanks, Brad. I would also like to begin my comments this morning by congratulating Team O'Reilly on another strong year. Once again, your commitment to excellent customer service drove our performance in 2025. Today I will further discuss our fourth quarter and full year operational results and provide some additional color on our outlook for 2026.

Starting with gross margin. Our fourth quarter gross margin of 51.8% was a 49 basis point increase from the fourth quarter of 2024 and above our expectations. Our full year gross margin came in at 51.6%, representing an increase of 39 basis points over last year and in the top half of our guidance range.

Our team was able to deliver this strong gross margin performance despite facing a headwind from the robust performance in our professional business for both the fourth quarter and the full year. Our gross margin performance is the result of the collective efforts of our supply chain, store, and distribution operations teams.

Our supply chain teams, with outstanding support from our supplier partners, were highly effective in navigating the rapidly evolving cost environment in 2025 to drive improved gross margins through incremental improvements in acquisition costs and effective management of the pricing environment.

Our distribution teams were equally effective at driving efficiencies and capitalizing on our strong sales momentum. Our DC teams generated improved leverage on our distribution cost while relentlessly delivering the highest standard of service and support to our stores.

Finally, our store teams executed at a high level to maximize our value proposition to our customers. Their ability to consistently provide excellent customer service and industry-leading inventory availability enabled us to generate a healthy margin in an environment of increasing acquisition cost.

For 2026, we expect to continue to see further expansion of gross margin as we calendar our gains in 2025 and capitalize on incremental improvements to reduce acquisition costs as we progress through the year. We have established a guidance range for 2026 of 51.5% to 52%, which at the midpoint would represent a 16-basis point increase over 2025.

Our guidance reflects our continued confidence in the ability of our teams to effectively manage costs and leverage the premium value proposition that they create for our customers to generate improvements in our gross margin rate, despite expected incremental headwinds from a faster growth rate in our professional customer sales.

Our gross margin rate also reflects an anticipated benefit from the continued evolution of our business in Mexico, away from a distribution model to independent jobbers. As we continue to increase our store count in Mexico, we anticipate a continued rapid transition away from jobber sales that historically represented the majority of our sales mix in Mexico.

The reduction of these lower gross margin sales creates a mixed tailwind to our consolidated gross margin rate, but also modestly pressures our SG&A rate as we reduce the leverage benefit of these non-store sales.

From a cadence perspective, our quarterly gross margin remained fairly consistent throughout 2025, with the quarter-to-quarter differences reflecting the pace of improvement we realized as we progressed through the year. We expect a similar quarterly cadence for 2026.

As Brad mentioned during his remarks, our guidance for 2026 assumes a stable cost and price inflation environment. Our baseline assumptions include the normal puts and takes in the cost environment that we would expect in a typical year and do not include any projections for volatility related to changes in tariffs in either direction. Ultimately, we expect our industry to continue to behave rationally and have confidence in our team's ability to effectively navigate through any changes that we may encounter in the coming year.

Next, I want to provide an update on some supply chain and distribution initiatives. To start on the distribution side of our business, we are very excited to report the successful opening of our newest distribution facility in Stafford, Virginia in the fourth quarter. The addition of this DC opens up a new section of the map in the heavily populated and important untapped markets for us in the Mid-Atlantic I-95 corridor.

We're also making great progress on the development of our new distribution center in Fort Worth, Texas, and expect this facility to be operational in Q1 of 2028. This new facility will expand our available capacity in some of our most important mature core markets, enabling continued new store growth and support of increased per store volumes that have grown significantly over the last several years.

Finally, our capital investment outlook for 2026 includes dollars allocated to future expansion and development of our distribution infrastructure. Coming into 2025, we had a similar provision in our CapEx plan that was ultimately allocated to the Fort Worth project.

So while we do not currently have specific details to announce on the next slate of projects, we are steadfast in our commitment to proactively enhance our distribution network to support the store growth opportunities that Brad outlined earlier.

The success of our industry-leading distribution infrastructure is a direct reflection of the professionalism of our distribution operations teams. These leaders have proven time and again their effectiveness in planning, building, and seamlessly opening new distribution centers, often successfully executing multiple DC projects at the same time.

Moving on to inventory. Our inventory per store at the end of 2025 was \$870,000, which was up 9% from the end of last year. The investment exceeded our initial plans on a per store basis, driven by our continued opportunistic investments to support our sales momentum.

For 2026, we expect per-store inventory to increase approximately 5%, comprised of investments in hub store inventories and targeted additions in store assortments. We continue to prioritize incremental inventory enhancements to capitalize on the opportunities that we see to accelerate our growth momentum and are pleased with the productivity of these investments.

Now I want to spend some time covering our SG&A and operating profit performance for 2025 and our outlook for 2026. Fourth quarter SG&A expense as a percent of sales was 33.0%, down 25 basis points from the fourth quarter of 2024. This reduction was the product of the favorable comparison to the \$35 million charge that we recorded in the fourth quarter of 2024 to adjust reserves relating to our self-insurance liabilities for historic auto liability claims.

The leverage benefit came in below our expectations for the quarter as a result of an elevated per-store SG&A increase of 3.3%. A portion of this higher than anticipated spend reflects incremental expenses in support of our strong sales momentum, which finished the quarter at the high end of our expectations, as Brad noted earlier.

However, the larger impact driving our spend in the quarter was the broad-based pressures that we saw from continued heightened cost inflation in our self-insurance programs, including headwinds in team member health care cost, workers' compensation and general claims expenses, litigation costs, and auto liability reserves.

Average per-store SG&A expenses for the full year of 2025 were up 4%, finishing 0.5 point above our full year guide as a result of these same drivers. Outside of the headwinds that we face from these discrete expense pressures, our remaining SG&A was in line with our expectations.

Our ongoing priorities for our expense management remain focused on improving our operational strength in our stores, opportunistically pursuing enhanced technology, and further equipping our teams. As we look forward to 2026, we are planning to grow average SG&A per store by 3% to 4%.

Our SG&A expectations reflect ongoing management of our expense structure to support our core operations and lean into the sales growth opportunities that Brad outlined earlier. We have also factored in continued plans to prioritize enhancements to our hub network, development of incremental tools for our teams, and improvements in technology, infrastructure and capabilities.

Also included within our assumptions is a cautious outlook regarding potential continued pressure in the self-insurance and legal line items that created the headwinds throughout 2025. While our recent experience for these costs have been more pressured than is typical for our business, at times in our history, we have experienced similar periods of accelerated above trend increases. Ultimately, we believe the inflation growth rates for these expenses will stabilize over time, but we remain cognizant of the potential to see further pressures in 2026.

Based on the anticipated cadence of our SG&A spend during the year and how our comparisons to 2025 lay out, we are anticipating SG&A growth on a per store basis to be higher in the first half of the year than the back half of the year, consistent with the comparable store sales cadence that Brad detailed earlier. Based on our SG&A expectations and projected gross margin range, we are setting our operating profit guidance range at 19.2% to 19.7%, which at the midpoint is in line with our full year 2025 results.

Stepping back for a moment from the puts and takes that drove our operating cost dynamics over the past year and our expectations for 2026, we remain pleased with our team's ability to drive consistent top line growth at stable strong operating margins. Our focus on enhancing

our strong competitive positioning to sustain our industry-leading growth momentum is the strategic North Star that drives how we leverage our capital and operating investments to drive long-term growth and high returns.

Before I turn the call over to Jeremy, I want to once again thank Team O'Reilly for their continued hard work and unwavering commitment to our customers.

Now, I will turn the call over to Jeremy.

Jeremy Fletcher - *O'Reilly Automotive Inc - Chief Financial Officer, Executive Vice President*

Thanks, Brent. I would also like to thank all of Team O'Reilly for their continued hard work and dedication to our customers. Now we will fill in some additional details on our fourth quarter results and guidance for 2026. For the fourth quarter, sales increased \$319 million, driven by a 5.6% increase in comparable store sales and a \$94 million noncomp contribution from stores opened in 2024 and 2025 that have not yet entered the comp base. For 2026, we expect our total revenues to be between \$18.7 billion and \$19 billion.

Our fourth quarter effective tax rate was 21.5% of pretax income, comprised of a base rate of 21.8%, reduced by a 0.3% benefit for share-based compensation. This compares to the fourth quarter of 2024 rate of 19.6% of pretax income, which was comprised of a base tax rate of 20.4%, reduced by a 0.7% benefit for share-based compensation. The fourth quarter of 2025 base rate as compared to 2024 was higher as a result of the timing of recognition of certain tax credits.

For the full year, our effective tax rate was 21.7% of pretax income, comprised of a base rate of 22.6%, reduced by a 0.9% benefit for share-based compensation. For the full year of 2026, we expect an effective tax rate of 22.6%, comprised of a base rate of 23.0%, reduced by a benefit of 0.4% per share-based compensation. We expect the quarterly rate to fluctuate due to variations in the tax benefit from share-based compensation and the tolling of certain tax periods in the fourth quarter.

As we outlined in our press release yesterday, we have established our earnings per share guidance for 2026 at \$3.10 to \$3.20, which reflects an increase over 2025 EPS up 6.1% at the midpoint. This year-over-year increase in our guidance range reflects the anticipated headwind of approximately \$0.04 from the increase in our expected effective tax rate.

Now, we will move on to free cash flow and the components that drove our results in 2025 and our expectations for 2026. Free cash flow for 2025 was \$1.6 billion versus \$2 billion in 2024. The reduction in free cash flow was driven by the accelerated timing of payments in the third quarter of renewable energy tax credits that were originally planned to settle in 2026 and higher CapEx, partially offset by growth in operating income.

For 2026, we expect free cash flow to be in the range of \$1.8 billion to \$2.1 billion. The expected increase in free cash flow is driven by the inverse impact of the timing of the 2025 tax credit purchase payment and growth in operating income, partially offset by the step-up in capital expenditures Brad outlined in his comments.

I also want to touch briefly on our AP-to-inventory ratio. We finished the fourth quarter at 124%, which was down from 128% at the end of 2024 and slightly below our expectations for the end of 2025. For 2026, we expect to see continued moderation resulting from our planned incremental inventory investment, and we expect to finish the year at a ratio of approximately 122%.

Moving on to debt, we finished the fourth quarter with an adjusted debt-to-EBITDAR ratio of 2.03 times, as compared to our end of 2024 ratio of 1.99 times, driven by a modest increase in adjusted debt. We continue to be below our leverage target of 2.5 times and plan to prudently approach that number over time.

We continue to be pleased with the execution of our share repurchase program. And for 2025, we repurchased 23 million shares at an average share price of \$92.20, for a total investment of \$2.1 billion. Since the inception of our share repurchase program in 2011, we have repurchased 1.5 billion shares at an average share price of \$18.77, for a total investment of \$27 billion.

We remain very confident that the average repurchase price is supported by the expected discounted future cash flows of our business. And we continue to view our buyback program as an effective means of returning excess capital to our shareholders.

As a reminder, our EPS guidance includes the impact of shares repurchased through this call, but does not include any additional share repurchases.

Before I open up our call to your questions, I would like to thank our team for their continued commitment to the excellent customer service that drives our success.

This concludes our prepared comments. At this time, I would like to ask Matthew, the operator, to return to the line, and we will be happy to answer your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Scot Ciccarelli, Truist Securities.

Scot Ciccarelli - Truist Securities - Analyst

Good morning, guys. Thanks for the info. Based on your history, how long could we see some of these expenses, like the health care that you mentioned, continue to run above historical levels? And then related to that, if SG&A per store growth is expected to moderate in 2H, does that also imply that's the exit rate and we should expect more normalized SG&A growth as we roll into '27? Thanks.

Jeremy Fletcher - O'Reilly Automotive Inc - Chief Financial Officer, Executive Vice President

Hey, Scot, this is Jeremy. Thanks for the question. I'll probably take the second one first here. I don't know that any of us would feel super comfortable talking at maybe to where exit rate would be and how we would think about how we would view 2027.

Outside of maybe how we would just think in a normal environment, the the structural pieces of where we've been managing spend within our business where we feel good about the efficiency of how we're attacking taking care of customer service and managing all the core day-to-day expenses.

And then also have been pretty pleased with the places over the course of between '25 and really the last few years where we've seen opportunities to lean into our business and, I think, equip some things that really help to drive that differentiation that helps us gain share and drive our sales momentum.

In terms of the first part of the question around the cadence, the timing of that, it's a little bit hard to completely troubleshoot that. I think you heard in Brent's comments that we're still cautious for what we've seen there. The pressure that we've seen, candidly, I think, has persisted longer than we would normally expect and has been a little bit of a story of increases on top of increases that we thought were already pretty dramatic.

And so we do have a little bit of a cautious posture for that, for how we think about 2026, and in particular as we think about the first part of the year where we're not against as easy of comparisons because of the pressure that really came in over the last, I guess, half of 2025.

We understand, at some point, the base of that cost slowly builds up, and we expect it to moderate and stabilize over the course of time. But there's still some cautiousness, I think, as we approach how we think about that in 2026. And so that's why you see a little bit of a balanced approach to how we thought about what that spend looks like as we move through the year.

Scot Ciccarelli - *Truist Securities - Analyst*

Any other line items we need to be thoughtful of, just for modeling purposes?

Jeremy Fletcher - *O'Reilly Automotive Inc - Chief Financial Officer, Executive Vice President*

Within SG&A, Scot?

Scot Ciccarelli - *Truist Securities - Analyst*

Yes, correct.

Jeremy Fletcher - *O'Reilly Automotive Inc - Chief Financial Officer, Executive Vice President*

Yeah. So I mean, I think the component pieces that we talked about there, for sure, the pressured items, things I think that were different than what we expected as we move through the back half of 2025 are those self-insurance items.

But we continue to, I think, see, and you can see it on our cash flow, seen a pretty heightened growth in the depreciation run rate that we've had. That's the key to the CapEx and all the places that we're continuing to invest within our business. I think those are the areas.

And then, for sure, a component piece of how we think about what we're managing and moving forward with and how we're deploying, I think, some tools within our businesses, the technology spend, that continues to be, I think, an important initiative for us.

Scot Ciccarelli - *Truist Securities - Analyst*

Got it. Thank you.

Brent Kirby - *O'Reilly Automotive Inc - President*

Thanks, Scot.

Operator

Steve Forbes, Guggenheim.

Steven Forbes - *Guggenheim Securities LLC - Analyst*

Good morning, everyone. Brad, trying to think through the Virginia DC opportunity a little bit more. So I was hoping if you could maybe help frame up how you guys are planning to build out the hub network and thinking through capacity build behind Virginia.

So I don't know if you can provide any color on the mix of stores that will be serviced from Virginia in the 2026 class. I'm really just hoping any color on gauging just how aggressive you guys are going to get exploring the Northeast and the East Coast corridor.

Brad Beckham - *O'Reilly Automotive Inc - Chief Executive Officer*

Yeah, absolutely. Steve, thanks for the question. Great one. Yes, we couldn't be more excited about the launch of our new DC. We have an unbelievable leadership team there in Stafford. That's a very large regional distribution center for us that kicked off with maybe one-third of its capacity roughly that transition from other distribution centers on the periphery of that area, from Greensboro, North Carolina, from the Ohio side.

Not much leverage to the north with our DC that sets up in Boston. But we -- I would like to talk about the fact that, depending on where you draw the line there in the upper Mid-Atlantic, between Virginia and getting all the way through to New York City, you can almost come up with one-third of the population of the US and all the vehicles to go along with it, all the market share to go along with, though you obviously have a lot of tough competitors, large and small.

But we look at really the way that we're going to store that market really no different, Steve, than we look at any other expansion market. We're going to be -- our real estate teams are getting after that market, not only from a greenfield perspective, but also from a potential acquisition perspective. You've heard us talk about the Salvo acquisition of those seven stores in that Baltimore, Maryland market.

And really the whole key to that distribution center, besides the five night-a-week replenishment that we can service out a couple of hundred miles, is that model where we have well over 150,000 SKUs, once you build that DC out once you build out the store network that will service not only overnight, but we'll service that greater Washington, D.C. market, basically every hour in that greater metro area, which provides just an unbelievable advantage over most every competitor we have, if not all of them.

And then backfill that with our hub-and-spoke model, no different than we have in any other parts of the country. Knowing there's a lot of traffic, a lot of cars in that market, we're going to make sure that all those runs from that city counter out of that DC as well as any hub stores, we're going to make sure that it's absolutely appropriate for that market share that we know we can go get.

And the thing I would tell you in terms of how that plays into the population that we'll bring in, in '26, it will still be -- our new store cohort for 2026 will still be, even with Virginia, will still be really spread out over the US. When I think about the ability that our team has given us, from Brent to the entire supply chain team, as we've opened these DCs, we've opened up capacity not just in one or two DCs.

For example, in our network, we don't just have capacity, now that we've opened Virginia in Greensboro and outside Akron, Ohio, out there in Twinsburg, we actually, when you lever those DCs, you end up leveraging next layer South and East and back West. And so that enables us to have backfill markets the same in a lot of our core, more mature markets.

So even though we're really excited about the Stafford footprint itself in the next many years of progress, our '26 new store cohort will be still evenly spread over a lot of new and existing markets.

Steven Forbes - *Guggenheim Securities LLC - Analyst*

That's super helpful. And maybe just sticking with that a little bit and bringing it back to the expense growth profile, I think some of us, maybe myself, for sure, thought there could be some pressure as you build out the field to support the initiatives behind the expansion in the Northeast and the East Coast corridor, whether it's district managers, right, or dedicated commercial calling account staff.

Is that a pressure in 2026? Like is there some demerge coming from field build out? Or is it more methodical and you're expecting the productivity to be onboarded that neutralizes the field buildout initiative?

Jeremy Fletcher - *O'Reilly Automotive Inc - Chief Financial Officer, Executive Vice President*

Hey, Steve, this is Jeremy. It's a really good question. And I would tell you that our model always, I think, is predicated on that organic growth coming at some cost from a leverage pressure perspective. I mean, we have that, I think, component piece every year. Some of it is for the types of infrastructure things that you talk about there.

But some of it is just those are going to be the least productive stores when you bring them on. So to the extent that we've seen a little bit of an acceleration, I think, more broadly there, that's part of how we think about the broader cost structure.

In terms of just the -- how we think about building that infrastructure, I don't know that even within the Virginia DC, that incremental growth is all that different than what we would look at and see in other parts of our business. Maybe the only nuance there that I call you to is we've really got a growth machine operating in three different countries right now.

And some of the, I think, initial stages of building out that muscle in Mexico and Canada have included a little bit of what you're talking about there, where there's some maybe a little bit less efficiency in how we think about some of that growth because, looking at a company like -- or the growth that we're having in Canada right now, some of the infrastructure we're building for the first time, how do you go out and get after finding sites and being able to build that construction muscle.

So there's a little bit of, I think, that, that plays into our guidance. But by and large, it's mostly just how our flywheel was built.

Steven Forbes - *Guggenheim Securities LLC - Analyst*

Helpful. Thank you.

Jeremy Fletcher - *O'Reilly Automotive Inc - Chief Financial Officer, Executive Vice President*

Thanks, Steve.

Operator

Michael Lasser, UBS.

Michael Lasser - *UBS AG - Analyst*

Good morning. Thank you so much for taking my question. So your initial guidance for this year at 3% to 5% is 100 basis points higher than you guided originally for the outset of 2025. Is the only difference this year versus last year the visibility you have into inflation and like-for-like pricing? And is that -- if that's the case, what's the prospect that if tariffs are rolled back, there could be broad-based deflation moving through the year in the industry?

Jeremy Fletcher - *O'Reilly Automotive Inc - Chief Financial Officer, Executive Vice President*

Yeah. Good morning, Michael. Thanks for the question. I think it's a good observation. And as we sit here, I guess at the beginning of 2026 relative to where we would have been last year, we do, I think, fundamentally have a different pricing assumption built in. You're aware of what our historical prices is there, that we don't spend a lot of time and energy trying to predict those types of changes moving forward when we set our initial guide.

And even this year, I think what we've put in front of all of you is I think consistent with that idea that we're not trying to forecast a lot of different changes in the overall price levels, but we know that we will calendar this benefit that we've seen.

The second part of your question, I can start there, and Brad and Brent might want to jump in behind me on this, but historically, I think our industry has been pretty disciplined and pretty rational in hanging on the prices once we pass them through. When you think about the large amount of the business that's done on the professional side, where you're in your customers' businesses on a weekly, on a daily basis, and you're having to talk through those conversations, those are pretty hard one pricing increases.

And over the course of time, you know that even if there is some, I think, relief from a cost pressure perspective, it's typically temporary, you'll see it fill back in as you roll forward and you don't want to have a lot of volatility in how you approach that from a customer perspective.

Ultimately, we'll see. We'll be priced competitively for the market. We think a behavior, actually, we think we can earn a premium, gross margin premium, for how we take care of our customers and execute our business and the value that we create. And so we think that that holds out well. But ultimately, we'll just have to see where the market goes on it as well.

Brent Kirby - *O'Reilly Automotive Inc - President*

And Michael, this is Brent. I would add just on the tariff rollback front. I know that question is hanging out there. But we still believe that there's an environment out there with the administration that's focused on tariffs. And whether the first method worked, we feel like there's other levers that can be pulled.

And we -- as Jeremy said, when we think about the outlook for '26, we're assuming what we know now, and we'll see where that goes.

Michael Lasser - *UBS AG - Analyst*

Okay. My follow-up question is you're starting out the year with an assumption around 3% to 4% SG&A per store growth. Over the last few years, you've under-calculated or the growth rate has been a little hotter than what you had initially expected. What's the risk that the same scenario plays out this year? And we are seeing a similar amount of elevated growth in SG&A from another player within the industry.

So to what degree is this just a function of the competitive environment, cost of doing business going up, and we should not be expecting this to moderate over time?

Jeremy Fletcher - *O'Reilly Automotive Inc - Chief Financial Officer, Executive Vice President*

Yeah. No, it's a good question, Michael. And I think it's important, I think, for us to probably start where you started in talking about how has this looked over the last few years. Because I think that the story for what we see maybe in the last six months of 2025 has been a little bit more discrete for us, I think, at least relative to our expectations and where we've seen a little bit more heightened inflation from items that are obviously a core part of how we have to run our business but are a little bit harder to control and are not some of the elective things we've done.

When we think about some of the rest of where we've managed our overall cost structure over the last, call it, two, three, maybe even four years, a lot of that has been a little bit more predicated upon where we feel like we've seen opportunities to lean into our business, to prioritize certain actions and steps that we think have been effective.

And that in and of itself, I think, has moderated a little bit as we've moved year to year. And we would tell you that we feel pretty good about how we go to the Street every day and the proposition we have. It doesn't mean that as we move to this year, we won't see additional places and opportunities.

But some of what I think you've heard us talk about and what's been built into our model for, I think, a long time, but are also areas where we've leaned into the business a little bit more, are things like our hub store investments and how we think about the distribution capabilities and leaning into those as our sales momentum has supported that.

So those are always, I think, on the radar screen for us. Those have been very opportunistic types of moves. We think that they have been productive in allowing us to contain -- to drive the sales momentum. And I'm talking about over the last several years. And so I think that's important.

I don't -- as we sit here today, I don't think that that's contributing cause that industry-wide desk is now a different table stakes. We think that those are things that yield a positive benefit to us as we've moved.

As we think some of the other items, we talked about it, I think, already in the prepared comments and in the first question, I think we're cognizant of the fact that it could be pressured. Hopefully, we see that stabilize and it's less of a concerning item. But ultimately, we'll just have to see how some of those other items play out.

Michael Lasser - *UBS AG - Analyst*

Thank you very much and good luck.

Jeremy Fletcher - *O'Reilly Automotive Inc - Chief Financial Officer, Executive Vice President*

Thanks, Michael.

Operator

Greg Melich, Evercore ISI.

Gregory Melich - *Evercore Inc - Analyst*

Hi. Thanks, guys. I wanted to follow up on some of the softness and cautiousness that you've talked about from the consumer. I think you mentioned in the last call that you saw some potential DIY deferral. How do you see that trending? It sounds like maybe a little better as we got into the winter? And then historically, linked to that, how did tax refunds were elevated historically impact both the DIY and do-it-for-me side of the business?

Brad Beckham - *O'Reilly Automotive Inc - Chief Executive Officer*

Yeah. Hi. Good morning, Greg. It's Brad. Great question. I'll start out here and let the other guys chime in. So yeah, as you know, these last couple of quarters, specifically last quarter, we had, really for the first time, talked about seeing some pressure to some of the larger ticket jobs, which was, again, the first time we've seen that in more of the failure and maintenance categories. We've seen it for a longer period of time with discretionary stuff.

But really Q4 (technical difficulty)

Are you still there, Greg?

Gregory Melich - *Evercore Inc - Analyst*

I am. I just -- I lost you for a second, Brad.

Brad Beckham - *O'Reilly Automotive Inc - Chief Executive Officer*

Okay. But yeah, so just wrapping up on that point, Greg. We -- it was really similar to what we saw last quarter on the larger ticket jobs, et cetera, though we did see some pretty good signs there in December as some of the winter weather started to kick in and things like that.

But generally, overall, Greg, I think we would categorize the consumer very similar to what we have. Still cautious, still watching expenditures and things like that with heightened inflation across homes and everything they do, but we continue to be cautiously optimistic at the same time with the resiliency of our business, the nondiscretionary nature.

And then really coming into tax time, to the second part of your question, every tax season is a little bit different. It's normally a busy time for us. I think it's still yet to be seen as much positivities there's been on just what those dollars could actually look like. We still want to wait and see just how that really plays out across the different income levels. We obviously have a very low income to middle income DIY consumer and then a middle income to higher income, DIFM consumer.

And so again, we just have to wait and see, weather overall has been pretty conducive to business, and we're right all over the tax season here, so we'll see how it plays out.

Jeremy Fletcher - *O'Reilly Automotive Inc - Chief Financial Officer, Executive Vice President*

Yes. And just to jump in, in case it cut out for anybody else, I think just to summarize where Brad was at on the initial part of your question. Saw that, some of what you talked about in third quarter as we moved into fourth quarter, continue, I think, to see similar dynamics. They didn't accelerate from there. And I think as we moved through the quarter, we saw a little bit more of a leveling out, to the point that we feel a little bit more like what we're seeing in the DIY business is more consistent with what we've seen over much of 2025 and 2026.

Brent Kirby - *O'Reilly Automotive Inc - President*

In addition to what these guys have already said is -- they've outlined pretty well what we see. The other thing is though that we still saw what we feel like we're pretty substantial share gains on both sides of the business even in the quarter. So we feel like we're well positioned or a challenging environment as well as a less challenging environment.

Gregory Melich - *Evercore Inc - Analyst*

Got it. And then just a clarification, the 600 bps of same-SKU inflation, if average ticket would have been up, say, 4% to 5% because you had fewer items of basket and mix, is that a fair way to summarize 4Q?

Jeremy Fletcher - *O'Reilly Automotive Inc - Chief Financial Officer, Executive Vice President*

Yes, that's correct. It's a little bit more of the mix of the basket than it is the pressure on items in basket, although there's a little bit of that there. Part of the mix question too is just the normal differences and how different component pieces of the basket performed. We had a lot of the maintenance types of categories that did really well in the quarter, that are typically a lower ticket or a lower basket size type of transaction. So there's a little bit of that dynamic that's got -- that's probably just the normal course of how mix can change quarter to quarter.

Operator

Zack Fadem, Wells Fargo.

Zachary Fadem - Wells Fargo Securities LLC - Analyst

Just want to clarify on the comp guide, maybe asking in a slightly different way, is we do have a couple of feet of snow on the ground, we've got mid-single-digit inflation and largely expect a bigger than typical tax refund season. So I just want to understand, like to what extent you are or are not incorporating these factors in your 3% to 5% guide?

Brad Beckham - O'Reilly Automotive Inc - Chief Executive Officer

Yes. Zach, thanks for the question. Yes, we always say around here, we're much better selling auto parts and focus on what we control than we are predicting the future. But we spend a lot of time on this plan and feel really good about where we've landed, balancing out the opportunities with still yet some cautiousness on the consumer.

So I think generally, I think, again, still yet to be seen on how weather plays out over a longer period of time. While we did have some good winter weather, to your point, here in the first part of the year, which really in our industry, the almost 30 years I've spent here, the extremes, long, tough winters and hot, hot summers, obviously play out well for us over a long period of time. That said, there can be a lot of puts and takes in the short term with weather. Some of the weather that's hit some of our southern markets doesn't pay off in the mid to long term near as much as it does when the snowplows are on the road hard and heavy for months on end, in some of the northern markets. So some of those can be a little bit of a takeaway, and we'll just have to see if that really plays out beyond what it does in the next couple of months.

But generally speaking, Scot -- or Zach, again, we feel really good about our guidance, feel good about what we can control this year, but also still have a certain amount of cautiousness with all the pressure on the end consumer.

Zachary Fadem - Wells Fargo Securities LLC - Analyst

Got it. And then as you think about the margin good guys and maybe bad guys in 2026, at the gross margin line, maybe we could talk about magnitude of supply chain and distribution tailwinds, on the do-it-for-me mix drag offset by Mexico potential benefit. And then when you think through just the impact of health insurance and all these other factors, how long or to what extent are you incorporating those elevated levels as you think through 2026?

Jeremy Fletcher - O'Reilly Automotive Inc - Chief Financial Officer, Executive Vice President

Yes. No, great questions. I'll try to make sure we hit on all the points that you asked about there. We think about the gross margin, I guess, dynamics as we move through the year within the context of how we think about the range of our gross margin. The magnitude of, I think, any of the individual drivers that are puts and takes either way are not as large as even that range.

So we're talking about items that are typically 10 to 20 basis points, maybe a little bit higher than that in each of the pieces. But for sure, a decent size, I think headwind from the professional business is growing as fast as it did, particularly if you look at the third and fourth quarters where that was heightened.

But on the positive end, I would tell you, both, I think, positive drivers, I think the acquisition cost improvement is a little bit a larger piece of that than what we saw on the distribution side, but I think also meaningful efficiencies from a distribution perspective.

Now when we look at just how that lays out for next year, I think knowing the gains that we've had this year and the opportunity to calendar those, we feel good about what our gross margin outlook is last year, I think more cautious of what we're going to be able to gain there than what we saw in 2025, which is, I think, a great gross margin year for us really on both of those, I think, positives that you look at.

And then just the changing evolution of the Mexico business is a help for, it's probably 4, 5 basis points than it is a big change, but it's [adopted] that moves us.

In terms of the question around how we're thinking about the cautiousness of pressure, that is, I think, on the SG&A side, for some of the types of costs that I think have [hit] us here in the last couple of quarters, we do think that that's more heightened in the front half of the year. Brent mentioned that in his prepared comments, I think as much as anything because the comparisons get a lot easier as you move into the balance of the year.

But we do expect that as we think about the year plays out for our SG&A guide, that we would see more pressure from a dollar perspective on per store growth in the front part of the year, particularly first quarter, than we would see imbalance for the full year. Now that does match up with how we think about the sales cadence as well that we talked about I know quite a bit on the call already this morning. And so we probably land in a place that's, from a leverage perspective, it's a little bit more consistent quarter-to-quarter for our expectations of operating profit leverage, SG&A leverage. But for sure, the thought process of how the dollars play out is going to be more pressured in the front part of the year.

Operator

Brian Nagel, Oppenheimer.

Brian Nagel - Oppenheimer & Co Inc - Analyst

This is Brian Nagel. I'm going to go back, I know we discussed it a lot, but just the SG&A and SG&A per store guidance for '26. The question I want to ask is we've been talking about these elevated expenses for a while. As you look beyond '26, given that -- how persistent these expenses have been, I mean, are you starting to identify more aggressively levers that could be pulled, to the extent these pressures continue, that internally O'Reilly can start to manage these costs better?

Jeremy Fletcher - O'Reilly Automotive Inc - Chief Financial Officer, Executive Vice President

Yes. No, it's a great question, Brian. And interestingly, not -- I think not new questions. I think part of what we've experienced over the course of the last year, and the things that Brent lined out, some of the self-insurance cost pressures, those types of things around how we manage our vehicle fleet and team member expenses around health care and workers' comp, those types of items, it's been a big -- it's a big focus, a big part of how we run our business has been for a long, long time. And I think part of what we're running up against is it's been a pretty tightly and effectively controlled part of our cost structure for a long time.

And so we've had some exposure that -- as inflation has really rolled in, and we've seen it that we do have, I think, a lot of easy and quick levers to reduce what's something that has always been a key management item for us.

Having said that, However, so many of these items are key items in stress and priority. And some of the things that we talk about from a technology perspective are things that we want to lean into to help us to manage safety and how we manage the overall value and what we're able to deliver from a team member benefits perspective. And so those things continue to be important pieces for us to manage and will be things, to your point, at a -- you'll get a high level of attention. But they also have always been, I think, important parts of how we think about managing our business well. And so that's right -- I think the right outlook for you.

But over the course of time, I think that gives us some confidence that not only does the market slowdown and the inflation environment normalize a little bit there, but that we'll continue to work hard to do everything we can and mitigate that pressure.

Operator

Steven Zaccone, Citi.

Steven Zaccone - *Citi Infrastructure Investments LLC - Analyst*

I want to follow up on the same-SKU inflation. So can you just help us understand the cadence of the year in a little bit more detail? Will the first quarter be similar to the level of same-SKU inflation that you had in the fourth quarter? And then someone asked earlier about this hypothetical tariffs are reduced. How would that impact you from a timing of inventory perspective, right?

If costs come down, would that more likely be like a second half of '26 phenomenon at this point?

Jeremy Fletcher - *O'Reilly Automotive Inc - Chief Financial Officer, Executive Vice President*

Yes, Steve, thanks for the questions. I think on the first part -- and Brad talked about the -- how we think about inflation cadence in his prepared comments. It's really mostly a function of what are we comparing it against and what do we see in 2025? Remember, first quarter was pretty muted in inflation. I think it was maybe 0.5 point.

So we would expect to see a similar level of same-SKU. We'll ultimately have to see how it plays out. Some of that can be impacted by just the mix of things that you sell, too, in terms of the magnitude of some of those cost changes.

But when we think about where price levels sit now and understanding that the turn of that same-SKU benefit will benefit us more in the first half than the second half, that's the thought process. As we start to move up against periods where we realized a benefit in 2025 on a -- think about it on maybe a stacked basis, you're going to have similar results, but the declining benefit as you move through the next year.

What was the second part of that?

Brent Kirby - *O'Reilly Automotive Inc - President*

Tariffs.

Jeremy Fletcher - *O'Reilly Automotive Inc - Chief Financial Officer, Executive Vice President*

In terms of how we think about the tariff impact flowing through from a cost perspective, that's, being a LIFO reporter, and we've been, I think, pretty straightforward over the course of the of the last few years in just talking about what we see reflected in our gross margin results and our cost of goods sold line, is more akin to what the current costs look like. So to whatever extent that we see cost reductions, they typically will show up pretty quickly within our gross margin results. And so that's the right way to think about that tariff cadence that we might see in 2026, again, with I think the note that Brent made earlier that we anticipate a pretty stable environment there. We might see some changes, but ultimately think that there are other methods by which the administration will have to execute what they want to do from a tariff landscape.

Steven Zaccone - *Citi Infrastructure Investments LLC - Analyst*

Okay. Then the follow-up I had, was asked earlier about growing within the Northeast. Can you just help us understand where you are from a market share perspective maybe DIFM in like the Mid-Atlantic and Northeast, versus where you are from a market share perspective in some of your mature markets? How do you see the pace of that sales lift happening over the next couple of years now that the DC is opening and then probably more to come?

Brad Beckham - *O'Reilly Automotive Inc - Chief Executive Officer*

Yes. No, great question, Steven. Well, the good news is with us and our industry, if we work in this \$170 billion industry, we have roughly 10% share, so surprisingly -- maybe surprisingly, maybe not so much for others. Even when you look at our most mature markets, it's not the difference in having a 5% share and 50%. It's -- even when I look at our business here in Missouri or Oklahoma, Kansas, Arkansas, down in Texas, we still have so much market share to go get. And so the differences aren't near what you might think.

Now we've operated in that core of the Mid-Atlantic, the Carolinas up into Virginia, southern part of Virginia, like the Roanoke from the west over to Richmond, over the Virginia Beach, we've been in those markets for many, many years. They were just more on the edge of where Greensboro would effectively service. And so those markets, along with the North Carolina type market, we would be a little bit more mature, but still immature overall. It would be a lot closer to our average 10% share, than it would be some dominant position in terms of big percentage.

And so we don't necessarily disclose by market what our penetration is, but the markets that, as you get up into Northern Virginia and you look around the D.C. Metro and you look at Baltimore and, obviously, as you get into Philly and New York, we don't have any presence. And so it would be a 0 and all opportunity for us. But really, all of that is going to depend on our ability to execute our business model, do well on both sides of the business. And all that happens only by building really great teams at the store level, the sales force, all those things.

And so we still have a tremendous opportunity in the market, but we still have a tremendous opportunity from a share perspective even in the most mature markets.

Operator

We have reached our allotted time for questions. I'll now turn the call back over to Mr. Brad Beckham for closing remarks.

Brad Beckham - *O'Reilly Automotive Inc - Chief Executive Officer*

Thank you, Matthew. We would like to conclude our call today by thanking the entire O'Reilly team for your continued dedication to our customers. I would like to thank everyone for joining our call today, and we look forward to reporting our first quarter results in April. Thank you.

Operator

Thank you. This does conclude today's conference call. You may disconnect your phone lines at this time, and have a wonderful day. Thank you for your participation.

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