O'Reilly Automotive (Analyst Day 2026)
September 17, 2026

Corporate Speakers:

- Brad Beckham; O'Reilly Automotive; Chief Executive Officer
- Leslie Skorick; O'Reilly Automotive; Senior Director of Tax & Investor Relations
- Brent Kirby; O'Reilly Automotive; President
- Jason Tarrant; O'Reilly Automotive; Executive Vice President of Store Operations and Sales
- Jeremy Fletcher; O'Reilly Automotive; Executive Vice President and Chief Financial Officer

Participants:

- Brian Nagel; Oppenheimer; Senior Analyst
- Michael Lasser; UBS; Wall Street Analyst
- Steven Zaccone; Citi; Wall Street Analyst
- Greg Melich; Evercore ISI; Senior Managing Director
- Kate McShane; Goldman Sachs; Managing Director
- Unidentified Participant; Unknown; Unknown
- Steven Forbes; Guggenheim Securities, LLC; Senior Managing Director
- Simeon Gutman Morgan Stanley & Co LLC; Equity Analyst
- Christopher Horvers; JPMorgan Chase & Co; Senior Analyst

PRESENTATION

Leslie Skorick^ Good morning, everyone. Welcome to the 2026 O'Reilly Analyst Day. For those that I do not know, my name is Leslie Skorick, Senior Director of Tax and Investor Relations. It's great to see everybody. It's been wonderful getting to know you over the last couple of years. We appreciate your continued interest in our company.

I will start the day with our forward-looking statement, which you can see on the presentation and on the webcast. Not going to read this, but we do claim the protections under the Private Securities Litigation Reform Act of 1995, all information provided today will be in relation to our most recent public earnings release, which was June 30th, 2026.

We will not provide any new outlook or updated guidance. This is a chance for us to talk to you about our company and provide opportunities for you all to ask our management team questions and to see our facilities here in Atlanta. The schedule for today will be about an hour of prepared remarks. At that time -- after that, we will do question and answers. Eric and I will walk the room, so just raise your hand as you have a question. At 10 o'clock, we will end the webcast. When we end the webcast, we're going to do just a really brief overview of the DC Tour and the rest of the day. We're going to break into two groups this year just so everybody can hear a little better on the DC Tour and stay a

little closer. So one group will go to the store that's attached to the DC. The other group will go into the distribution center and then we will swap.

After the tours, probably around noon, we'll reconvene in here for lunch. At 1 p.m., the shuttle buses will leave for the second store where management will give an additional tour. At 2 p.m., the shuttle buses will leave for the airport. In order to keep us moving, I just want to briefly talk about a couple aspects of our culture. These events are a great way to showcase O'Reilly teamwork and dedication. The teams at this DC, in this store region, and in our corporate office have all put in a tremendous amount of extra time to allow us the privilege to be here today.

This event is very outside of the jobs of these teams in that they perform each and every day to ensure the continued success of O'Reilly Auto Parts, but all have stepped up to ensure that you walk away knowing what a special company we have here. That support makes all the difference and will be on display as you interact with the teams throughout the day. I'm now going to hand the presentation over to Brad.

Brad Beckham^ Okay. Good morning, everyone. Thank you, so much, Leslie. A lot of you've heard us say this over the years, but we start every meeting at O'Reilly with a culture statement. We never allow ourselves to open up a meeting, a session, a huddle, without talking about the company culture. And we know a lot of companies talk about culture, but I think for a lot of you that have studied us for a long time and been involved with our story, you realize that sometimes there's something a little bit different about O'Reilly.

And I assure you, before you ever get to differentiators of our distribution centers, our hub stores, superior product availability, proprietary brands, our focus on a 50-50 dual market strategy, way before that is the foundation of the company culture that our founders back 70 years ago, almost this year, founded. So from 1957, the O'Reilly family, our original 13 team members, they founded that culture. It wasn't until 1998 that we actually documented the culture.

A lot of you that have known our story for a long time, know that we acquired Hi/LO Auto Supply back in 1998, doubled the size of the company, went from 200 stores to almost 400 overnight. And that was a pivotal point in my career a couple of years after I started. And we had somebody, a friend outside the company that said to the O'Reilly family and the management team, you know what, y'all have something special here.

You have something very special. And as you go on to double the size of the company, you better document it. You better really think about the foundation and the culture values and all the things that got you fro m basically being a warehouse distributor in the '50s, '60s, and '70s on into 1978 and the 80s when we defined our dual market strategy.

You better define it. And that was great advice to us. And that's actually the year that we founded, really documented the company culture. But I always remind everybody that our culture didn't start in 1998. It started in 1957. And we're going to talk a lot about that

today. There's a lot of components of the O'Reilly culture, but it is missed sometimes, I believe, especially with the investment community at times, how important our promote from within philosophy is to what we do every day. This is a pretty blue-collar industry. You think about men and women that grew up in parts stores.

They grew up turning wrenches, turning bays, getting grease under their fingernails, working the parts counter, helping professional shops get a car off the rack, working with professional technicians, working with service providers, service riders, shop owners, and obviously hardcore DIY customers. When you grow up like I did and so many of us did in the auto parts business, you really want somebody at the district manager level, the regional director level, the division vice president level, that has really stood in your shoes. And it's missed sometimes, I feel, how strong our promote from within philosophy and promote from within culture really is.

And I'm sure a lot of people talk about that, but you really, you think about our company. You know, I started 30 years ago last week. I had the privilege of celebrating my 30th anniversary with the company last week.

And when I look back on my career and you think about a young man that started 17 years old, sweeping floors and stocking shelves when the company had 180 stores back in 1996 and had the opportunities that I've had, it's just an incredible, really an American success story. It's the American dream. And I think it's missed sometimes that when the O'Reilly family took the company public back in 1993, the easiest thing for the O'Reilly family to do would have been to hand the business off to a fourth and fifth generation.

That would have been, kind of what a lot of companies have done. A lot of the WDs, the independents, the two-steppers that still exist today are still family businesses. But a lot of people don't realize the O'Reilly family had a vision. They had a vision for all of us and they had a vision for the company. We're going to take the company public. We're going to tap into capital markets.

We're going to take this unbelievable dual market strategy company, superior product availability, professional parts people, and we're going to let our kids -- we're going to actually discourage our kids from coming in the business. We're going to let them go to school, go do what you want to do, because they believed, and they would tell you today.

They love their kids very much, but they would tell you today that they had a belief that if you handed the business off to a fourth and fifth generation, at some point you have a generation that takes the company for granted and doesn't really know what's what equity went in in the first few generations of the company. And so, they wanted to tap into capital markets and they wanted to do it virtually 100% promote from within.

And so, they had a vision for all of us that you will meet in this room today. So many of us that grew up with this company. And for that, we just have an unbelievable amount of ownership in this company, and not just for 2026, but for the next couple of decades. So as you look at the tenure on this page, I want you to not only think about the tenure, but I

want you to think about, I would ask you to think about the respect and the credibility and the ownership and the extra want that you generate in 95,000 people, 95,000 team members, 70,000 of those team members in the stores.

I don't have time to highlight everybody on this page. You know the executive team, you know a lot of leaders, you'll hear from a few of our other leaders, but a couple that I want to highlight when you go out in the stores today I hope everybody has the opportunity to hit both stores. But when you think about the fact, and maybe not everybody in this room has heard us say this, most of you probably have, but for 6,700 stores or roughly 6,500 in the U.S., we have roughly 660 district managers. And those men and women oversee about 10 stores a piece, some are eight, some are 12. Of 660, 660 of those men and women, 100% of those men and women ran a successful O'Reilly store. We have never hired one of those jobs in the company history and we never will.

There's not a lot of absolutes in business, but as long as we're around, that'll always be the case. A 100% of our district managers ran a successful O'Reilly store. We have roughly 78 regional directors that oversee all these district managers that run roughly 100 stores a piece. Seventy-eight of the 78, not only ran a successful O'Reilly store, they ran a successful O'Reilly district, 100%.

We have 14 division vice presidents. One of them is in this room today you'll have an opportunity to meet later, Patrick Courtemanche, started with the company 21 years ago. I knew him when we hired him here in Atlanta. I was living here in Atlanta, responsible for our Eastern expansion. Started 21 years ago, entry level, now runs a division for us. Fourteen of our division vice presidents, 100% of them, ran a successful O'Reilly store, district, region, and now division.

We have four senior vice presidents of store operations and sales. Hope you pick up on the theme here that report up to Jason Tarrant. All four of those ran a successful O'Reilly store, district, region, division, and now area. And obviously myself and Jason Tarrant all ran a store in every rank in between. And so, we feel in retail and in our industry, that is incredibly, incredibly special. And I ask that while you focus on what are those little nuts that O'Reilly screws down, supply chain, all these different things that you do not pass up, the fact that the thing we're going to highlight most today is our people.

Our culture and our promote from within philosophy. So we're very proud of that. And it's the same thing on the distribution side. You're going to meet some of our distribution leaders today. We basically have two vice presidents. One of them is in the room today Dave Leonhart. We have two vice presidents of distribution. One oversees the East, Dave Leonhart that you'll meet today. One oversees the West; Bryan DeLong oversees the West.

Both 30-plus year guys with the company. And back to the theme, Dave and Bryan that oversee distribution, ran a successful O'Reilly distribution center, a successful O'Reilly distribution region. And now they're the two vice presidents that oversee distribution operations. And even with Dave Leonhart, again that you'll meet later on today Dave

Leonhart is not a distribution guy by trade, so to speak. Dave's a parts guy. Dave started, when I started with the company, Dave was one of our people in the back of the store that deals with our professional customers.

Dave actually worked at a small independent Napa store before he worked for O'Reilly. So has a few years of experience beyond the 31 on this page. And Dave came in as a parts guy for us and then ran a store and then ran a district and then had the opportunity to go learn the craft of distribution back in the day in Oklahoma City.

And so, selling parts and relating to the people that we report to every day which is our frontline team members and our customers, we understand this business so very well. And that may seem a little bit intangible, but the way I would kind of sum up this page, and I don't want this to come across egotistical or arrogant, but when you have a company that is built all the way up to myself with people that have stood in the shoes of every one of our store team members and every one of our distribution team members, when it comes to taking share and out hustling and out servicing the competition and going the extra mile and having that extra want, I always kind of joke that not because of anything Brad's done at O'Reilly, but because all of our team members know that I've stood in their shoes before and Jason stood in their shoes and all the men and women that you'll meet today have stood in their shoes.

If we all told them tonight that we all need to load up a helicopter and we need to go overseas somewhere and we're all going to parachute out and we're going to go implement O'Reilly somewhere else, they're not going to ask, well, I don't know, I got a family event, maybe I can go, maybe I can't. They're going to say what time do I need to show up at the airport?

Because they know the mission and that's to be the dominant auto parts supplier in all our market areas. If times get tough, if there's adversity, if there's a tough economic condition, if there's higher gas prices, if there's all these things that we talk about that we can't control, here at O'Reilly, when those things hit, our team, they want to do it for us. They want to get in there. They want to dig hard. They want to be the next district manager. They want to be the next regional director.

Oh my gosh, I promise if Brad can be our CEO, I bet we can too. They all know us pretty well. So it's a pretty incredible culture and I think it's really highlighted here. One of the other things I want to talk about, so Brad, you talk a lot about promote from within. Here at O'Reilly, I see you've made a couple of exceptions to that. And sometimes that's actually hard for our internal team.

We've been so much promote from within. You think about our leaders. We all have a big responsibility up at the front of this room, but make no mistake about it, David O'Reilly and Greg Henslee are still very involved in our business.

Executive chair, executive vice chair, first two public company CEOs for our company. You all know both of them. They stay very involved in our business. They give us a lot of

autonomy. They give us a lot of rope to hang ourselves, so to speak, but they're still very involved in our business. They know our business from the ground up. David knows it basically from day one, from the first couple of decades. David celebrated his 54th year with the company this year. And obviously Greg's not too far behind him with 42.

Then you have myself, Jeremy, that grew up here, Jason that grew up here. Promote from within is incredibly, incredibly important. The one challenge with promote from within is there's times in our company history, especially today when we need to continue to ramp up company performance, when we need to make sure that our supply chain takes the next step.

We need to make sure that we're modernizing our systems, our IT systems to make sure we're prepared for 2030, 2035, 2040. We need to augment our team. Promote from within is fantastic, but there's times I promise you, me growing up here at O'Reilly and doing nothing else since I was 17 years old, sometimes we don't know what we don't know.

Sometimes we need to layer in somebody that has different experiences, different life experiences, different business experiences, has came from retailers that are at a different scale and maybe a different time of a modernization than O'Reilly is. And you all have gotten to know, Brent Kirby's by far not a newbie anymore, been here eight years now, but Brent was an amazing example of that. As we got toward succession planning and everything that was happening over the last many years, it was incredibly important for myself and the leadership team to have somebody like Brent that number one, fits our culture.

When we do hire outside, you have to hire a culture fit. It actually has absolutely has to be an amazing culture fit. And at O'Reilly, we're pretty big about checking our egos at the door, not letting egos creep in.

And Brent was just an amazing guy with a lot of maturity, life experience, business experience. He had seen things 10 times our size from a revenue standpoint at Lowe's. And some of the things that all the things that they did rights and things they had gotten wrong, he brought a lot of life lessons to O'Reilly and he's been a tremendous, tremendous example of when we need to salt in some outside talent.

Leading up to a couple other things. Some of you know Colin Yankee in the back of the room from his previous experiences at Target, Neiman Marcus, and most recently this last 11 plus years at Tractor Supply. We're at a point as we always are at O'Reilly of continuous improvement. Some of you may be thinking, hey Brad, we think of O'Reilly supply chain is really amazing. It's a great model; it feels industry leading. You all do such a great job with supply chain.

Hi, we're not sitting still. We're going to make sure that beyond culture and people, our supply chain, you'll hear from Brent here in a second, is absolutely such a strategic part of what we do. These 32 distribution centers, all the 400 hub stores having the right part at the right place at the right time.

Colin brings tremendous, tremendous experience in modern supply chain when it comes to people, processes, and technology. He's a great leader, he's an amazing culture fit, and we couldn't be more excited to have Colin on board. Same thing about Scott Ross.

We brought Scott on 3 years ago. Scott's been an unbelievable culture fit, unbelievable CIO for us, and is really helping us think about technology for the future, what we really need to look like from a hardware standpoint, from a software development, from a modernization, infrastructure, architecture, all the things we need to be thinking about as we go from a $20 billion company to no telling where over the next decade. So we couldn't be more pleased with the leadership team.

You know the rest of us very well. I'm not going to spend a lot of time here. I know everybody's really anxious to get to Q&A, 6,700 stores roughly. I think 6,695, something like that as of June 30th, Q2. Really proud of these 32 regional distribution centers. We absolutely have these events in these distribution centers on purpose. We could do them in a lot of places. We could do them in the office.

We could do them in New York. We want to highlight these regional distribution centers because we are the only one in the automotive aftermarket, I think it's proven, that has these 32 regional distribution centers. And not only that, they are placed in the metro markets where the people and the cars are.

You all know we have unbelievable, tremendous competitors that are fierce. We compete every day. We respect them tremendously. But you know the big retail competitors, the public, we have, I think they have about half our distribution centers and a lot of those DCs are out more in rural markets. It's more of a kind of a big box retail type distribution model where we spend a lot more money, we put a lot more capital into these boxes that you set in today. But they average in that 160, 170,000 SKUs.

Some of our competitors just have the fast flow DCs in their DCs and they're actually cross docking the hard-to-find parts directly from the manufacturer through the DCs directly to hubs. It's not our model. We have a very efficient model, but it's an expensive model. But we believe in it because we put them, we spend a lot more money on it, but we have them in Atlanta, Georgia. We have them right in Chicago. We have them in Boston.

We have them in Lakeland, Florida. We have them in Northern Cal, Southern Cal, Denver, I could go on and on. We put the DCs where the people and the cars are because this is a business about minutes and seconds. It's not about I can get it in the afternoon or I can get it tomorrow. You all know we have this long tail of slow-moving SKUs, but it is all about getting a car off the rack for the professional customer and being there for the retail customer. And that is such a big part of our differentiator.

So I want to make sure that we don't get too caught up in new automation or everybody has DCs. It's kind of like people and culture. Our people and culture are different and so

is our supply chain capabilities. Again, Brent will hit on that here in a second. Ninety-five thousand team members, you all kind of know where we're at from a trailing 12 and a market cap perspective.

Brent will talk here in a little bit. We're going to talk a lot about the US. Nothing really new today. I'm going to talk a little bit. Brent will update you on our -- focus on our Mexican and Canadian platforms. Really excited about those platforms. Kind of everybody knows where we're at through Q2. Just want to update everybody real quick just as really as a reminder, nothing new here, 7% comp, through Q2. You kind of know the financials. Really proud of what our team has done in the first half of the year. You got a lot of them in this room from this region and geography.

Very proud of what our team's done. As you all know, we've been the beneficiary of a lot of same SKU inflation. But really when we look at how we performed in the first half, when the executive team here really talks and looks, we don't spend a lot of time looking in the rear-view mirror.

We spend a lot more time in that bigger windshield. But when we think about the recap of our first two quarters of the year, a lot of our outperformance, we kind of knew what we were going to face from a same SKU inflation perspective. But really, we're very proud of the teams because a lot of the outperformance and the share gains was coming in units, traffic, and just really what we feel like is controlling our own destiny.

Everybody has a certain amount of SKU inflation. But if you talk to Jason or you talk to the operators in this room, they always back inflation out. And they're thinking, well, maybe we're not as good as what we think we are. We got work to do. We're always focused as good as we do at O'Reilly. This team in this room is always focused. When they look back, they're thinking, what else could we have done better or different?

How are we going to finish Q3 strong? How are we going to finish Q4 strong? They're looking at traffic. They're looking at never say no. They're looking at how conversion is in the stores. They're out there driving share gains and they're really not focused on what same SKU is doing. They're trying to gain new customers each and every day and on both sides of the business. I'm really excited about where we ended Q2 in terms of new store openings.

We're really right on track. There's always puts and takes, weather, construction, things like that. Been a heck of a hot summer, so that's been good for us overall. But I really feel good about our new store openings and really feel amazing about our new store cohort of new stores. Continue to feel great, whether it's backfill in existing markets and in markets like Texas, California, wherever it may be spread out across the country. Really feel good about those backfill markets and we really feel amazing as well about all our new greenfield expansion markets like as we kind of get up into the upper mid Atlantic, into the Northeast and do all those things, Southern Florida.

Really feel good about how our new stores are performing. So really excited about that. You all know kind of where our EPS, free cash and shares repurchases at.

Again won't spend too much time here, everyone. Just a reminder on our full year guidance as we revised at the end of Q2 there, we're only a couple of weeks away from wrapping up Q3. So look forward to talking to you about that next month.

But all this is really the same, kind of where we're at from a new store perspective, where we'll be at by year end, the adjustment to revision up on comparable store sales all the way through every line of the P&L. So really nothing new there. Want to take a minute before I turn it over to Brent.

I've talked a lot about the strength of O'Reilly, but want to remind everybody, there's a lot of puts and takes, a lot of conversations and talks about the consumer, concerns about the consumer, fuel prices, all these different things. And I know this isn't the first time most all of you have seen this, but I can tell you, I've been through, in 30 years with this company and our management team being here for so long, we've seen a lot of, great years. We've seen a lot of good years and we've seen years that have been a little tougher.

I just want to remind everybody, I think everybody well knows this, but miles driven is absolutely the driver, the largest driver of demand in our industry. It's just that simple. And when you think about miles driven and the fact that we topped 3.3 trillion miles driven in 2025, it's just incredible.

That's what drives our industry. We have a lot of questions right now about fuel prices. Brad, what about that kind of, death spot a little bit back in, back in the pandemic area? What we always tell everybody is, can those things be real? Softness in new car sales, higher gas prices? Sure, they absolutely can. We feel like when you talk about a death spot type time in our industry, if you look back at the GFC, if you look at times kind of five, six, seven years after something like that, was there something there?

There probably was. But if you look at our history and I think about it, if you just kind of step back and think about the history of our company, no matter really what environment we've operated in, we just always focus on controlling our own destiny and taking share. It's really that simple. And I don't think sometimes when you see these spots in something like a miles driven, chart or a new car sales chart, it's not always quite as deep. It's a little bit more shallow than what a lot of people see.

When we really kind of extrapolate it out and think about the years of performance that we had, if you look back historically, it's just not quite as deep as one might think. But 3.3 trillion miles driven, we'll probably have a lot of questions about gas prices. Hi, you know what?

We're really not good at predicting the future. I just remind everybody, these short-term shocks can cause a little bit of a, issue with consumers. But as you've heard us say many

times, it really takes a heightened, sustained level of heightened gas prices well over four bucks a gallon consistently across the country.

A lot of you see things in New York or California, but when you really look at the, not just the averages, but you look at where the majority of our stores are, a lot of rural markets, a lot of different markets than the coast or big city markets, we still haven't yet seen a complete sustained level of heightened gas prices well over four bucks. So just kind of keep that in mind, but we're happy to talk about that later.

So when you think about 3.3 trillion miles driven, it gets even better when you think about how that's happening. It's happening through a big car park. It's happening through a car park of 293 million light duty vehicles. Everybody knows that that's not including heavy duty.

That's not including over the road truck, all the other niche parts of our business. But like, car and light truck, 293 million number continues to increase as we've all seen happen over a long period of time. Then even better average age of those vehicles continues to increase now that we're at 12.8. So cars are engineered better. When a lot of us started back in the '90s, some of our leaders before that, early 2000s, if a car or truck was getting to 100, 150,000 miles, there was issues. You were looking to do something different. These days it's not unique to have a car with two, three, 400,000 miles.

So cars are engineered better, which is really a good thing. I don't think they always want them engineered too good. We don't either, but they're engineered better. And so that just really sustains and pushes out all the maintenance and repair of the car park. So really excited about that. Last points I have before I turn it over to Brent is just the fact that, really this amount of parts stores, the amount of outlets in the United States really hasn't materially changed, even in my career.

I think if you go back, I don't want to misquote it, but I think when I started in the business, there was maybe 30,000 parts stores in the United States. So definitely has been growth. But when you think about 30,000, or excuse me, 40,000 outlets in the United States, there continues to be incredible, incredible opportunity for us to consolidate the industry.

We talk a lot about the TAM, talk a lot about what we call entitlement at O'Reilly, being at just pretty close to 175 billion in the U.S. alone. Brent will talk about how we see the TAM in Mexico and Canada here in a second. But when you think about the dollars, but you also think about the parts stores, I think sometimes if you would have asked us 10 years ago, Brad, how many stores do you think you can have in the U.S.? I think 10 years ago, we would have told you something like 6,000?

And here we are at 6,500, and it would have been 5,000 before. And so, our aperture continues to get bigger and bigger as we really think about what the ownership of those outlets could really look like, what that right side of the page could really look like. I remember it wasn't too long ago; we weren't in the top 10.

We were that family-run business, had went public when I started, but basically, we were in four states when I started. And so even though it seems as though there's been a lot of penetration in the United States from us and the other big publics, when you think about what ownership could really look like, I really think we're just getting started.

We haven't thrown a number out there of what we feel like our terminal number can be, but I can tell you every year that we do strategic planning and every year that we refresh our internal 10-year plan, that number of what we really feel like we can own in the U.S. as things consolidate, as things continue to consolidate, and we control our own destiny on consolidation, having nothing to do with acquisitions, just doing what we do, stamping out stores, taking share in existing boxes and looking for tuck-in opportunities. That number is going to continue to be a bigger number, what we feel like we can actually own.

So with that, just want to highlight the strength of our culture, our team. Please don't miss today that we're highlighting our team because we do feel like we have a differentiator there. Really pay attention to how we run these boxes, different than most retailers, to really service our stores and highlight our availability and just how amazing an industry we work in, even though there's kind of a lot of noise out there and question marks we know.

So look forward to the Q&A, and with that, I'll turn it over to Brent.

Brent Kirby^ Great. Thanks, Brad. Morning, everyone. I'm going to kind of pick up where Brad left off, just talking about the strength of supply chain and having the right part at the right place at the right time, which is something that our team is maniacally focused on day in and day out. And I always like to talk a little bit about the product lifecycle. When you think about literally tens of thousands of parts, Brad just talked about the aging car part, 12.9 years old on the average for the light-duty fleet in the U.S., and you think about all the different applications and the complexity of those applications.

And the thing that our team, our merchandise team, as well as our inventory control team and purchasing team are always focused on working with our supplier partners is this product lifecycle curve. And really what I mean by that is really on the front end of that, the very front end of the curve, it's really about as vehicles come out of a warranty coverage and they begin to have failures on application parts, picking up those failures early, very early, working with suppliers, working with different demand triggers that we use within our business to capture that need as it begins to register and really bringing those parts into our offering for customers. Then really thinking about our distribution network, again multi-echelon, those 32 regional DCs that Brad talked about, where the people are, where the cars are.

We've got 399 hub stores of various SKU proliferations. The thing I'll call out is not one, not one of those DCs has the same SKU footprint. Not one of our 6,600 plus stores has the same SKU footprint.

Those footprints are very curated based on the VIO, the vehicles in operation that are in that geography and the demand triggers and curves that we see in each of those markets. And again as these application parts begin to become more in demand, as those failures continue to occur, we start with our regional DCs. And again we begin to bring those as the demand continues to grow for those application parts.

We bring those parts back down into that hub network and we bring them into our Spoke stores. And we have that ability to do that. Our merchandise team is also working very much at that time, looking at demand, looking at competition and building the line design for those applications.

Good, better, best offering. We have an amazing ability to do that across our proprietary brands, as well as working with our national brand provider partners. And that's where you begin to see the top of the bell curve, three, four, is really where that part is really kind of in its heyday of demand.

And our team is managing that at all levels across our DCs, our hubs and our Spoke stores. Then again is that particular and that life cycle continues to lengthen as the car park, the age of the car park continues to grow. Again cars are made, manufactured more soundly than they were years ago.

Customers continue to invest to keep those vehicles on the road. And as a result, the three and four continues to elongate when you think about the life cycle of products and application parts. But as they begin to lose demand and those cars begin to exit the car park on the back end and those applications begin to decrease in demand, again we start pulling those parts up within our network.

We have the ability to do that back from Spoke stores up into hub stores, up into our regional DCs and ultimately into a couple of national DCs where we may be able to fulfill across the country as you get into stages five and six. And there is a lot of data involved in everything I'm talking about here. We have a team with literally decades of experience.

There's a lot of science in this, as you can imagine but there's a tremendous amount of art and having parts people and merchants that are parts people. Again when we talk about promote from within, we talk about professional parts people. It's not just the folks in our stores which it absolutely is, but it's also the folks that work in our merchandise team, our inventory control team and they have the art and the science down on this and how we manage this literally across hundreds of thousands of items day in and day out and managing this life cycle across our network which is really, really something we feel like is our secret sauce.

The other thing I want to talk about just a little bit and we'll obviously get deep into distribution. We're here today in one of our state-of-the-art facilities. This facility opened in Q4 of 2024. We're excited to show it to you today. It's one of our most modern DCs in

the network but I just want to talk a minute about distribution and the importance of distribution, the time definite promise that our customers depend on every day our team members, our brand is on the line. When a customer has an application specific part their vehicle's down and we make them a promise, a time definite promise that they're going to have that part at that time on that day.

Our reputation hangs on that day in and day out and our distribution team delivers day in and day out for our stores and our customers. Again the 32 regional DCs, Brad talked about it. They're where the cars are, where the people are.

We continue to make that investment. Average regional distribution center inventory is 175,000 SKUs. Already talked about that, very curated. It's not a cookie cutter footprint. It is by market and by demand in market. This DC today has over 180,000 SKUs. Just as an example, we'll talk a little bit more about that. Five night a week delivery. Again we don't optimize for time and try to batch need. Again we are very focused on replenishing our stores five nights a week. They're getting touched five nights a week. We'll talk a little bit as we get out here on the floor about something we call add-ons.

Again if you think about the stores that are serviced by this DC here in the Southeast, 180,000 SKUs available. And they're in a store that may have 25,000 SKUs, but they've got an alternator for a 2011 Chevy Impala Super Sport that they don't have in stock. They can look into the DC inventory in this DC. They know they're going to get replenished that night. They can make that customer a promise. And let's just say it's 4 o'clock in the afternoon.

They can make that promise and say yes, I'll have it for you first thing in the morning because it's going to come on their overnight load. And the DC will go out here and actually make a discrete pick for that. When that demand drops here at this DC, they'll go out 4:30, make a discrete pick. It'll go in the tote [ph] that's going to go to that store for the replenishment order that night. It'll be at that store first thing in the morning for that customer. Our competition can't replicate that in many ways in what we do.

We'll talk a little bit more about that. In addition to that, we do city counter runs out of this store, touching stores within a 250-mile radius of this store multiple times a day. So 95% plus of our stores within our chain are touched multiple times a day either from city counter service within 250-mile radius of one of these regional DCs that we talk about or through a hub that services them multiple times a day.

So again impressive availability across the network to be able to see into these pools of inventory that we have in the regional DCs and the hubs. Again we're doing 100% of our distribution facilities have reverse logistics capability. And that is absolutely critical when you think about that lifecycle and managing that lifecycle that I just talked about on the previous slides.

In other words, we'll continue, our team is continually pushing out DC or expanding inventory from DCs into hubs, into Spokes. And many times based on that early demand

curve that I just talked about. But we also have the ability as we start seeing that demand wane, we can begin to pull that back and we can reverse logistics, move those all around our network to any node within our network.

Again it's a capability that is not replicated by many of our competitors. You think about that hub store network, 399 hub stores, that number continues to grow. But I will tell you, we continue to even get smarter in terms of how we manage those hubs and that hub network.

And again you think beyond the footprint of these 32 regional distribution centers, where the cars are, where the people are, but you think about secondary, tertiary markets. And our goal is we will have the inventory advantage in every market we operate in, in terms of depth, breadth, and availability. So having this network, we continue, our team is always turning the dials on this.

These stores, these hub stores average anywhere from 60,000 SKUs to 115,000 SKUs. And again we are always moving that in a very dynamic way looking at how do we best serve that market and how do we outserve the competition in those markets. Strategic investments, again won't spend a ton of time here.

You all know where we're projected in terms of our capital spend for 2026, somewhere between $1.3 billion and $1.4 billion. What I will tell you. And this hasn't changed over the last many years, we continue to be committed to making those investments where it counts, in industry expansion and consolidation, store growth, continued investments in our DCs, and the infrastructure that we need to continue to have the competitive advantage that we have on the distribution side of the business, industry-leading availability on inventory, continuing to lead in terms of inventory depth and breadth in every market we serve.

And the other thing, and we'll talk a little bit about this as we get to city counter out here in the DC, is visibility to that time-definite promise. Again you've got a car down, a car on a rack, customer cares about, it's not about days or half days. When you think about Amazon Prime, it's really about minutes.

Minutes matter, and having visibility even when that truck is rolling so that our professional customer can actually see that through our B2B website. Our stores can see that. If they've got a retail customer waiting on that part, we've got visibility. We continue to build that out and make investments there. Customer experience, store and digital. We continue to modernize all of our systems. We'll talk a little bit more about that. And our professional parts people. We continue to invest in our team.

We have the best team in the industry, hands down, as Brad talked about. But we also have a very -- we're very focused on winning. In every market, we have incentive-based compensation, and we continue to invest in our teams to win.

Couple of active distribution network expansion projects. I'll take just a couple minutes here. Obviously you're going to see this building, which was a relocation. We had a DC here in Atlanta for almost two decades. It was in Forest Park on the south side of town. Again older facility.

As we continue to grow in the southeast over the last many years, had the opportunity to begin to look really where are we best positioned to serve this market. Relocated to the north side of town. Built this facility again opened it a couple years ago. But when you think about the automation here, you'll see it today it's a goods-to-person solution. This is a much more automated building than we've had the opportunity to take you all through before. But the functionality is the same.

We continue to focus on how do we get more productive, how do we get more efficient, how do we get more reliable in terms of serving our store, and that time-definite promise to that customer, both professional and retail. We had an opportunity with our Lakeland, Florida, DC. And we don't have this opportunity in every DC, so I want to be real careful when I call that out. But Lakeland is a facility we own. We're continuing to grow into south Florida, across Florida. We have a lot of expansion opportunities in some of those markets.

This DC was serving 275 stores. We had some adjacent, or some land that we owned. We were able to expand this building, 140,000 square foot expansion. As a part of that, we invested in a goods-to-person solution in that building to continue to increase our capacity. So we were able to take our capacity. That building originally opened in 2014, serving 275 stores. We had the ability to expand during 2025, put these solutions in, and now we have a capacity in that building of 425 stores. Gives us more capacity to continue to grow. And the building is more efficient, more effective as a result of these capital investments.

Now, I want to caution everybody, we don't have that opportunity in every one of our regional DCs. Some are space constrained, some don't have the ability to do an expansion like that, but some do. And where we have that capability and that option, it's certainly a viable option for us as we continue to grow.

The other thing I'll call out, new construction on our DC in Fort Worth. This is exciting for us. This is a project that's underway now.

The team's working on it. And you think about, we already had a DC on the east side of the Metroplex in Seagoville. This is an opportunity as we continue to grow, expand in Texas.

We already had four DCs in the state of Texas. As we started looking at the south central part of the U.S., where would we put another DC to help serve the need there? Believe it or not, the logistics and the opportunity kept pointing us back to the Metroplex and how we would serve out of that.

But you think about us having a DC on both sides of the Dallas Metroplex as it continues to grow, our city counter service, our inventory availability, that time definite promise. We're pretty excited about that project. Brad talked about store growth earlier.

And you can see, we're estimating 232 stores this year. What's exciting about that for us is if you look back all the way the chart goes back to 1998. And you can see that's far and away the most stores we've opened to date.

So continuing to accelerate those opportunities. Many of those fill-in markets that Brad talked about where we're continuing to see great new store productivity. Then the exciting expansion markets that we've talked about here in the Northeast.

Again we've opened up a lot of continued opportunity along the Mid-Atlantic with our Stafford, Virginia facility that recently came online as well. But if you look at some of the markets here, Delaware, D.C., Maryland, New Jersey, New York, Pennsylvania, as well as Puerto Rico and international, we feel like we have some pretty exciting expansion markets. The other thing at the bottom of the slide kind of reminds you of some of those acquisitions, key acquisitions we've done as we continue to grow.

We'll continue to look for tuck-in acquisition opportunities as it makes sense at the acquisition of Salvo recently in the Mid-Atlantic. That made sense for us, eight stores. So where we see those opportunities, we're going to continue to lean in and take those.

The other thing I'll call out just real quick here, it's one thing to have the capital and the capability to open stores in this many stores a year. But first and foremost, the other thing we're always looking at, and Jason will talk about this here in a few minutes, Brad's already talked about the team, but really the other thing for us that is a real, something we take a hard look at every year when we set that number and we give guidance is the ability to grow the teams, promote from within. And the importance of making sure that new store opens with the team, the professional parts people, the knowledge, the service, that is what makes those new stores successful is the human capital that goes with the physical capital of those investments to continue to make those great returns on our capital investment.

Talk briefly here about Mexico. Brad mentioned it earlier. We opened our 100th store down there middle of last year. So an exciting milestone for us. We still see tremendous opportunity for growth in Mexico, roughly about a $15 billion total addressable market for us for the products that we sell. We're up to 126 stores now in Mexico as we speak. And again looking at investments there, 20 to 25 new stores this year, and we'll continue to guide moving forward. But still see great opportunities for growth in Mexico, potential acquisitions there as well as we continue to grow where it makes sense. Canada, super excited about the platform there.

Mauro Cifelli and the team at Vast, that acquisition we completed coming up two years ago. And just first prototype store was opened in Q4 of last year at Brockville, Ontario.

We're still operating under the parts city banner up there as we build in our product lines, our distribution capabilities, all the things that make O'Reilly O'Reilly.

Again we've got a tremendous business there and a tremendous team there that again French Canadian team knows the market, knows the opportunities, built a great brand at Vast, great culture at Vast. And we look forward to the day where we have all the capabilities in place to flip the banner and operate those company stores under O'Reilly. We see three to five stores there this year, and we'll continue to guide beyond that as we get those capabilities seated in Canada.

Talk for just a minute about proprietary brands. And this is something that continues to be a towering strength of ours. And again I give David Wilbanks, our merchandise team, a tremendous amount of credit for how they built this brand portfolio out and how it continues to grow.

And our strategy hasn't changed. We go to market very specifically with a combination of proprietary brands and the best national brands in the industry. And we have some tremendous partners in the industry with our national brands as well.

But just want to call out the fact that these proprietary brands give us an opportunity to penetrate at various levels of precision within these different product lines. We offer good, better, best product offerings across all these lines. And as we build those line designs, we have, our merchant team just does a great job.

Quality in the box, form, fit, function, as brands that truly our customers and our store team members trust. The other thing I'll call out that the team's done a great job with is we have several of these brands that are now proprietary brands to O'Reilly that were once standalone, independent national brands, and that are now only exclusive to O'Reilly. And I'll call that out. They're called out on the slide with the green star. Syntec was a brand. Castrol alone, national brand for years. It is now proprietary to O'Reilly. Murray Precision also now proprietary to O'Reilly. So very excited about the work here.

The other thing I'll point out, 55% plus now of our sales. So that number continues to grow. I think when we talked a couple of years ago at this analyst day that number was around 52. So we've continued to see growth there and penetration. The thing, the other powerful thing about this from a supply chain perspective is it gives us opportunity to source from multiple locations, multiple suppliers across multiple continents in some cases, and control, have full control of fit, form, function, and spec. So the team continues to do a great job here.

The evolving car park. Brad talked about the 293 million light duty vehicles on the road in the U.S. that continue to age. So I won't repeat that. What I will tell you though, is as the car park continues to evolve, we continue to evolve with it.

As you think about the -- as these vehicles age, the hybrid, the electric vehicles. One thing that's been very interesting to watch over the last many years is that number

percentage of pure EVs as a percent of new vehicle sales in the U.S. That number peaked in 2022, 2023. It's actually declined since then as these government incentives had gone away. And that pure EV number was in the mid single digits for 2025. The other thing though, and kind of in contrast is hybrids.

Again they're 5% of the car park today as you see on the slide, but hybrids were about 15% of the new car sales, new vehicle sales in 2025. So what we're seeing is a continued move toward complexity of the car park. And when you think about those hybrid vehicles, the majority of them have a nice engine as well as all of the electric components of a hybrid.

So when you think about what is good for us long-term, complexity is good for us and hybrids are more complex than any vehicle on the road. So as that number continues to grow and they continue to grow and age in the car park, we're continuing to see and build coverage for these vehicles as those application parts begin to fail. But really the trend here is exciting and we're looking forward to continuing to serve that car park.

Shift gears for just a few minutes here as I wrap up on Omnichannel. We continue to have a Omnichannel focus in being there when and where our customers need us, whether they call, click, or visit one of our stores. Our stores are always going to be kind of the center of our Omnichannel universe.

When you think about our dual market strategy that Brad talked about, retail and professional. But our team continues to support customers through chat, through voice, through both our B2C and our B2B website. And we continue to modernize the tech there, which I'll talk about here on the next slide.

Brad mentioned Scott Ross and the team. We have on our tech side of our business and part of the investments we've been making is continuing to modernize that digital experience for both our professional and our retail customers. That modernization of our B2B platform began really late last year, is continuing through this year. We launched our professional app, our O Pro app last December. That continues to grow. The team continues to improve that user experience for our professional customers.

We continue to be very excited about the reception we're getting there and the continued commerce we're seeing there as we continue to modernize that tech stack and that experience. The other thing we're working on simultaneously is modernizing our retail B2C site and continue to get that on a modern tech stack to enable more things there in the future for our customers. That is going on currently and will go on into 2027. You'll hear us talk more about that. Search, content, findability, usability, path to purchase, how do we continue to take friction out of that? Our team continues to get better.

Load speeds continue to improve as we're making these investments, 20% to 45% in terms of performative response on the site. And as a result, we're seeing continued conversion increases there. So excited about that.

Last thing I'm going to touch on before I turn it over to Jason is our retail loyalty program. Again dual market strategy. Obviously we have and continue to build a great reputation and share with our professional side of our business.

We also are continuing to see the same thing on the retail side of our business. But as we continue to make O'Reilly one of the best destinations for that retail consumer that needs parts, has a need in our business, our team continues to get better using our first-party data, customer segmentation, purchase history, weather triggers, all those things to make ours a very valuable retail proposition for those customers as we continue to grow that. And we continue to partner with our suppliers on where can we add value to that program through bonus points as well.

So excited about the work that Hugo Sanchez and our marketing team are doing here and look forward to seeing some continued growth from our loyalty program on the retail side of our business. With that, I'll turn it over to Jason.

Jason Tarrant^ Thanks, Brent. Well good morning. Well I will do my best to keep us on track here but it's my pleasure to be able to talk about a few things that I'm excited to share with you today. First and foremost is the O'Reilly culture. I've been with the business now over 25 years and when people ask me outside of O'Reilly, Jason, what's the one thing that makes O'Reilly different? What's part of your secret sauce? It's always the same answer for me.

It's our culture. It's our people, which is our culture. The one thing that our store field leaders, we've got five in the room here today that have over 100 years of experience do so well is they empower their store teams and store leaders to run the business like they own it. They're empowered to make the decisions to take care of their customers each and every single day. This next one to me is something that I always smile when I get the opportunity to speak to. I think every leader at an organization would say that their teams are competitive and they work hard every day to be successful.

The one thing that I always add in when I think of my field and store leaders, it's that they love to compete. And that pure passion and drive growing up in the industry and seeing where we came from and knowing where we're working hard every single day to strive to be in the future, it's just that the pure love to compete in an industry that we're so fond of and that we all grew up in. The last thing I would say here on this slide is that we try to keep things simple for our store and field teams.

We have a maniacal kind of focus about blocking and tackling as we call it, an intense focus on the proven fundamentals of our business model. Like Brad did so well at the beginning of the meeting here, we have a ton of experience in the industry, but most importantly here at O'Reilly, I have four area SVPs like Brad spoke to that all average over 25 years in the business as well as here at O'Reilly. Myself and our area SVPs have 14 DVPs like Brad spoke to as well that all average over 20 years here in the business.

That creates one thing that's really special for us, which is our farm system. It's the ability to continue to grow and scale and build new stores and new markets with individuals that have been there and done that just like Brad spoke to. I'll slow down here for just a moment.

There's really a few things I want to call out first and foremost, and this isn't spoken to in my humble opinion often enough, which is that on the D.I.Y. side of the business, our professional relationships really help sustain and grow and build our D.I.Y relationships as well. If you think about a repair shop, dealership, a fleet, what have you, those individuals that we serve every single day on the professional side, after hours when they go home to their families, have their own vehicles and needs as well. And those relationships that are formed and built and strengthened over months and years at a time in every single store and market that we serve translates over to a strong relationship on the retail side of the business as well.

Brent mentioned this as well. Our hub store model or a hub Spoke model, I'm sorry, as well as our city counter service to 32 of our markets, as well as our overnight five day a week replenishment serves our retail customers just as well as our professional. One thing I want to call out here on the professional side is that we aim in every single market, our benchmark that our field leaders do such a great job at, job of is ensuring that all the things that we can control inside the store with our store teams, proper staffing levels, experienced parts professionals, and making sure that we set ourselves up to have the best service seven days a week to our professional customers.

More on the retail side, obviously professional parts people first and foremost, we advertise that in every single one of our stores above our parts counters. When you walk into an O'Reilly Auto Parts and you'll see a few here this morning and this afternoon, we are proud that we have so much experience and tenure in all of our stores. And those professional parts people work very hard to serve our retail customers needs, offering store services and of course the amount of experience they have to find those parts that our customers need.

Charlie O'Reilly always talked about this next one, which is to keep it simple and ensure that you do your very best to create a culture and an environment where every store is the friendliest in town. It may sound very simple to you, but truly when you walk into an O'Reilly, most of our customers aren't there because they want to be there, they're there because they have to be there, something broke on their vehicle. So it's very important that our store field teams work very hard to create a culture and an environment that's warm and open to our retail customers.

And Brad mentioned this as well, we've worked very hard and we're proud of this one. We think that we out hustle and out service our competitors day in, day out. It's part of our pride in growing up in the business and trying to make sure that the things that we can control, which is that work environment and that drive to compete and that passion for our businesses in all the stores that we serve. On the professional side, obviously the

tenure and the promote from within helps us have the most experienced store team and professional sales team in the aftermarket.

We aim to have the market leading service levels, like Brent talked about, right part, right place, right time. When you think about service levels on the professional side, it's not always having the proper staffing, having the appropriate number of vehicles and drivers on staff. It's the entire supply chain network supporting that store team, giving them the ability to have the right part, the right place at the right time.

And lastly, when done right, we believe we have the best value proposition for all of our professional customers. A few programs that help our independent shop owners, small fleets compete and be successful in the market that really helps us ensure that our industry remains strong over time are on the screen here. First and foremost, our Real World Training, which is our partnership with our vendors and trainers that we do all across the markets in North America to help our repair technicians have the latest and greatest information and techniques and knowledge to be able to take care of their customers.

Then we have our O'Reilly Pro Mobile App that enables our technicians to be engaged with our platform to be able to place orders no matter where they are on the road or even our busier repair customers that like to mobilize their technicians with tablets in their locations.

Then lastly, we have our Certified Auto Repair Program, which allows our independent repair shops to be able to compete against regional and larger national players with a nationwide warranty, 12 or 24,000 mile, 12 month, 24 month and such, which really enables those independent shop owners to be competitive and successful in their markets. Excuse me, I apologize.

So lastly, I'll say this. It's an honor and a pleasure to be able to lead at such a strong professional sales team and store leadership team. Those individuals keep me humbled and honest every single day.

The thing that I'm most proud of as I spend time with them out in the field and stores, which I spend more than half my time out there, is that we're extremely focused on one thing, which is serving our customers, supporting our teams, and doing all that we can do every single day to help us be the dominant auto parts supplier in all the markets that we serve.

Thank you. Jeremy?

Jeremy Fletcher^ Good morning, everyone. Well we have a few more slides in the presentation, but I don't want to disappoint or let you guys down. I'm actually not going to cover them because I know what you're really interested in is the Q&A that I'll start here in just a second.

It's really just a recap of our financial performance historically, all information that you have and understand well. The thing that I would highlight is that so much of what we've talked about today the results within our performance, that consistency, not just of results, but also consistency of growth is driven by the strength and the operational capabilities that we've outlined that I think many of you understand about our business. And that's true in part because we're in a great industry, but also because we have the ability to grow within that industry.

And so much of what you see from a financial posture, from a management and capital posture is our willingness to lean in to what we still see as a great opportunity. Brad talked about it earlier. There is a tremendous amount of the addressable market that we still don't do today. And so much of our mandate and our commitment is to go attack that and to not participate in some of the more challenging periods within the marketplace.

So with that, we're really going to, I think focus the rest of our time on the questions that you all would have. We're going to have a couple of mics in the room. Eric and Leslie are going to be moving those around. We do ask that you wait for the mic so that the webcast can pick you up. I will say maybe just as a precursor to when we get started, and I know that you guys understand this from our historical practice. I'm sorry, I'm chuckling because we've got some folks sparring with their hands up in the front of the room here. We will throw people out of here, I promise you.

Our historical practice is that in between our public earnings calls, we don't update on the current trends of the business. Now, historically, that will mean that we'll give some commentary as to how the quarter started. And we did that on the second quarter call and talked about sort of what we had seen in July.

And yet, we really won't update past that on what the most recent trends have been, understanding that there's been, obviously a lot of questions around kind of what the current state of the business is. Our focus here is to help you have a good understanding for what the core and underlying fundamentals of our business are and what drives our results. And so, just as the precursor before we get started, we'll want to get that out there. But we'll go ahead and open it up now.

QUESTIONS AND ANSWERS

Leslie Skorick^ I think Brian Nagel was first here.

Steven Forbes^ Steve Forbes, Guggenheim.

Brad Beckham^ Steve, sorry.

Steven Forbes^ I like it. So given that we're here in Atlanta, you mentioned 180,000 SKUs available next day. Be curious if you put into context how that sort of changed inventory availability and speed of delivery in this market. What was the SKU count available next day before this facility opened? Then if you think about commitment to

first call, any sort of early reads on sort of how the call placement has evolved since this facility has opened on average across the source?

Brad Beckham^ Yes. I'll start there and then let these guys chime in. So to be clear on, it's a great question. To be clear on Atlanta, we already had a big facility here, Steve. So there wasn't a material change in the availability in the market. There's more efficiency potential with some of the automation against the person you're going to see. But the market was well served from a SKU count perspective with our Forest Park facility.

This was a lease that ran out. Seems like yesterday we signed up Forest Park. This was a relocation for a couple reasons. We felt like we needed a bigger, more modern facility. We felt like we needed our big SKU footprint on the north side of the market. Every market evolves. And over the last 20 plus years since we've been in Atlanta, the entitlement or the total addressable market just larger on the north side, kind of the northern suburbs, as you can imagine. But it's not a material change. We had a big SKU count in Forest Park.

So that in this market where you have a new market, like a Stafford, Virginia, would be completely different. That would be markets that had no DC inventory as we had edged up servicing from Greensboro, North Carolina, the stores in upper Virginia, northern Virginia. They would have had overnight service from Greensboro, North Carolina.

I want to -- it's a great question. I want to make sure everybody picked up what Brent said. We service our stores out of a facility like this five nights a week. But when we say we're bad sometimes with acronyms and what we call things, when these guys say city counter, forget overnight for a second. Every store in the greater Atlanta metro area, which I think depending on where you draw the line is probably 120, 130 stores, gets multiple times a day during the day. So that's really why we could put a DC anywhere and truck it five nights a week for replenishment and those overnight special orders.

But what is different in Atlanta is when you're the only one that has a 400,000 plus, 500,000 plus square foot facility that has 180,000 SKUs. We run basically every, when we talk about city counter, we are running every hour on the hour for special orders. That is a totally different vocation than anybody in retail or anybody in our industry when it comes to those hard to find parts.

So think about it, even though we switch sides of the metro, it doesn't matter if you're in Roswell, Georgia, where there's a ton of DIFM business, ton of [ph] retail, or you're on the South side in Stockbridge, Georgia, East side, Conyers, West side, Douglasville. I lived here a long time. This is the second home to me.

I was actually the first O'Reilly team member in Atlanta. So I'll speak to kind of how I've seen us move up the call list here in the last couple of decades. But if you think about that, if you're a shop buying from O'Reilly in Stockbridge, Georgia, the opposite side of the metro, they're looking at oreillypro.com and they can see all that inventory. So the shop owner, forget the store, the shop owner can see that we have a part that nobody else

has anywhere. And they can say they can see a time definite promise that I've got a man or woman that brought their van in and they got to get their kids picked up by three o'clock this afternoon.

Again, forget overnight. They see that we're the only one that has that part. They place an order and they can see real time. They can see the distribution center has that inventory. It's like eBay buy now, and you're going to have it by 11 o'clock. It's nine o'clock and we're going to pick it, pack it, ship it. You'll see that function when you go out in the DC, Steve. Then it will go on a small truck and it'll run down to Stockbridge, Georgia, to our store and the store will deliver it. That is very different than anything else anybody does. And so, the overnight replenishment is critical.

But again, we could put a DC anywhere to do the overnight replenishment. We can run the overnight must-haves that we call them or special orders. But the difference is if one of our competitors or one of our WD competitors or another public competitor that has really small DCs on the DIFM side, if they have 100, 120,000 SKUs, that delta of 60,000 SKUs, that's why we put them in the Metro Market even though it's a lot more expensive and we're running these small trucks every hour on the hour.

And oh, by the way that shop in Stockbridge, Georgia, they are looking at O'Reilly Pro and they have kind of a pizza tracker just like when you order a pizza. They can see it in every -- they can see the breadcrumbs of where it's going from the DC to that store to their shop. So that is very different. And again, we had that functionality and we had that SKU depth in Forest Park. So again that didn't materially change with Buford. It's that much bigger and better but not a material change there.

I think if you just use Atlanta, it's kind of a case study of what happens over a couple decades. I was our first team member that had the fortune to move to Atlanta back in 2004 before we opened up our old DC in 2005. And it was tough. I mean we had been to a couple big Metro Markets but it was Dallas, Fort Worth and Houston at that time. With Hi/Lo, when I moved to Atlanta, it's like, okay we're going into Atlanta, Georgia, home of GPC, advancing AutoZone on every corner, every two-stepper, SAW, White Brothers, all these different -- no pressure, Brad, but don't screw it up. And we had no stores. We had no stores in Atlanta. We had hardly any stores in the Carolinas. I had the fortune of being part of a lot of the team members you'd meet today.

But it takes time. I mean the retail business comes faster. When you open up a new market, the retail you open up an eyesight or rock's throw of your retail competitors, you normally get a shot, you know? And so retail business comes on a little faster. I would tell you that even two decades later, and I actually think this is a good thing, not a bad thing, have we moved up the call list over a long period of time? Absolutely.

Every shop's different. You move up the call list in different ways. Somebody you could Lance O'Donnell in the room, he runs our outside sales team. They're out there calling on these shops every day. Asking for that sale, asking for that next level up in service or up the call list.

And the store teams are there ready when they make the phone ring or they kick out a pick ticket in the store. They're there ready to give that 20-minute delivery service to that shop. And it is one over a kind of a mid to longer time horizon. One shop at a time, one opportunity at a time. But normally the differentiator of going from fourth call to third call or second call to first call is I have bought from the same people for decades. It could be a WD or an independent family ran business. It could be a Napa store.

I bought from somebody for a long time. We saw it [ph] a lot in the pandemic. A lot of people had disruption in their supply chain. We poured in, we leaned in. And I don't think the last few years has been dissimilar. We continue to lean in. And when somebody has to go to O'Reilly enough times because this facility is the only one that has it in a metro market, you start breaking habits. Then when we have that part, our team gets to shine with the professional parts people hustling that delivery out the door, all those different things. So but I would tell you in Atlanta, and I think all the operators would too, we're still fairly immature.

I mean even 20 years in, I went to hit some stores with the team yesterday. There's still stores that have a lot of opportunity. There's retail competitors that are within a block or two. They're still doing a lot of retail business. And there's a lot of DIFM competitors that are still doing a lot of DIFM shares. So there's not near the disparity that a lot of people think.

If we say we have 10%, 11% share overall, it's not like when you're in a market, you have 40, 50, 60 after 20 years. You might have -- in Atlanta, we may still have seven or eight. And so, we may have I'm making it up, but we may have 15 or 20 in the most mature markets in the country, not 30, 40, 50. And so there's not as big a disparity between low market share and higher market share as we measure it within the company. So long answer, Steve, but hope that helps.

Simeon Gutman^ Hi, Simeon Gutman, Morgan Stanley. Thanks for the meeting. So you've always been a market share taker. This is a unique moment because it looks like your spread to the industry is actually rising at a pretty rapid rate, the biggest it's been in a while. I'm sure you'd say all the things we talked about today drives it, including that last answer. Can you, like, beneath the surface, and I'll throw out a few things, are you higher market share as a first call? Are you moving the call list? Is it new product, fleet, agriculture? What stands out as unique drivers? Why are you separating so much from the pack right now?

Brad Beckham^ Yes. I'll start out, Simeon. Great, great question. Again like you said, we'd point to, I feel like the answer is just executing a lot of little things very, very well. But if you step back, try to give the best answer I can. If I step back and we step back and we look at what's happened, last 10 years, last five years, maybe last year or two, I definitely feel like our supply chain, again I know I'm repeating myself, but continuing to lean into these regional distribution centers that have these SKUs.

Some of our competitors just make a bigger deal out of hubs than we do. We've had, when I started in 1996, the store I started in was serviced by the hub store in Tulsa, Oklahoma. So we don't necessarily call hubs certain names. We talk about them more in terms of how many SKUs they have. We've continued to lean into that tremendously.

I think supply chain and having the right part at the right place at the right time is a big part of that. One piece that we probably don't talk about enough that Brent did hit on, Simeon and everyone, is it's one thing to have a hub store with 80 to 100,000 SKUs. It's another to make sure they're the right SKUs.

And we feel like, competitively, us having a bunch of promote from within people in the inventory management department that Brent talked about, in the purchasing department, in the merchandise department. If you would talk to a lot of our operators, which you will today and ask them if you and your competitor had the same amount of SKUs in a hub store, which is better?

Obviously we're a little biased. But we think some are still learning and maybe don't have the depth of data that we have over decades of servicing the professional customer. Professional customer data, sales history, helps you be a better retailer because later model coverage comes in faster to service on the professional side than it does on the DIY side. And so, I not only think we have strength in the regional DCs, the hub stores.

We don't talk about enough. It's fun to talk about hubs and DCs. We have over 6,000 spokes. And having a SKU breadth in a 22,000 SKU store, that's more important than the hubs or DCs. Having the right 22,000 SKUs.

And again, I think it's a misconception. Brent talked about it, that every one of our stores, you all can walk in our store and you see air fresheners, you see wash and wax, you see oil, you see tools. All that is pretty similar across if you walked in Washington State or if you went in South Florida or the opposite, New England to Phoenix.

Little bit of regional differences, but the backroom is completely different. The 70 plus percent of the footprint in the back of the store that's behind the counter, that is all these application parts, brakes, chassis parts, that we're looking up one at a time, that consulted visit with the professional parts people. I would argue that our 20,000 SKUs is better than anybody else's 20,000 SKUs. Because of a lot of sales history, a lot of data, a lot of science, but also because of the art side of that, we have a lot of former store managers, former professional parts people that we put in that department to make sure we're not one side or the other just looking at data and not looking at the art of working with all the regional directors to make sure they have the right SKUs behind the counter.

The other thing that I think you know this well, Simeon, but for everybody, the other thing is I would point back to the five day a week, five night a week service. Five night a week service versus once or twice a week, that allows you to have nothing but breadth in the store. So when you go in our stores today if you look at the backroom and these brown, white, colored boxes where all the application parts are, you will not see a part

number that has more than one or two of that individual part number. Because we don't have to have depth in the store.

When you're getting replenished every night, when the stores are getting a truck every night, 20,000 SKUs, it's all breadth. And so, SKUs are SKUs, but your inventory dollars and the way you invest your inventory dollars in the store I think is quite a bit different. And it's that way in our hubs.

Some of our competitors are having to use hubs for not just SKU breadth, but they're having to use them for replenishment. And I think again another thing that's lost sometimes is this reverse logistics capability. Having these 32 DCs allows you to pull things up and down very dynamically and very quickly. Slower moving SKUs, as they really slow down, you can pull them up into the hubs and DCs. All those things help in the efficiency of always updating those spoke stores, always updating the hub stores and not having a completely dead inventory.

The other thing I tell you, Simeon, when I look back to the last couple of years, not all our competitors, but we have seen some, just to reiterate it, that have brought a lot of people in from the outside, even in the lower and middle management ranks. And I feel like our consistency with Promote from Within and having proven performers at every level of the low to middle management of operations and sales, it's just a consistent, it's kind of a, it's not flashy, but it matters.

When you have that consistency and you have somebody that's doing the same job for a long period of time and this is all they've done versus maybe being a district manager or regional manager at another retailer coming in just because you've ran multi-units before, I think that matters. Culture, all the things we talked about. So much as I hate to say it, I know it's a boring answer, I think it's just a lot of little things.

And I also think that as much as you all look at who is capturing share versus others of The Big Four, just don't forget that well over 40% of the DIFM market is the independents. And so, that's just a key point. A lot of times you're never going to make total sense of the absolute comp between us and our other big three public competitors.

You're not going to make sense of it because one of us could be doing better than everybody else but the others could still be doing pretty well because maybe they're above average versus the independents and some of the weaker players. So any other thoughts?

Jeremy Fletcher^ Yes, no, I mean I think you covered it well, Brad. And while the gap has widened, we've gone through periods of time where we've outperformed. I think we've always talked about our business as being very much a grinded out business. Because of just the opportunity.

I will tell you that more than anything, I think internally as we try to understand what's working, what's not as we accelerate, there has been a degree to which a lot of the things

that Brad outlined, a lot of things that are pretty kind of tried and true to how we run our model, how we go about our business are also not static. And I think we've been somewhat deliberate, particularly coming out of the pandemic, understanding that while these are advantages in our business and one of the reasons why we've always been a sharegainer, why we've always been able to outperform the market, to run our playbook in a way that takes care of it, we're also, we kind of haven't sat still.

And so, many of the things that Brad talked about were the types of things that two, three years ago were areas of focus for us and in places where we leaned in and were willing to accept that some of the enhancements that you see would cost some money. And so some of what we do, it's not been a revolution in how we go about, but getting that much better and that much more effective ongoing, we think is what drives those advantages. Which isn't to say that we might not end up back in a situation where those gaps tighten again as you work to always stay that much better than the competition, because we understand that there's not any great secrets to what we do and we think we can do it better than most, but we've also made, I think pretty clear what the right playbook is to try to emulate.

But I will tell you that as much as anything, we know that there is a compounding effect of being able to really outperform. We are in a repetitive business, particularly on the professional side of the business, knowing that you can, when you get that opportunity to do well, to leverage all these things that Brad has talked about, it buys you that additional opportunity. We saw a ton of that during the course of the pandemic, but then we also feel like as we've leaned into these areas of our business where we can enhance what were already areas of strength for us, we're seeing the compounding benefit of getting that next call when we were able to be successful previously.

Christopher Horvers^ Thanks. Chris Horvers, JP Morgan. So I was hoping you could help us think about the store potential in Mexico and Canada. So you talked about $15 billion TAM in Mexico, $175 billion in the U.S. So is the right snap the chalk today the right way to think about this, 10% of the U.S. stores, so maybe 700 locations versus 100 and change today or is that number actually higher given you're so much more better capitalized versus all but one [ph] competitor. Then on the Canada side, you size the TAM at $8 billion.

Mexico's, I count as GDP economy is actually bigger than Mexico's, but you're putting that slightly over half. So is there something different about that market that makes that TAM and addressable store potential that much smaller? Thanks so much.

Brad Beckham^ Yes, great question, Chris. Start with how we're sizing Mexico. We had looked at, as a reminder, we had looked at the Mexican market for a long, long period of time. We had studied what was going on in Mexico for a long time, and quite frankly, our largest public competitors, frankly, done a tremendous job down there, and they got a big head start on us back in the late '90s, so they'd gone at that for a long time.

Those addressable markets, just want to caveat a little bit there -- we're not as honed in on those as we'd like to be. I mean they're general where industry experts feel like they are. They're still pretty conservative. It's a little bit harder to measure some other things in those countries exactly the way we do in the U.S., so could be upside from those numbers in terms of the TAM.

We haven't put a fine point on a terminal number in Mexico, though I would tell you the longer we're in Mexico, the longer we have more conviction, or the more we have conviction that our store count can be as much or further north than where our largest competitors at. It's just that there's really no telling. We feel like at a, no -- don't want to assume anything. We've got to prove ourselves down there, but there's no question we could be where they're at, and there's probably a potential of a terminal number well over 1,000.

The reminder on Mexico is that the average age of vehicles in Mexico is 16.5. Tough roads, old cars very much like going back in the U.S., even further back to when I started. It's really the fragmentation and the way that competitors compete is a lot like going back in the U.S. even to the '60s and '70s, and that is a really good thing.

We had a couple choices going to Mexico. We could've gone down there to Greenfield. We could've entered more from our border states, where we have a great business from Texas all the way through Southern California. We felt like we wanted to enter the country with a strategic-type acquisition.

The Orendain family operated a very good business-to-business business, more of a wholesale WD-type business there in Guadalajara, and we bought that in November of 2019, and then something happened in February, March of 2020. The global pandemic hit, and so we're a little bit behind in Mexico, just internally where we'd want to be. Nobody, no one person's fault, just we lost a little bit of time during the pandemic.

We had adversity on our supply chain, turnover in the stores, and all those different things in the DCs during the pandemic in the U.S., and so we kind of allowed the Orendain family and that leadership team to kind of keep doing what they were doing, for lack of a better way of saying it, through '20 and '21. So we feel like we're really getting to the point that we're building out the O'Reilly machine when it comes to kind of the three pillars that I would call just operational excellence, how we run stores at O'Reilly.

Second pillar would be systems. We've had a lot of system work to do to make sure that we could have the selling systems we needed in the stores to do business the O'Reilly way supply chain back-end systems, distribution systems, and that also that could scale, because the systems we bought could not do that. And so, we're really pleased with the system progress we've made in Mexico.

Last and maybe most important pillar, maybe besides just people and human capital to grow, would be our supply chain. Still not quite where we want to be from a supply chain perspective in the Mexican market. We opened our first prototype distribution center, as

many of you know, back in the -- it's been a while now, actually it's been right at three years. I think it was June, July of 2023.

Just because we opened O'Reilly, DC didn't mean that we were totally where we needed to be from SKU [ph] availability, truly understanding the car park, learning as we grow, right part, right place, the right time, exclusive national proprietary brands, all those different things that we do as O'Reilly, we're still not there yet, but we're getting there. And we're close enough that we've been able to do what we've done, getting over 100 stores, but there is just -- the longer we're in Mexico, long story short, is the more we like it.

We think the TAM is a minimum number, could be a little larger. There is no reason, even with the job that, the unbelievable job that AutoZone does down there, it's still so fragmented. There's really no other true national scaled competitor down there. And so, we're excited about our opportunities. A lot of work to do, but, again I'm dancing around the number, but at a minimum, we think we could match where they're at, and it's probably over 1,000 on down the road.

Talk about Canada for a second. It is a little bit more of a limited TAM. The population is all probably better than I do, is all along the border. It's more of a DIFM market. That's part of the equation. Not quite the DIY market, just due to weather patterns, a lot of different things that you can imagine in the north.

I would say that Mauro Cifelli and the team that are unbelievable, they're doing us a great job. They understand that Canadian market as good as anybody, that they would tell you that the $8 billion is probably conservative too. We could probably do some easy math with all our competitors and maybe get north of that. But you know what? The thing about Canada that's very different than Mexico, Mexico's a bigger opportunity in terms of addressable market. The car park's virtually the same in Canada. And the car park in Mexico is very different. And so, we already have parts for all the vehicles that are registered in Canada, right across the border.

We have an amazing team to the point with Mauro Cifelli and the former Vast team. They're in it for the long haul. Our deal with Mauro and his team, they were going to be in it for the long term.

They wanted to grow and do a lot of different things. So we feel like there's tremendous DIFM opportunity. We feel like the competitive dynamics in Canada are similar to what they are in the U.S., that there's opportunity. Maybe there's some disruption opportunity just in terms of maybe a few competitors that are not executing like we might. So a lot of opportunity there.

And on the DIY side, even though the DIY business as a percentage of the total opportunity isn't as big, we feel like the DIY business is a little bit underserved. Just meaning that there's not anybody truly running a retail U.S. type playbook, brick and mortar up there. Canadian Tire has a huge big box business.

Advance, Carquest. Carquest has a good legacy business up there. Uni-Select, the old Uni-Select business that's there. Then, obviously NAPA is really the biggest player up there and they have a heck of a business up there, everything we know.

So both those are great platforms. Obviously they're relative in size, but we really feel good about both those platforms, Chris.

Unidentified Participant^ Go to the next [ph] (inaudible).

Brian Nagel^ Hi. Brian Nagel from Oppenheimer. So first off, thank you for the meeting, it's been great. So my question is going to be more nearer term. And recognizing you're not talking about current trends, you're not just discussing guidance but, I guess the way I want to ask the question is, given the macro headwinds that are out there, that we're all very aware of gas prices and tariffs, from a historical perspective, how should we think about that, particularly on the gas price side? Is this, for O'Reilly, where do you typically see the pressure points. I think Brad, you mentioned some of this in your prepared comments. But the other, I guess to flip it over, too, is given the, as we've discussed today the impressive scale and operations of O'Reilly, does this actually become, these type of environments actually become like a competitive advantage or a place where you take more market share? Thanks.

Jeremy Fletcher^ Yes. I can probably start there and then Brad or others can chime in. I think one of the real strengths of our business has just been the resiliency of the consumer in these types of periods, but specifically as it relates to how they use their vehicle. And so, historically, what we've seen in our business, and it's been interesting because to the extent that we talked about the first half of the year when we saw gas prices of our spike, we really didn't see a huge reaction, maybe a one-month blip from a miles driven perspective. Often it's the sticker shock for a month or two that might cause a little bit of a blip from a miles driven perspective. But generally speaking, most of that demand that gets driven is non-discretionary in nature.

It's repair, it's maintenance. It's tied very closely to how a consumer uses their automobile and they're going to be very resilient in doing that. It's how we all get to work, or at least all of us. It's how we get to work. It's how everybody manages their life, taking their kids to activities and things like that. For us, the things that we start to, I think pay a little bit more attention to is when that accumulates with other items that create a broader pressure to how people are managing their overall budget and it creates an environment where maybe they've got to find areas to save wherever they can and that's where we'll see pockets of short deferrals.

And that can be a reaction to tariffs or price levels generally. We saw a little bit of that in the back half of the year in certain pockets. But really didn't see it in the front half of the year, especially when gas prices hit the first time through.

Generally, though, as you move into those types of periods, there's even more motivation for a consumer to take care of their existing vehicle because that decision or the anticipation of the decision of when they need to replace their automobile gets pushed out further and further. So someone who said, who might have been in a position to think that they wanted to trade off their vehicle, get a new car in the next year or two, might start to mentally shift back and push that out. And historically, we have seen that happen to our business.

Those types of pressures on the consumers for our industry typically have to accumulate at a more sustained level. So you're done actual economic damage and now you start to see impacts to employment and commuter miles. But even in that environment, you often will see that pressure subside as cars eventually do have to get taken care of and there's an incentive to do that.

So that's generally broadly how we have seen how our industry performs. To your question around, does it create some level of opportunity, not just inherently automatically, it doesn't. I mean something that drags down the whole industry, we're going to participate in.

What we will tell you, though, is that our teams have such a competitive or an incentivized mentality within what they do that those environments aren't allowed to be used as an excuse for the performance that when you just look at our broader culture in our field organization and how we think about what we're successful in, where the industry performance is not a really relevant factor. Like if you talk to any of the team, our leaders on this side of the business, they will tell you that their message to their teams are, I don't care what the rest of the industry is doing, we don't have to participate in that. There's plenty of business out there, you can go and get it.

So I think in some environments, that's what you see more than, hey, everybody's pressured and stressed and we're going to do it. Some part of it is how we go and approach taking the business.

Michael Lasser^ Good morning, it's Michael Lasser from UBS. You've been gracious enough to host these events for many, many years and what's been consistent during that time is O'Reilly's ability to gain market share. What's been a little bit newer is that its margin has been running up against an upper bound.

So the question is, is the cost to gain market share just increasing as the industries become more consolidated, some of the weaker players have gone away and the cost of doing business has gone up or alternatively, O'Reilly's just been through an investment cycle. It has the ability to capitalize on automation such that it can get back to this steady state margin expansion trend that has really been part of its hallmark. And before Jeremy says, we take dollars to the bank rather than margin to the bank, your stock very much depends on the margin.

So please -- and to the extent that that is becoming more of a question, would you prioritize sales over margin and do you have to? Thank you.

Jeremy Fletcher^ Yes, it's a great question, Michael, and no fair taking the first part of the answer away. But right, because what Michael didn't get into is like our focus is on profit dollar growth. We've talked about what we feel like our best and highest long term value opportunity is and that's that we do still a relatively small part of the business that we think is addressable to us in the automotive aftermarket. And so, we believe that our growth and our strength is to be able to grow our share of the business and to grow our profit dollars.

Now, having said that, we have also made deliberate choices and we've talked about some of those today where we feel like that there has been an opportunity to capitalize on the momentum that we've seen in accelerator business. We've also been able, I think to balance that against some of the pressures that we have seen in just the broader cost environment that's been influenced by inflation just like our top line benefits have been influenced by inflation.

It's been important to us that as we have seen those types of pressures that we don't have control over and that don't immediately impact our business and help us to your question, Michael, that we have not pulled back on where we think we can be opportunistic. We don't think that that would have driven some of the results we're seeing over the long term. I will tell you that as we have thought about that and leaned into areas where we could be more aggressive, we have been very comfortable with what the returns to those efforts have looked like in our business and our ability to operate well and to grow strongly.

You're right, over the course of the history, you come to many of these events and it's been a dual story. We've been able to grow top line while being able to continue to expand operating margin as a component piece of that. It also has meant that we're at a higher operating profit percentage than we were 10 years ago and we would expect that as we move forward, there are opportunities to incrementally do better there.

But I think I've told many of you in this room that if we can -- if we can double our percentage of the addressable market that we capture in the top line and we can do that even at our current operating margin levels, we think that that's a great value proposition as we move forward. It's obviously an important point, it's a relevant point because of where we've been, but it's also the most tangible point because the top line is doing what I think we would hope that it would do and what maybe our shareholders would expect for the top line to do.

Brad Beckham^ Michael, I may just follow up real quick. Fantastic question. Jeremy said it very, very well. I want to make sure that everybody knows that we take our rates, this operating -- all these margin lines that we have been able to build over a long period of time from Greg and David, I talked about earlier to the current regime today. We're

incredibly proud of what we've done and those rates absolutely matter. And when we say they absolutely matter, they absolutely matter, but for sure in the mid to long term.

And we just continue to view this as playing the long game. If you think about all the things that happened in the pandemic and you think about the share that we've been able to take during and coming out of the pandemic and with a lot of competitive dynamics going on, as we think about where we want to be five years from now, 10 years from now, 2035, 2040, we want to -- we want to take major market share. We want to turn it into operating profit dollar growth, but we also know that we have a big responsibility to maintain an incrementally improved rate and that's key, but we're going to do it for the mid to long term.

There's a few things that we could have done over the last couple of years that would have either largely or minimally impacted how we could grow the top line to have better leverage down the P&L, it wouldn't have been the right thing to do for two, three, four, five years from now and there's just been a lot of moving pieces. There's a lot of competitive dynamics, a lot of different things have happened and our team.

Something like managing tariffs, it's an unbelievable job that our merchants have done managing tariffs, all the cost inputs, all the pricing outputs, being competitive, but maintaining our rate in every way we can on the pricing side, figuring out where we want to invest and where we want to lever on SG&A, all the different things when you think about investments, return on invested capital, how we feel about returns, business cases, anything we do as a company.

I just want to balance that we know it's our responsibility to do both things, but there's things we could be doing right now to have better flow through, but we are building, we're going to continue to build sustainable top line, share growth, and what we feel like will be sustainable incremental growth to all the rates up and down the P&L.

Brent Kirby^ Yes. And Michael, the only other thing I would add in addition to what Brad and Jeremy have both said and they said it well is we have a maniacal focus on continuous improvement on everything we do, and talked a little bit about proprietary brands and continued growth there. You think about the margin opportunities, best first cost of goods opportunities, more control of the end-to-end supply chain.

We'll talk about productivity out here in the building today. We are playing the long game for share and growth just like Brad and Jeremy talked about, but I can tell you. And again bringing Colin Yankee on again just we are continuing to tighten down on the things that we know we have opportunity to continue to wring out efficiencies, productivity, and continuously improve everything we do to help continue to be able to support that flow through that you're talking about. So that's not lost on us at all. I want to make sure we get that point across as well.

Steven Zaccone^ Hi. Steven Zaccone from Citi. Thanks so much for the time today. Could we shift to discussion about the Mid-Atlantic and the Northeast? You opened the

Stafford, D.C. this year. How's that gone? Then maybe help us understand the timeline to move up the call list in the Mid-Atlantic and Northeast. Like how long could that take? If you can compare and contrast it to another region that's been newer and worked well, that'd be great.

Brad Beckham^ Yes. Yes. Thanks, Steven. I'm happy to start that one. And we actually have the team, Robert Dumas oversees, that's been with us since Mid-State, the Mid-State acquisition back in '01. He oversees not only this market, but all the way up through the Mid-Atlantic. And so, feel free to pick his brain later on as well. But yes, really excited about Stafford. I may kick it to Brent here in a second just to kind of talk about how we've seen that box open up. But tremendous, tremendous success getting that facility opened up.

We had some existing stores kind of in that just Northern Virginia, mid part of Virginia. Most of those stores were serviced out of the Greensboro, North Carolina facility. And so, we opened up with some good leverage with the stores we're servicing. Box opened up great, amazing leadership. Incredible to bring that kind of SKU breadth and availability into that market. That market, when you think about that city counter service that we talked about earlier, which is not only the overnight service, but the every hour on the hour, you think about the population in Northern Virginia. You think about the population.

When I say population, that means a lot of cars, a lot of shops, a lot of DIY customers in Northern Virginia, Washington, D.C., Baltimore, and up into Philly. It's a tremendous opportunity for us. The stores that we have serviced out of that facility are -- there's a lot of new stores, Steven, but there's also some stores that have been open for five to 10 years that were kind of on the edge of that service from either Greensboro or Akron, Ohio, coming out of the -- from the Northwest.

And it's a hugely, highly competitive market, but we also feel like it's underserved. We feel like we're going to compete really well in that market. Really happy with the store performance in that market.

Always could be better. It's a grinded out thing, like we talked about, kind of the use case of Atlanta, how long it's taken. I would compare Northern Virginia, Washington, D.C., and Baltimore, really no different than I described Atlanta earlier.

We're going to take -- it's going to be big percentage growth, store by store every year, big comparable store, sales percentage increases, smaller dollars as you start from a small base. But I think Robert and the team would tell you that we're really pleased with how those stores are opening. Really pleased with how the shops, to your point on the call list, are responding to us.

A lot of them know us. They don't know us really well, as crazy as that sounds. That's kind of new territory for us. So it's kind of show me. It's, hey, I've been buying from this

supplier for 30 years, why would I give you a shot? Then maybe we call on them, meaning we go visit them four, five, six times over a four to six-week period.

All right, I may give you a shot, and it could be just one order one week. It could be nobody else has the part, and we happen to have it in the Stafford facility. None of our competitors have it in their hub stores.

We get that -- we get that call. And that doesn't mean you go from last call to first call overnight. It means you may just move up in the first couple years to third or fourth call. But you may kick somebody out that's one of the weaker players in the market, still strong players above you on the call list. But honestly, it's no different than Atlanta. If those stores that are existing right now, they could only be 2%, 3%, 4% share. And in a decade, it's not like they're going to be 20% share. They may be 7% or 8%. Then the next decade, they go from 7% or 8% to 15%.

And so, it'll take a long period of time. Retail comes on faster. Retail has come on, again like I said, here in Atlanta, you open a store in eyeshot or throwing a rock of a couple of retail competitors. People like to come in and check out the new parts store and see what you're about or check you out online. If they see -- we talk a lot about availability, how it affects the DIFM side. All this availability advantage we talk about, it's absolutely as important on the DIY side.

And so, a DIY consumer sees you have a part nobody else does and all the functionality that I described in time definite promise on Simeon's [ph] question earlier on the DIFM side, all our retail customers can see that on our B2C website as well. And so, wow, I'm going to go check this store out. And they get exposed to our professional parts people, barring these guys that I've worked with for a long time, build the right team, which that's absolutely, to Brent's point, what fuels our growth. We can open stores all day long, but it's the quality of the team that absolutely matters.

So long answer there, but really pleased with that geography. We acquired those Salvo stores a little over a year ago now. They had a good business, but we're still fairly immature in that market, in that Baltimore market.

But even though Stafford's a little bit ways away you can still get that inventory availability overnight and then kind of one time a day. You can't get it every hour on the hour like you can in Northern Virginia or D.C., but you still get those hard to find parts up to that Baltimore market. And the market is responding really well, but we haven't even scratched the surface, so really excited about it.

Brent Kirby^ Yes. The only other thing I'd add, Steven, to your question, again fantastic team. What you're going to see today looks very much like Stafford. Stafford actually opened after this building, so it's even a newer vintage than this building. So we've got a tremendous team there. But as we start breaking into those markets like Brad talked about, to your question, moving up those call lists, again getting back into curation of the SKU count there, how it proliferates and penetrates that part of the U.S. and the car park

there and what our professional customers need, retail customers need, we have confidence in our team to do that, but it is going to take some time. It is earning it every day.

Greg Melich^ Hi. Thanks. Greg Melich with Evercore ISI. Brad, you were very clear in the beginning how the real outperformance this year has been on conversion and on unit volume and on traffic, so it's great to hear. I guess I want to go to the other side, the basket. So the same SKU inflation was from tariffs probably 500 bps or 600 bps, I think by the end of last year.

I guess I'd love to sort of level set us on where we are now in terms of with tariff rates changing and maybe coming back. What are you guys expecting for effective tariff rates to be into next year? Then also just given where diesel is, how does that factor into what that sort of ongoing same SKU inflation?

And the second part of my ticket question is mixed complexity. That's always been, I think maybe a couple points of top line over time, but with private label or own brands up to 55%, I'm just wondering if there's any trade-down dynamics or taking items out of the basket that's impacting that base level.

Brad Beckham^ Yes, great questions, Greg. I may start it and then I'll kick it over to Jeremy for some of the nuances of what we're seeing exactly with inflation, et cetera. Really, again to your point, feel really good about what we saw in the first half of the year.

We've talked a lot about DIFM and I think back of some of the other questions that were asked early in the session. I couldn't be more pleased, we couldn't be more pleased with the job that Jason and the men and women that run store operations and sales out in the field. We feel really good about our ability to take retail DIY share right now.

We see it. We're executing at a very high level, I believe, on the retail side, for all the reasons we've already talked about. Feel really good when you set inflation aside, like I said earlier, Greg, just our team's ability to take foot traffic and turn it into actual real sales and customer experience.

We see it in our ticket growth, not always been growth on the positive side, but versus the market. Feel really good about the way we've held in there with ticket count, unit volume, all those things you talked about.

On the basket, our teams do such a great job selling the entire job. When we get the opportunity to get somebody in one of our stores, having all these promote from within people, and when you go to our stores today some of them may look pretty young. We start them pretty early. You may think well, they look young, but I was a 19-year-old store manager, but I'd grown up for a couple years learning how to never say no and do all these things.

And so, being good at this doesn't always mean decades of experience, but they're really good about solving a problem. It's not just transactional. When somebody walks in our front door, it is our job.

They may think that they need their check engine lights on and they really have no idea, and it's our job to really help them either diagnose it in the store or getting one of them to our professional customers. But they could think they need brake pads, and next thing you know, we've helped them realize that they need rotors, whether the rotors need to be resurfaced or just sell them new rotors. They actually have a caliper that's sticking, and so they're going to need to have a new caliper, brake hardware.

And our professional parts people are just really good. No matter what's happening with basket on the whole, they're just really good when it comes to making sure that our customers have everything they need to solve the problem. They're just really good at that.

Not that we're perfect. We have opportunities every day we miss execution-wise, but we're really good at it.

And just maybe hit on the last, and I'll let Jeremy follow up on some of the nuances of inflation and how we see that heading into next year. Speaking on trade down, though there was a couple quarters that I know you'll remember well, Greg, that we started to see a little bit of larger ticket deferral, we cited that just a little bit.

Frankly, when we got into this year, you all kind of know what we've said. But when we look at -- when we look at our good, better, best categories, and then you look at that versus what we consider, we don't put a fine point on what exactly is maintenance, repair, and -- maintenance, repair, and discretionary. We don't bucket those to a fine point.

But generally, when we look at those three categories versus what we're seeing in our good, better, best line design, broadly what we've seen this year, I mean we're still growing our middle and upper tiers. And so, it's a little bit counter-cyclical to what the broader market may see, health of the consumer, some of those things. And so, I think it's just more about us controlling our own destiny with the good, better, best.

I think one other thing in our industry, since it is 90 plus percent non-discretionary, what's really great about it is a lot of consumers right now, maybe not the lowest end consumer, but kind of maybe are the middle to upper part of the DIY consumer, they're looking for value. And value doesn't always mean they want the cheapest -- they want the cheapest item.

Our best people in the stores, if somebody comes in and asks you to sell them the cheapest battery you have, they'll walk you to the most expensive price, because with the warranty it comes with, and the coverage, and the quality, and all those things, it actually is the overall best value. And so, between our professional parts people, and still a relatively healthy consumer, we've been able to capitalize on people that don't just want

the cheapest part. They think they want something economical, but we're able to help them with the overall value.

Jeremy Fletcher^ Yes. And I'll try to go relatively quickly, get another question or two in. Around some of the specifics, we've said, back after the year, we expect inflation to be 1% to 2%. Ultimately, we'll see how long motor oil pricing will tend to persist, there could be some variances around that, but broadly speaking, that's sort of our level set.

We're not great price predictors moving forward. The tariff environment within our industry has stayed relatively static, probably more so than other parts of retail, because of the degree to which sectoral tariffs are part of what the regime looks like for the automotive aftermarket. So a lot of stability there, we wouldn't anticipate a lot of change.

Obviously as we move into next year, there could be component pieces around energy prices, around interest rates, and other types of things. There are always puts and takes that can drive cost inflation through the industry that could result in broader top line inflation. Often, there are lots of offsets there, so we always tend to be a little bit more reserved in how we think about that moving forward.

But the dynamics, as we think through the back half of the year, obviously are sort of the reset against the tougher comparisons from last year. Brad kind of touched on it, but just kind of to give you some of the nuanced details. When we look at the back half of the year, the other components of the composition of the comp, there's some complexity within the parts that we sell that's a tailwind benefit for us in the industry.

Newer parts are higher priced and more complex, so as newer vehicles move into the car park and you see older vehicles transition out, the slide that Brent showed earlier, there's a benefit there. We think that that is pretty consistent and has been there for a while. We did see pressure in the back half on some of the other items on the ticket.

The ticket size, there were pressures. Some of it was bigger jobs that we saw some deferral that impacted transaction counts there, but also just the ability to sell those extra items. We saw pockets of that in the back half of last year and our compares a little bit easier there.

We've seen strength in that in this year through our first half of the year. That's been a positive.

Trade down to Brad's point, maybe some little bits of that in the back half of last year, nothing of significance. For sure, nothing that we've held out to this year. Then just the overall kind of challenges around deferral. Again pockets of that last year, we feel like we haven't seen that this year.

So that's sort of our setup for the back half of the year, even as we know that we'll come back down to earth a little bit on the same SKU. We do have some of the other components of the comp that we think perform well against what are easier comparisons

as we kind of had a little bit of a give back of the inflation benefit we saw as we finished out 2025.

Kate McShane^ Hi. Kate McShane, Goldman Sachs. This was mentioned at the very beginning of your presentation about the potential for that sweet spot of trailing six to 12-year-old vehicles. Is there any concern that demand could be impacted as the lower new vehicle sales from 2020 starts to flow into the addressable market? And is there any way you can compare and contrast to maybe what happened in 2016, 2017 when we last saw that?

Jeremy Fletcher^ Yes, absolutely. The '26 [ph] and 2017 period wasn't maybe as substantial as what we saw through the course of the pandemic. But the pandemic itself was much lower magnitude to what we saw in the global financial crisis in '08, '09, and '10. And the car park itself has continued to age.

This concept of what a sweet spot is has continued to expand and lengthen. So I wouldn't say that we're concerned about it. There's definitely something there.

We know that as that cohort of new car sales that were impaired a little bit during the course of the pandemic, as they age, they will create some headwind. But it's less discreet. It wasn't all that discreet back in '08, '09, and '10.

We know that as that moved in, it probably accumulated into a peak of pressure in '17 that combined with a lot of other factors was the reason why '17 was a rough year. But it had probably started to build '15, '16, and kind of tailed back off of being pressured just on the year-over-year comp. We could see some of that.

We may not ever be in a position where we can measure it very well because of those two factors. One, the overall impact to the annual vehicle sales number was much less significant. And it's just veering into a demand population for our industry that's much wider.

And it's also deeper at older ages. Part of the dynamic, I think sometimes is around a new vehicle age that's approaching 12 years. It's not just that the average age of vehicles has gone up, but a willingness of a consumer to use those vehicles heavily.

People that drive a 12-year-old, 13-year-old, 14-year-old, 15-year-old vehicle as a daily driver has meant that that kind of demand composition has spread out quite a bit so that the impact is going to be mitigated over time.

Leslie Skorick^ So I think that's going to get us to time for Q&A. Thank you, guys, for answering the questions. Appreciate everyone here in person and listening on our webcast.