# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

# FORM 10-Q

☒ Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended May 8, 2021, or

☐ Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from _______ to ________.

Commission file number 1-10714

# AUTOZONE, INC.

(Exact name of registrant as specified in its charter)

| | |
|---|---|
| **Nevada**<br>(State or other jurisdiction of incorporation or organization) | **62-1482048**<br>(I.R.S. Employer Identification No.) |
| **123 South Front Street, Memphis, Tennessee**<br>(Address of principal executive offices) | **38103**<br>(Zip Code) |

**(901) 495-6500**
(Registrant's telephone number, including area code)

**Not applicable**
(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

| Title of Each Class | Trading Symbol(s) | Name of Each Exchange on which Registered |
|---|---|---|
| **Common Stock ($0.01 par value)** | **AZO** | **New York Stock Exchange** |

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

| | |
|---|---|
| Large accelerated filer ☒ | Accelerated filer ☐ |
| Non-accelerated filer ☐ | Smaller reporting company ☐ |
| Emerging growth company ☐ | |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.☐ ☐

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock, $.01 Par Value – 21,544,752 shares outstanding as of June 4, 2021.

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# PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements.

### AUTOZONE, INC.
### CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

| *(in thousands)* | May 8, 2021 | August 29, 2020 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 975,646 | $ 1,750,815 |
| Accounts receivable | 359,669 | 364,774 |
| Merchandise inventories | 4,665,477 | 4,473,282 |
| Other current assets | 223,604 | 223,001 |
| Total current assets | 6,224,396 | 6,811,872 |
| | | |
| Property and equipment: | | |
| Property and equipment | 8,538,854 | 8,136,542 |
| Less: Accumulated depreciation and amortization | (3,855,705) | (3,627,321) |
| | 4,683,149 | 4,509,221 |
| | | |
| Operating lease right-of-use assets | 2,694,846 | 2,581,677 |
| Goodwill | 302,645 | 302,645 |
| Deferred income taxes | 30,366 | 27,843 |
| Other long-term assets | 202,544 | 190,614 |
| | 3,230,401 | 3,102,779 |
| | $ 14,137,946 | $ 14,423,872 |
| | | |
| **Liabilities and Stockholders' Deficit** | | |
| Current liabilities: | | |
| Accounts payable | $ 5,778,222 | $ 5,156,324 |
| Current portion of operating lease liabilities | 256,382 | 223,846 |
| Accrued expenses and other | 884,377 | 827,668 |
| Income taxes payable | 94,268 | 75,253 |
| Total current liabilities | 7,013,249 | 6,283,091 |
| | | |
| Long-term debt | 5,267,896 | 5,513,371 |
| Operating lease liabilities, less current portion | 2,594,506 | 2,501,560 |
| Deferred income taxes | 366,497 | 354,186 |
| Other long-term liabilities | 659,190 | 649,641 |
| | | |
| Commitments and contingencies | | |
| | | |
| Stockholders' deficit: | | |
| Preferred stock, authorized 1,000 shares; no shares issued | — | — |
| Common stock, par value $.01 per share, authorized 200,000 shares; 22,897 shares issued and 21,620 shares outstanding as of May 8, 2021; 23,697 shares issued and 23,376 shares outstanding as of August 29, 2020 | 229 | 237 |
| Additional paid-in capital | 1,381,982 | 1,283,495 |
| Retained deficit | (1,205,600) | (1,450,970) |
| Accumulated other comprehensive loss | (304,382) | (354,252) |
| Treasury stock, at cost | (1,635,621) | (356,487) |
| Total stockholders' deficit | (1,763,392) | (877,977) |
| | $ 14,137,946 | $ 14,423,872 |

**See Notes to Condensed Consolidated Financial Statements.**

**AUTOZONE, INC.**
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**
(Unaudited)

| *(in thousands, except per share data)* | Twelve Weeks Ended May 8, 2021 | Twelve Weeks Ended May 9, 2020 | Thirty-Six Weeks Ended May 8, 2021 | Thirty-Six Weeks Ended May 9, 2020 |
|---|---|---|---|---|
| Net sales | $ 3,651,023 | $ 2,779,299 | $ 9,716,101 | $ 8,085,999 |
| Cost of sales, including warehouse and delivery expenses | 1,736,077 | 1,288,651 | 4,566,155 | 3,728,221 |
| Gross profit | 1,914,946 | 1,490,648 | 5,149,946 | 4,357,778 |
| Operating, selling, general and administrative expenses | 1,111,441 | 998,975 | 3,249,449 | 2,958,144 |
| Operating profit | 803,505 | 491,673 | 1,900,497 | 1,399,634 |
| Interest expense, net | 45,026 | 47,450 | 137,217 | 135,528 |
| Income before income taxes | 758,479 | 444,223 | 1,763,280 | 1,264,106 |
| Income tax expense | 162,315 | 101,327 | 378,737 | 271,591 |
| Net income | $ 596,164 | $ 342,896 | $ 1,384,543 | $ 992,515 |
| | | | | |
| Weighted average shares for basic earnings per share | 21,956 | 23,386 | 22,609 | 23,610 |
| Effect of dilutive stock equivalents | 559 | 442 | 545 | 550 |
| Weighted average shares for diluted earnings per share | 22,515 | 23,828 | 23,154 | 24,160 |
| | | | | |
| Basic earnings per share | $ 27.15 | $ 14.66 | $ 61.24 | $ 42.04 |
| Diluted earnings per share | $ 26.48 | $ 14.39 | $ 59.80 | $ 41.08 |

**See Notes to Condensed Consolidated Financial Statements.**

**AUTOZONE, INC.**
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**
(Unaudited)

| *(in thousands)* | Twelve Weeks Ended May 8, 2021 | Twelve Weeks Ended May 9, 2020 | Thirty-Six Weeks Ended May 8, 2021 | Thirty-Six Weeks Ended May 9, 2020 |
|---|---|---|---|---|
| Net income | $ 596,164 | $ 342,896 | $ 1,384,543 | $ 992,515 |
| Other comprehensive (loss) income: | | | | |
| Foreign currency translation adjustments | (3,865) | (104,920) | 48,731 | (64,702) |
| Unrealized (losses) gains on marketable debt securities, net of taxes | (337) | 1,160 | (838) | 1,150 |
| Net derivative activities, net of taxes | 659 | (12,419) | 1,977 | (11,642) |
| Total other comprehensive (loss) income | (3,543) | (116,179) | 49,870 | (75,194) |
| Comprehensive income | $ 592,621 | $ 226,717 | $ 1,434,413 | $ 917,321 |

**See Notes to Condensed Consolidated Financial Statements.**

**AUTOZONE, INC.**
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**
(Unaudited)

| | Thirty-Six Weeks Ended | |
|---|---|---|
| *(in thousands)* | **May 8, 2021** | **May 9, 2020** |
| Cash flows from operating activities: | | |
| Net income | $ 1,384,543 | $ 992,515 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization of property and equipment and intangibles | 278,044 | 272,115 |
| Amortization of debt origination fees | 9,326 | 6,572 |
| Deferred income taxes | 6,047 | 24,281 |
| Share-based compensation expense | 38,061 | 32,251 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 8,335 | 36,843 |
| Merchandise inventories | (162,271) | (175,284) |
| Accounts payable and accrued expenses | 635,058 | 20,907 |
| Income taxes payable | 22,989 | 12,334 |
| Other, net | 10,215 | 80,574 |
| Net cash provided by operating activities | 2,230,347 | 1,303,108 |
| Cash flows from investing activities: | | |
| Capital expenditures | (375,653) | (273,888) |
| Purchase of marketable debt securities | (52,553) | (82,525) |
| Proceeds from sale of marketable debt securities | 72,268 | 106,690 |
| Investment in tax credit equity investments | (3,908) | — |
| Proceeds from disposal of capital assets and other, net | 1,183 | 1,800 |
| Net cash used in investing activities | (358,663) | (247,923) |
| Cash flows from financing activities: | | |
| Net payments of commercial paper | — | (1,030,000) |
| Proceeds from issuance of debt | — | 1,250,000 |
| Repayment of debt | (250,000) | — |
| Net proceeds from sale of common stock | 121,924 | 56,306 |
| Purchase of treasury stock | (2,478,322) | (930,903) |
| Repayment of principal portion of finance lease liabilities | (44,844) | (43,776) |
| Other, net | — | (13,779) |
| Net cash used in financing activities | (2,651,242) | (712,152) |
| Effect of exchange rate changes on cash | 4,389 | (10,215) |
| Net (decrease) increase in cash and cash equivalents | (775,169) | 332,818 |
| Cash and cash equivalents at beginning of period | 1,750,815 | 176,300 |
| Cash and cash equivalents at end of period | $ 975,646 | $ 509,118 |

**See Notes to Condensed Consolidated Financial Statements.**

# AUTOZONE, INC.
## CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
(Unaudited)

| *(in thousands)* | Twelve Weeks Ended May 8, 2021 | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Common Shares Issued** | **Common Stock** | **Additional Paid-in Capital** | **Retained Deficit** | **Accumulated Other Comprehensive Loss** | **Treasury Stock** | **Total** |
| Balance at February 13, 2021 | 22,796 | $ 228 | $ 1,314,424 | $ (1,801,764) | $ (300,839) | $ (735,622) | $ (1,523,573) |
| Net income | — | — | — | 596,164 | — | — | 596,164 |
| Total other comprehensive income | — | — | — | — | (3,543) | — | (3,543) |
| Purchase of 663 shares of treasury stock | — | — | — | — | — | (899,999) | (899,999) |
| Issuance of common stock under stock options and stock purchase plans | 101 | 1 | 55,413 | — | — | — | 55,414 |
| Share-based compensation expense | — | — | 12,145 | — | — | — | 12,145 |
| Balance at May 8, 2021 | 22,897 | $ 229 | $ 1,381,982 | $ (1,205,600) | $ (304,382) | $ (1,635,621) | $ (1,763,392) |

| *(in thousands)* | Twelve Weeks Ended May 9, 2020 | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Common Shares Issued** | **Common Stock** | **Additional Paid-in Capital** | **Retained Deficit** | **Accumulated Other Comprehensive Loss** | **Treasury Stock** | **Total** |
| Balance at February 15, 2020 | 23,653 | $ 237 | $ 1,241,734 | $ (2,534,323) | $ (228,337) | $ (190,430) | $ (1,711,119) |
| Net income | — | — | — | 342,896 | — | — | 342,896 |
| Total other comprehensive income | — | — | — | — | (116,179) | — | (116,179) |
| Purchase of 156 shares of treasury stock | — | — | — | — | — | (166,057) | (166,057) |
| Issuance of common stock under stock options and stock purchase plans | 16 | — | 7,599 | — | — | — | 7,599 |
| Share-based compensation expense | — | — | 10,124 | — | — | — | 10,124 |
| Balance at May 9, 2020 | 23,669 | $ 237 | $ 1,259,457 | $ (2,191,427) | $ (344,516) | $ (356,487) | $ (1,632,736) |

| *(in thousands)* | Thirty-Six Weeks Ended May 8, 2021 | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Common Shares Issued** | **Common Stock** | **Additional Paid-in Capital** | **Retained Deficit** | **Accumulated Other Comprehensive Loss** | **Treasury Stock** | **Total** |
| Balance at August 29, 2020 | 23,697 | $ 237 | $ 1,283,495 | $ (1,450,970) | $ (354,252) | $ (356,487) | $ (877,977) |
| Net income | — | — | — | 1,384,543 | — | — | 1,384,543 |
| Total other comprehensive income | — | — | — | — | 49,870 | — | 49,870 |
| Retirement of treasury shares | (1,044) | (10) | (60,005) | (1,139,173) | — | 1,199,188 | — |
| Purchase of 1,999 shares of treasury stock | — | — | — | — | — | (2,478,322) | (2,478,322) |
| Issuance of common stock under stock options and stock purchase plans | 244 | 2 | 121,922 | — | — | — | 121,924 |
| Share-based compensation expense | — | — | 36,570 | — | — | — | 36,570 |
| Balance at May 8, 2021 | 22,897 | $ 229 | $ 1,381,982 | $ (1,205,600) | $ (304,382) | $ (1,635,621) | $ (1,763,392) |

| *(in thousands)* | Thirty-Six Weeks Ended May 9, 2020 | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Common Shares Issued** | **Common Stock** | **Additional Paid-in Capital** | **Retained Deficit** | **Accumulated Other Comprehensive Loss** | **Treasury Stock** | **Total** |
| Balance at August 31, 2019 | 25,445 | $ 254 | $ 1,264,448 | $ (1,305,347) | $ (269,322) | $ (1,403,884) | $ (1,713,851) |
| Net income | — | — | — | 992,515 | — | — | 992,515 |
| Total other comprehensive income | — | — | — | — | (75,194) | — | (75,194) |
| Retirement of treasury shares | (1,912) | (19) | (99,686) | (1,878,595) | — | 1,978,300 | — |
| Purchase of 826 shares of treasury stock | — | — | — | — | — | (930,903) | (930,903) |
| Issuance of common stock under stock options and stock purchase plans | 136 | 2 | 62,899 | — | — | — | 62,901 |
| Share-based compensation expense | — | — | 31,796 | — | — | — | 31,796 |
| Balance at May 9, 2020 | 23,669 | $ 237 | $ 1,259,457 | $ (2,191,427) | $ (344,516) | $ (356,487) | $ (1,632,736) |

**See Notes to Condensed Consolidated Financial Statements.**

**AUTOZONE, INC.**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
(Unaudited)

**Note A – General**

The accompanying unaudited Condensed Consolidated Financial Statements have been prepared in accordance with United States (“U.S.”) generally accepted accounting principles (“U.S. GAAP”) for interim financial information and are presented in accordance with the requirements of Form 10-Q and Article 10 of Regulation S-X of the Securities and Exchange Commission’s (the “SEC”) rules and regulations. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments, including normal recurring accruals, considered necessary for a fair presentation have been included. For further information, refer to the consolidated financial statements and related notes included in the AutoZone, Inc. (“AutoZone” or the “Company”) Annual Report on Form 10-K for the year ended August 29, 2020.

Operating results for the twelve and thirty-six weeks ended May 8, 2021 are not necessarily indicative of the results that may be expected for the full fiscal year ending August 28, 2021. Each of the first three quarters of AutoZone’s fiscal year consists of 12 weeks, and the fourth quarter consists of 16 or 17 weeks. The fourth quarters of fiscal 2021 and 2020 each have 16 weeks.

**Recent Accounting Pronouncements:**

In August 2018, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2018-15, *Intangibles – Goodwill and Other Internal Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*. The amendments in this update align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. ASU 2018-15 is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted. The Company adopted the new guidance on a prospective basis in the first quarter of fiscal 2021. The adoption of this guidance did not have a material impact on the Company’s Condensed Consolidated Financial Statements and related disclosures.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* which was subsequently amended in November 2018 through ASU 2018-19, *Codification Improvements to Topic 326, Financial Instruments Credit Losses*. ASU 2016-13 requires entities to estimate all expected credit losses for financial assets measured at amortized cost basis, including trade receivables, held at the reporting date based on historical experience, current conditions and reasonable and supportable forecasts. The Company adopted this guidance using the modified retrospective adoption method beginning with its first quarter ended November 21, 2020. The adoption of this new guidance did not have a material impact on the Company's Condensed Consolidated Financial Statements and related disclosures. The balance for allowance for uncollectable accounts was $11.1 million at May 8, 2021 and $10.0 million at August 29, 2020.

**Note B – Share-Based Payments**

AutoZone maintains several equity incentive plans, which provide equity-based compensation to non-employee directors and eligible employees for their service to AutoZone, its subsidiaries or affiliates. The Company recognizes compensation expense for share-based payments based on the fair value of the awards at the grant date. Share-based payments include stock option grants, restricted stock grants, restricted stock unit grants, stock appreciation rights, discounts on shares sold to employees under share purchase plans and other awards. Additionally, directors’ fees are paid in restricted stock units with value equivalent to the value of shares of common stock as of the grant date. The change in fair value of liability-based stock awards is also recognized in share-based compensation expense.

Stock Options:

The Company made stock option grants of 196,520 shares during the thirty-six week period ended May 8, 2021 and granted options to purchase 188,324 shares during the comparable prior year period. The Company grants options to purchase common stock to certain of its employees under its equity incentive plans at prices equal to the market value of the stock on the date of grant. The fair value of each option is amortized into compensation expense on a straight-line basis between the grant date for the award and each vesting date.

The weighted average fair value of the stock option awards granted during the thirty-six week periods ended May 8, 2021 and May 9, 2020, using the Black-Scholes-Merton multiple-option pricing valuation model, was $299.99 and $252.39 per share, respectively, using the following weighted average key assumptions:

| | Thirty-Six Weeks Ended | |
|---|---|---|
| | May 8, 2021 | May 9, 2020 |
| Expected price volatility | 28 % | 22 % |
| Risk-free interest rate | 0.4 % | 1.4 % |
| Weighted average expected lives (in years) | 5.6 | 5.5 |
| Forfeiture rate | 10 % | 10 % |
| Dividend yield | 0 % | 0 % |

During the thirty-six week period ended May 8, 2021, 239,177 stock options were exercised at a weighted average exercise price of $513.51. In the comparable prior year period, 121,236 stock options were exercised at a weighted average exercise price of $480.39.

Restricted Stock Units:

Restricted stock unit awards are valued at the market price of a share of the Company's stock on the date of grant. Grants of employee restricted stock units vest ratably on an annual basis over a four-year service period and are payable in shares of common stock on the vesting date. Compensation expense for grants of employee restricted stock units is recognized on a straight-line basis over the four-year service period, less estimated forfeitures, which are consistent with stock option forfeiture assumptions. Grants of non-employee director restricted stock units are made and expensed on January 1 of each year, as they vest immediately.

As of May 8, 2021, total unrecognized stock-based compensation expense related to nonvested restricted stock unit awards, net of estimated forfeitures, was approximately $12.1 million, before income taxes, which we expect to recognize over an estimated weighted average period of 2.6 years.

Transactions related to restricted stock units for the thirty-six weeks ended May 8, 2021 were as follows:

| | Number of Shares | Weighted-Average Grant Date Fair Value |
|---|---|---|
| Nonvested at August 29, 2020 | 14,160 | $ 910.63 |
| Granted | 8,064 | 1,149.77 |
| Vested | (5,805) | 977.48 |
| Canceled or forfeited | (367) | 1,025.45 |
| Nonvested at May 8, 2021 | 16,052 | $ 1,003.38 |

Total share-based compensation expense (a component of Operating, selling, general and administrative expenses) was $13.9 million for the twelve week period ended May 8, 2021, and $10.1 million for the comparable prior year period. Total share-based compensation expense was $38.1 million for the thirty-six week period ended May 8, 2021, and $32.3 million for the comparable prior year period.

For the twelve week period ended May 8, 2021, 142,660 stock options were excluded from the diluted earnings per share computation because they would have been anti-dilutive. For the comparable prior year period, 187,965 anti-dilutive shares were excluded from the dilutive earnings per share computation. There were 166,456 anti-dilutive shares excluded from the diluted earnings per share computation for the thirty-six week period ended May 8, 2021, and 161,321 anti-dilutive shares excluded for the comparable prior year period.

See AutoZone's Annual Report on Form 10-K for the year ended August 29, 2020 and other filings with the SEC, for a discussion regarding the methodology used in developing AutoZone's assumptions to determine the fair value of the option awards and a description of AutoZone's Amended and Restated 2011 Equity Incentive Award Plan, the AutoZone, Inc. 2020 Omnibus Incentive Award Plan and the 2020 Director Compensation Program.

**Note C – Fair Value Measurements**

The Company defines fair value as the price received to transfer an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In accordance with ASC 820, *Fair Value Measurements and Disclosures,* the Company uses the fair value hierarchy, which prioritizes the inputs used to measure fair value. The hierarchy, as defined below, gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are set forth below:

**Level 1 inputs**—unadjusted quoted prices in active markets for identical assets or liabilities that the Company can access at the measurement date.

**Level 2 inputs**—inputs other than quoted market prices included within Level 1 that are observable, either directly or indirectly, for the asset or liability.

**Level 3 inputs**—unobservable inputs for the asset or liability, which are based on the Company's own assumptions as there is little, if any, observable activity in identical assets or liabilities.

*Marketable Debt Securities Measured at Fair Value on a Recurring Basis*

The Company's marketable debt securities measured at fair value on a recurring basis were as follows:

| | May 8, 2021 | | | |
|---|---|---|---|---|
| *(in thousands)* | Level 1 | Level 2 | Level 3 | Fair Value |
| Other current assets | $ 50,579 | $ — | $ — | $ 50,579 |
| Other long-term assets | 58,015 | 17,857 | — | 75,872 |
| | $ 108,594 | $ 17,857 | $ — | $ 126,451 |

| | August 29, 2020 | | | |
|---|---|---|---|---|
| *(in thousands)* | Level 1 | Level 2 | Level 3 | Fair Value |
| Other current assets | $ 75,651 | $ 467 | $ — | $ 76,118 |
| Other long-term assets | 58,792 | 12,329 | — | 71,121 |
| | $ 134,443 | $ 12,796 | $ — | $ 147,239 |

At May 8, 2021, the fair value measurement amounts for assets and liabilities recorded in the accompanying Condensed Consolidated Balance Sheets consisted of short-term marketable debt securities, which are included within Other current assets, and long-term marketable debt securities, which are included in Other long-term assets. The Company's marketable debt securities are typically valued at the closing price in the principal active market as of the last business day of the quarter or through the use of other market inputs relating to the securities, including benchmark yields and reported trades. The fair values of the marketable debt securities, by asset class, are described in "Note D – Marketable Debt Securities."

*Financial Instruments not Recognized at Fair Value*

The Company has financial instruments, including cash and cash equivalents, accounts receivable, other current assets and accounts payable. The carrying amounts of these financial instruments approximate fair value because of their short maturities. A discussion of the carrying values and fair values of the Company's debt is included in "Note G – Financing."

**Note D – Marketable Debt Securities**

Marketable debt securities are carried at fair value, with unrealized gains and losses, net of income taxes, recorded in Accumulated other comprehensive loss until realized, and any credit risk related losses are recognized in net income in the period incurred. The Company's basis for determining the cost of a security sold is the "Specific Identification Model." The Company's available-for-sale marketable debt securities consisted of the following:

| | May 8, 2021 | | | |
|---|---|---|---|---|
| *(in thousands)* | **Amortized Cost Basis** | **Gross Unrealized Gains** | **Gross Unrealized Losses** | **Fair Value** |
| Corporate debt securities | $ 31,660 | $ 546 | $ — | $ 32,206 |
| Government bonds | 69,237 | 580 | — | 69,817 |
| Mortgage-backed securities | 4,912 | 64 | — | 4,976 |
| Asset-backed securities and other | 19,361 | 104 | (13) | 19,452 |
| | $ 125,170 | $ 1,294 | $ (13) | $ 126,451 |

| | August 29, 2020 | | | |
|---|---|---|---|---|
| *(in thousands)* | **Amortized Cost Basis** | **Gross Unrealized Gains** | **Gross Unrealized Losses** | **Fair Value** |
| Corporate debt securities | $ 46,652 | $ 970 | $ (4) | $ 47,618 |
| Government bonds | 44,594 | 1,172 | — | 45,766 |
| Mortgage-backed securities | 4,842 | 75 | — | 4,917 |
| Asset-backed securities and other | 48,798 | 143 | (3) | 48,938 |
| | $ 144,886 | $ 2,360 | $ (7) | $ 147,239 |

The debt securities held at May 8, 2021, had effective maturities ranging from less than one year to approximately four years. At May 8, 2021, the Company held eight securities that are in an unrealized loss position of approximately $13 thousand. In evaluating whether a credit loss exists for the securities, the Company considers factors such as the severity of the loss position, the credit worthiness of the investee, the term to maturity and the intent and ability to hold the investments until maturity or until recovery of fair value. An allowance for credit losses was deemed unnecessary given consideration of the factors above.

Included above in total available-for-sale marketable debt securities are $62.4 million of marketable debt securities transferred by the Company's insurance captive to a trust account to secure its obligations to an insurance company related to future workers' compensation and casualty losses.

**Note E – Derivative Financial Instruments**

At May 8, 2021, the Company had $28.6 million recorded in Accumulated other comprehensive loss related to realized losses associated with terminated interest rate swap and treasury rate lock derivatives, which were designated as hedging instruments. Net losses are amortized into Interest expense over the remaining life of the associated debt. During the twelve week periods ended May 8, 2021 and May 9, 2020, the Company reclassified $863 thousand and $509 thousand of net losses from Accumulated other comprehensive loss to Interest expense, respectively. During the thirty-six week period ended May 8, 2021 and the comparable prior year period, the Company reclassified $2.6 million and $1.5 million of net losses from Accumulated other comprehensive loss to Interest expense, respectively. The Company expects to reclassify $3.7 million of net losses from Accumulated other comprehensive loss to Interest expense over the next 12 months.

**Note F – Merchandise Inventories**

Merchandise inventories include related purchasing, storage and handling costs. Inventory cost has been determined using the last-in, first-out ("LIFO") method stated at the lower of cost or net realizable value for domestic inventories and the weighted average cost method stated at the lower of cost or net realizable value for Mexico and Brazil inventories. Due to historical price deflation on the Company's merchandise purchases, the Company has exhausted its LIFO reserve balance. The Company's policy is not to write up inventory in excess of replacement cost. The difference between LIFO cost and replacement cost, which will be reduced upon experiencing price inflation on the Company's merchandise purchases, was $363.7 million at May 8, 2021 and $357.0 million at August 29, 2020.

**Note G – Financing**

The Company's debt consisted of the following:

| *(in thousands)* | **May 8, 2021** | **August 29, 2020** |
|---|---|---|
| 2.500% Senior Notes due April 2021, effective interest rate of 2.62% | $ — | $ 250,000 |
| 3.700% Senior Notes due April 2022, effective interest rate of 3.85% | 500,000 | 500,000 |
| 2.875% Senior Notes due January 2023, effective interest rate of 3.21% | 300,000 | 300,000 |
| 3.125% Senior Notes due July 2023, effective interest rate of 3.26% | 500,000 | 500,000 |
| 3.125% Senior Notes due April 2024, effective interest rate 3.32% | 300,000 | 300,000 |
| 3.250% Senior Notes due April 2025, effective interest rate 3.36% | 400,000 | 400,000 |
| 3.625% Senior Notes due April 2025, effective interest rate 3.78% | 500,000 | 500,000 |
| 3.125% Senior Notes due April 2026, effective interest rate of 3.28% | 400,000 | 400,000 |
| 3.750% Senior Notes due June 2027, effective interest rate of 3.83% | 600,000 | 600,000 |
| 3.750% Senior Notes due April 2029, effective interest rate of 3.86% | 450,000 | 450,000 |
| 4.000% Senior Notes due April 2030, effective interest rate 4.09% | 750,000 | 750,000 |
| 1.650% Senior Notes due January 2031, effective interest rate of 2.19% | 600,000 | 600,000 |
| Total debt before discounts and debt issuance costs | 5,300,000 | 5,550,000 |
| Less: Discounts and debt issuance costs | 32,104 | 36,629 |
| Long-term debt | $ 5,267,896 | $ 5,513,371 |

On March 15, 2021, the Company repaid the $250 million 2.500% Senior Notes due April 2021, which were callable at par in March 2021.

As of May 8, 2021, the $500 million 3.700% Senior Notes due April 2022 are classified as long-term in the accompanying Condensed Consolidated Balance Sheets as the Company has the ability and intent to refinance them on a long-term basis through available capacity in its Revolving Credit Agreement. As of May 8, 2021, the Company had $1.998 billion of availability under its $2.0 billion Revolving Credit Agreement, which would allow the Company to replace these short-term obligations with long-term financing facilities.

The Company entered into a Master Extension, New Commitment and Amendment Agreement dated as of November 18, 2017 (the “Extension Amendment”) to the Third Amended and Restated Credit Agreement dated as of November 18, 2016, as amended, modified, extended or restated from time to time (the “Revolving Credit Agreement”). Under the Extension Amendment: (i) the Company’s borrowing capacity under the Revolving Credit Agreement was increased from $1.6 billion to $2.0 billion; (ii) the maximum borrowing under the Revolving Credit Agreement may, at the Company’s option, subject to lenders approval, be increased from $2.0 billion to $2.4 billion; (iii) the termination date of the Revolving Credit Agreement was extended from November 18, 2021 until November 18, 2022; and (iv) the Company has the option to make one additional written request of the lenders to extend the termination date then in effect for an additional year. Under the Revolving Credit Agreement, the Company may borrow funds consisting of Eurodollar loans, base rate loans or a combination of both. Interest accrues on Eurodollar loans at a defined Eurodollar rate, defined as LIBOR plus the applicable percentage, as defined in the Revolving Credit Agreement, depending upon the Company’s senior, unsecured, (non-credit enhanced) long-term debt ratings. Interest accrues on base rate loans as defined in the Revolving Credit Agreement.

As of May 8, 2021, the Company had no outstanding borrowings and $1.7 million of outstanding letters of credit under the Revolving Credit Agreement.

Under the Company’s Revolving Credit Agreement, covenants include restrictions on liens, a maximum debt to earnings ratio, a minimum fixed charge coverage ratio and a change of control provision that may require acceleration of the repayment obligations under certain circumstances.

On April 3, 2020, the Company entered into a 364-Day Credit Agreement (the “364-Day Credit Agreement”) to supplement the Company’s existing Revolving Credit Agreement. The 364-Day Credit Agreement provided for loans in the aggregate principal amount of up to $750 million. The 364-Day Credit Agreement had a termination date of, and any amounts borrowed under the 364-Day Credit Agreement were due and payable on, April 2, 2021. Revolving loans under the 364-Day Credit Agreement could be base rate loans, Eurodollar loans, or a combination of both, at the Company’s election.

Effective February 22, 2021, the Company terminated the 364-Day Credit Agreement. There were no borrowings outstanding under the 364-Day Credit Agreement. The Company entered into the 364-Day Credit Agreement to augment its access to liquidity due to macroeconomic conditions existing at the time, and the Company determined the additional access to liquidity was no longer necessary.

All Senior Notes are subject to an interest rate adjustment if the debt ratings assigned are downgraded (as defined in the agreements). Further, the Senior Notes contain a provision that repayment may be accelerated if the Company experiences a change in control (as defined in the agreements). The Company’s borrowings under its Senior Notes contain minimal covenants, primarily restrictions on liens, sale and leaseback transactions and consolidations, mergers and the sale of assets. All of the repayment obligations under its borrowing arrangements may be accelerated and come due prior to the scheduled payment date if covenants are breached or an event of default occurs.

The fair value of the Company’s debt was estimated at $4.758 billion as of May 8, 2021, and $6.081 billion as of August 29, 2020, based on the quoted market prices for the same or similar issues or on the current rates available to the Company for debt of the same terms (Level 2). Such fair value is less than the carrying value of debt by $509.5 million and greater than the carrying value of debt by $567.5 million at May 8, 2021 and August 29, 2020, respectively, which reflects their face amount, adjusted for any unamortized debt issuance costs and discounts.

As of May 8, 2021, the Company was in compliance with all covenants and expects to remain in compliance with all covenants under its borrowing arrangements.

**Note H – Stock Repurchase Program**

From January 1, 1998 to May 8, 2021, the Company has repurchased a total of 149.7 million shares of its common stock at an aggregate cost of $24.832 billion, including 2.0 million shares of its common stock at an aggregate cost of $2.478 billion during the thirty-six week period ended May 8, 2021. On December 15, 2020, the Board voted to increase the repurchase authorization by $1.5 billion. On March 23, 2021, the Board voted to increase the repurchase authorization by an additional $1.5 billion. This raised the total value of shares authorized to be repurchased to $26.15 billion. Considering the cumulative repurchases as of May 8, 2021, the Company had $1.318 billion remaining under the Board's authorization to repurchase its common stock.

During the thirty-six week period ended May 8, 2021, the Company retired 1.0 million shares of treasury stock which had previously been repurchased under the Company's share repurchase program. The retirement increased Retained deficit by $1.139 billion and decreased Additional paid-in capital by $60.0 million. During the comparable prior year period, the Company retired 1.9 million shares of treasury stock, which increased Retained deficit by $1.879 billion and decreased Additional paid-in capital by $99.7 million.

Subsequent to May 8, 2021, the Company has repurchased 119,391 shares of its common stock at an aggregate cost of $174.8 million.

**Note I – Accumulated Other Comprehensive Loss**

Accumulated other comprehensive loss includes foreign currency translation adjustments, activity for interest rate swaps and treasury rate locks that qualify as cash flow hedges and unrealized gains (losses) on available-for-sale debt securities.

Changes in Accumulated other comprehensive loss for the twelve week periods ended May 8, 2021 and May 9, 2020 consisted of the following:

| *(in thousands)* | Foreign Currency and Other[3] | Net Unrealized Gain (Loss) on Securities | Derivatives | Total |
|---|---|---|---|---|
| Balance at February 13, 2021 | $ (279,725) | $ 1,344 | $ (22,458) | $ (300,839) |
| Other comprehensive (loss) before reclassifications[1][2] | (3,865) | (346) | — | (4,211) |
| Amounts reclassified from Accumulated other comprehensive (loss)[1][2] | — | 9 | 659 | 668 |
| Balance at May 8, 2021 | $ (283,590) | $ 1,007 | $ (21,799) | $ (304,382) |

| *(in thousands)* | Foreign Currency and Other[3] | Net Unrealized Gain (Loss) on Securities | Derivatives | Total |
|---|---|---|---|---|
| Balance at February 15, 2020 | $ (225,380) | $ 581 | $ (3,538) | $ (228,337) |
| Other comprehensive (loss) income before reclassifications[1][2] | (104,920) | 1,116 | (12,808) | (116,612) |
| Amounts reclassified from Accumulated other comprehensive income (loss)[1][2] | — | 44 | 389 | 433 |
| Balance at May 9, 2020 | $ (330,300) | $ 1,741 | $ (15,957) | $ (344,516) |

Changes in Accumulated other comprehensive loss for the thirty-six week periods ended May 8, 2021 and May 9, 2020 consisted of the following:

| *(in thousands)* | Foreign Currency and Other[3] | Net Unrealized Gain (Loss) on Securities | Derivatives | Total |
|---|---|---|---|---|
| Balance at August 29, 2020 | $ (332,321) | $ 1,845 | $ (23,776) | $ (354,252) |
| Other comprehensive income (loss) before reclassifications[1][2] | 48,731 | (861) | — | 47,870 |
| Amounts reclassified from Accumulated other comprehensive (loss) income[1][2] | — | 23 | 1,977 | 2,000 |
| Balance at May 8, 2021 | $ (283,590) | $ 1,007 | $ (21,799) | $ (304,382) |

| *(in thousands)* | Foreign Currency and Other[3] | Net Unrealized Gain (Loss) on Securities | Derivatives | Total |
|---|---|---|---|---|
| Balance at August 31, 2019 | $ (265,598) | $ 591 | $ (4,315) | $ (269,322) |
| Other comprehensive (loss) income before reclassifications[1][2] | (64,702) | 1,063 | (12,808) | (76,447) |
| Amounts reclassified from Accumulated other comprehensive income (loss)[1][2] | — | 87 | 1,166 | 1,253 |
| Balance at May 9, 2020 | $ (330,300) | $ 1,741 | $ (15,957) | $ (344,516) |

*(1) Amounts in parentheses indicate debits to Accumulated other comprehensive loss.*

*(2) Amounts shown are net of taxes/tax benefits.*

*(3) Foreign currency is shown net of U.S. tax to account for foreign currency impacts of certain undistributed non-U.S. subsidiaries earnings. Other foreign currency is not shown net of additional U.S. tax as other basis differences of non-U.S. subsidiaries are intended to be permanently reinvested.*

**Note J – Litigation**

The Company is involved in various legal proceedings incidental to the conduct of its business, including, but not limited to, several lawsuits containing class-action allegations in which the plaintiffs are current and former hourly and salaried employees who allege various wage and hour violations and unlawful termination practices. While the resolution of these matters cannot be predicted with certainty, management does not currently believe that, either individually or in the aggregate, these matters will result in liabilities material to the Company’s Condensed Consolidated Statements of Income, Condensed Consolidated Balance Sheets or Condensed Consolidated Statements of Cash Flows.

**Note K – Segment Reporting**

The Company’s operating segments (Domestic Auto Parts, Mexico and Brazil) are aggregated as one reportable segment: Auto Parts Stores. The criteria the Company used to identify the reportable segment are primarily the nature of the products the Company sells and the operating results that are regularly reviewed by the Company’s chief operating decision maker to make decisions about the resources to be allocated to the business units and to assess performance. The accounting policies of the Company’s reportable segment are the same as those described in “Note A – Significant Accounting Policies” in its Annual Report on Form 10-K for the year ended August 29, 2020.

The Auto Parts Stores segment is a retailer and distributor of automotive parts and accessories through the Company’s 6,657 locations in the U.S., Mexico and Brazil. Each store carries an extensive product line for cars, sport utility vehicles, vans and light trucks, including new and remanufactured automotive hard parts, maintenance items, accessories and non-automotive products.

The Other category reflects business activities of two operating segments that are not separately reportable due to the materiality of these operating segments. The operating segments include ALLDATA, which produces, sells and maintains diagnostic and repair information software used in the automotive repair industry, and E-commerce, which includes direct sales to customers through www.autozone.com for sales that are not fulfilled by local stores.

The Company evaluates its reportable segment primarily on the basis of net sales and segment profit, which is defined as gross profit. Segment results for the periods presented were as follows:

| | Twelve Weeks Ended | | Thirty-Six Weeks Ended | |
|---|---|---|---|---|
| *(in thousands)* | May 8, 2021 | May 9, 2020 | May 8, 2021 | May 9, 2020 |
| **Net Sales** | | | | |
| Auto Parts Stores | $ 3,590,281 | $ 2,724,604 | $ 9,551,576 | $ 7,932,831 |
| Other | 60,742 | 54,695 | 164,525 | 153,168 |
| Total | $ 3,651,023 | $ 2,779,299 | $ 9,716,101 | $ 8,085,999 |
| **Segment Profit** | | | | |
| Auto Parts Stores | $ 1,877,240 | $ 1,454,705 | $ 5,042,124 | $ 4,252,136 |
| Other | 37,706 | 35,943 | 107,822 | 105,642 |
| Gross profit | 1,914,946 | 1,490,648 | 5,149,946 | 4,357,778 |
| Operating, selling, general and administrative expenses | (1,111,441) | (998,975) | (3,249,449) | (2,958,144) |
| Interest expense, net | (45,026) | (47,450) | (137,217) | (135,528) |
| Income before income taxes | $ 758,479 | $ 444,223 | $ 1,763,280 | $ 1,264,106 |

## Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
AutoZone, Inc.

**Results of Review of Interim Financial Statements**

We have reviewed the accompanying condensed consolidated balance sheet of AutoZone, Inc. (the Company) as of May 8, 2021, the related condensed consolidated statements of income, comprehensive income and stockholders' deficit for the twelve and thirty-six week periods ended May 8, 2021 and May 9, 2020, the condensed consolidated statements of cash flows for the thirty-six week periods ended May 8, 2021 and May 9, 2020, and the related notes (collectively referred to as the "condensed consolidated interim financial statements"). Based on our reviews, we are not aware of any material modifications that should be made to the condensed consolidated interim financial statements for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheet of the Company as of August 29, 2020, the related consolidated statements of income, comprehensive income, stockholders' deficit and cash flows for the year then ended, and the related notes (not presented herein); and in our report dated October 26, 2020, we expressed an unqualified audit opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of August 29, 2020, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

**Basis for Review Results**

These financial statements are the responsibility of the Company's management. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the SEC and the PCAOB. We conducted our review in accordance with the standards of the PCAOB. A review of interim financial statements consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the PCAOB, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

/s/ Ernst & Young LLP

Memphis, Tennessee

June 11, 2021

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

In Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A"), we provide a historical and prospective narrative of our general financial condition, results of operations, liquidity and certain other factors that may affect the future results of AutoZone, Inc. ("AutoZone" or the "Company"). The following MD&A discussion should be read in conjunction with our Condensed Consolidated Financial Statements, related notes to those statements and other financial information, including forward-looking statements and risk factors, that appear elsewhere in this Quarterly Report on Form 10-Q, our Annual Report on Form 10-K for the year ended August 29, 2020 and other filings we make with the SEC.

**Forward-Looking Statements**

Certain statements contained in this Quarterly Report on Form 10-Q constitute forward-looking statements that are subject to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements typically use words such as "believe," "anticipate," "should," "intend," "plan," "will," "expect," "estimate," "project," "positioned," "strategy," "seek," "may," "could," and similar expressions. These are based on assumptions and assessments made by our management in light of experience and perception of historical trends, current conditions, expected future developments and other factors that we believe to be appropriate. These forward-looking statements are subject to a number of risks and uncertainties, including without limitation: product demand; energy prices; weather; competition; credit market conditions; cash flows; access to available and feasible financing; future stock repurchases; the impact of recessionary conditions; consumer debt levels; changes in laws or regulations; risks associated with self -insurance; war and the prospect of war, including terrorist activity; the impact of public health issues, such as the ongoing global coronavirus ("COVID-19") pandemic; inflation; the ability to hire, train and retain qualified employees; construction delays; the compromising of confidentiality, availability or integrity of information, including cyber-attacks; historic growth rate sustainability; downgrade of our credit ratings; damages to our reputation; challenges in international markets; failure or interruption of our information technology systems; origin and raw material costs of suppliers; disruption in our supply chain; impact of tariffs; anticipated impact of new accounting standards; and business interruptions. Certain of these risks and uncertainties are discussed in more detail in the "Risk Factors" section contained in Item 1A under Part 1 of our Annual Report on Form 10-K for the year ended August 29, 2020, and these Risk Factors should be read carefully. Forward-looking statements are not guarantees of future performance, actual results, developments and business decisions may differ from those contemplated by such forward-looking statements, and events described above and in the "Risk Factors" could materially and adversely affect our business. However, it should be understood that it is not possible to identify or predict all such risks and other factors that could affect these forward-looking statements. Forward-looking statements speak only as of the date made. Except as required by applicable law, we undertake no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

**Overview**

We are the leading retailer, and a leading distributor, of automotive replacement parts and accessories in the Americas. We began operations in 1979 and at May 8, 2021 operated 5,975 stores in the U.S., 635 stores in Mexico and 47 stores in Brazil. Each store carries an extensive product line for cars, sport utility vehicles, vans and light trucks, including new and remanufactured automotive hard parts, maintenance items, accessories and non-automotive products. At May 8, 2021 in 5,107 of our domestic stores, we also had a commercial sales program that provides commercial credit and prompt delivery of parts and other products to local, regional and national repair garages, dealers, service stations and public sector accounts. We also have commercial programs in all stores in Mexico and Brazil. We sell the ALLDATA brand automotive diagnostic and repair software through www.alldata.com. Additionally, we sell automotive hard parts, maintenance items, accessories and non-automotive products through www.autozone.com and our commercial customers can make purchases through www.autozonepro.com. We also provide product information on our Duralast branded products through www.duralastparts.com. We do not derive revenue from automotive repair or installation services.

Operating results for the twelve and thirty-six weeks ended May 8, 2021 are not necessarily indicative of the results that may be expected for the fiscal year ending August 28, 2021. Each of the first three quarters of our fiscal year consists of 12 weeks, and the fourth quarter consists of 16 or 17 weeks. The fourth quarters of fiscal 2021 and 2020 each have 16 weeks. Our business is somewhat seasonal in nature, with the highest sales generally occurring during the months of February through September, and the lowest sales generally occurring in the months of December and January.

**COVID-19 Impact**

The COVID-19 pandemic continues to impact numerous aspects of our business. Our sales remain at an elevated level compared to sales prior to the pandemic, as we believe the additional pandemic-related government stimulus benefitted many of our customers. Our main priority continues to be the health, safety and well-being of our customers and employees. For fiscal 2021, we have incurred approximately $46 million in pandemic related expenses, including Emergency Time Off (“ETO”) benefit enhancements as compared to approximately $75 million in the comparable prior year period.

The long-term impact to our business remains unknown as we are unable to accurately predict the impact COVID-19 will have due to numerous uncertainties, including the duration of the outbreak, the impact of variants of the disease, the distribution and efficacy of vaccines, the speed at which such vaccines are administered, actions that may be taken by governmental authorities intended to minimize the spread of the pandemic or to stimulate the economy and other unintended consequences. Accordingly, business disruption related to the COVID-19 outbreak may continue to cause significant fluctuations in our business, unusually impacting demand for our products, our store hours and our workforce availability and magnify risks associated with our business and operations.

See “Risk Factors—The ongoing outbreak of COVID-19 has been declared a pandemic by the World Health Organization, continues to spread within the United States and many other parts of the world and may have a material adverse effect on our business operations, financial condition, liquidity and cash flow” in our Annual Report on Form 10-K for additional information.

**Executive Summary**

Net sales increased 31.4% for the quarter ended May 8, 2021 compared to the prior year period, which was driven by an increase in domestic same store sales (sales from stores open at least one year) of 28.9%. Domestic commercial sales increased 44.4%, which represents approximately 23% of our total sales. Operating profit increased 63.4% to $803.5 million compared to $491.7 million. Net income for the quarter increased 73.9% to $596.2 million compared to $342.9 million. Diluted earnings per share increased 84.0% to $26.48 per share from $14.39 per share. The increase in net income for the quarter ended May 8, 2021 was driven by strong topline growth.

Our business is impacted by various factors within the economy that affect both our consumer and our industry, including but not limited to fuel costs, wage rates and other economic conditions, including the effects of, and responses to, COVID-19. Given the nature of these macroeconomic factors, we cannot predict whether or for how long certain trends will continue, nor can we predict to what degree these trends will impact us in the future.

During the third quarter of fiscal 2021, failure and maintenance related categories represented the largest portion of our sales mix, at approximately 82% of total sales, which is consistent with the comparable prior year period, with failure related categories continuing to be the largest portion of our sales mix. While we have not experienced any fundamental shifts in our category sales mix as compared to the previous year, in our domestic stores we continue to experience a slight increase in mix of sales of the discretionary category as compared to previous quarters. We believe the improvement in this sales category continues to benefit from the pandemic as many of our customers spent more time and money to work on projects.

The two statistics we believe have the most positive correlation to our market growth over the long-term are miles driven and the number of seven year old or older vehicles on the road. While over the long-term we have seen a close correlation between our net sales and the number of miles driven, we have also seen time frames of minimal correlation in sales performance and miles driven. During the periods of minimal correlation between net sales and miles driven, we believe net sales have been positively impacted by other factors, including macroeconomic factors and the number of seven year old or older vehicles on the road. The average age of the U.S. light vehicle fleet continues to trend in our industry's favor. According to the latest data provided by the Auto Care Association in the 2021 Auto Care Factbook, for the ninth consecutive year, the average age of vehicles on the road has exceeded 11 years. Since the beginning of the fiscal year and through March 2021 (latest publicly available information), miles driven in the U.S. decreased 7.2% compared to the same period in the prior year; however, the March 2021 data showed significant improvement in the number of miles driven. We believe the increase in miles driven is due to the nation beginning to return to pre-pandemic levels, but we are unable to predict if the increase will continue or the extent of the impact it will have on our business.

**Twelve Weeks Ended May 8, 2021**
**Compared with Twelve Weeks Ended May 9, 2020**

Net sales for the twelve weeks ended May 8, 2021 increased $871.7 million to $3.651 billion, or 31.4% over net sales of $2.779 billion for the comparable prior year period. Total auto parts sales increased by 31.8%, primarily driven by an increase in domestic same store sales of 28.9% and net sales of $51.5 million from new stores. Domestic commercial sales increased $254.8 million to $828.6 million, or 44.4%, over the comparable prior year period.

Gross profit for the twelve weeks ended May 8, 2021 was $1.915 billion, compared with $1.491 billion during the comparable prior year period. Gross profit, as a percentage of sales was 52.4% compared to 53.6% during the comparable prior year period. The decrease in gross margin was primarily driven by the accelerated growth in our Commercial business and our investment in pricing initiatives.

Operating, selling, general and administrative expenses for the twelve weeks ended May 8, 2021 were $1.111 billion, or 30.4% of net sales, compared with  $999.0 million, or 35.9% of net sales during the comparable prior year period. The decrease in operating expenses, as a percentage of sales, was driven by strong sales growth and approximately $75 million in pandemic related expenses, including ETO for our AutoZoners, incurred in the prior year.

Net interest expense for the twelve weeks ended May 8, 2021 was $45.0 million compared with $47.5 million during the comparable prior year period. The decrease was primarily due to a decrease in the weighted average borrowing rate. Average borrowings for the twelve weeks ended May 8, 2021 were $5.351 billion, compared with $5.460 billion for the comparable prior year period. Weighted average borrowing rates were 3.3% and 3.4% for the quarter ended May 8, 2021 and May 9, 2020, respectively.

Our effective income tax rate was 21.4% of pretax income for the twelve weeks ended May 8, 2021, and 22.8% for the comparable prior year period. The decrease in the tax rate was primarily attributable to an increased benefit from stock options exercised during the twelve weeks ended May 8, 2021. The benefit of stock options exercised for the twelve weeks ended May 8, 2021 was $16.0 million compared to $1.1 million in the comparable prior year period.

Net income for the twelve week period ended May 8, 2021 increased by $253.3 million to $596.2 million from $342.9 million in the comparable prior year period, and diluted earnings per share increased by 84.0% to $26.48 from $14.39. The impact on current quarter diluted earnings per share from stock repurchases since the end of the comparable prior year period was an increase of $1.77.

**Thirty-Six Weeks Ended May 8, 2021**
**Compared with Thirty-Six Weeks Ended May 9, 2020**

Net sales for the thirty-six weeks ended May 8, 2021 increased $1.630 million to $9.716 billion, or 20.2%, over net sales of $8.086 billion for the comparable prior year period. Total auto parts sales increased by 20.4%, primarily driven by an increase in domestic same store sales of 19.0% and net sales of $133.4 million from new stores. Domestic commercial sales increased by $410.6 million, or 23.4%, to $2.163 billion.

Gross profit for the thirty-six weeks ended May 8, 2021 was $5.150 billion, or 53.0% of net sales, compared with $4.358 billion, or 53.9% of net sales, during the comparable prior year period. The decrease in gross margin was primarily driven by the accelerated growth in our Commercial business and our investment in pricing initiatives.

Operating, selling, general and administrative expenses for the thirty-six weeks ended May 8, 2021 were $3.249 billion, or 33.4% of net sales, compared with $2.958 billion, or 36.6% of net sales, during the comparable prior year period. The decrease in operating expenses, as a percentage of sales, was primarily driven by strong sales growth. Total pandemic related expenses, including ETO were approximately $46 million for the thirty-six week period ended May 8, 2021 compared to approximately $75 million during the comparable prior year period.

Net interest expense for the thirty-six weeks ended May 8, 2021 was $137.2 million compared with $135.5 million during the comparable prior year period. The increase was primarily due to an increase in the weighted average borrowing rate. Average borrowings for the thirty-six weeks ended May 8, 2021 were $5.460 billion, compared with $5.371 billion for the comparable prior year period. Weighted average borrowing rates were 3.3% and 3.2% for the thirty-six week periods ended May 8, 2021 and May 9, 2020, respectively.

Our effective income tax rate was 21.5% of pretax income for the thirty-six weeks ended May 8, 2021, which was flat to the comparable prior year period. The benefit of stock options exercised for the thirty-six week period ended May 8, 2021 was $35.2 million compared to $17.6 million in the comparable prior year period.

Net income for the thirty-six week period ended May 8, 2021 increased by $392.0 million to $1.385 billion due to the factors set forth above, and diluted earnings per share increased by 45.6% to $59.80 from $41.08 in the comparable prior year period. The impact on current year to date diluted earnings per share from stock repurchases since the end of the comparable prior year period resulted in an increase of $2.18 per share.

**Liquidity and Capital Resources**

The primary source of our liquidity is our cash flows realized through the sale of automotive parts, products and accessories. For the thirty-six weeks ended May 8, 2021, our net cash flows from operating activities provided $2.230 billion compared with $1.303 billion provided during the comparable prior year period. The increase is primarily due to favorable changes in accounts payable and growth in net income due to accelerated sales growth as a result of the effect of the COVID-19 pandemic on our customers.

Our net cash flows used in investing activities for the thirty-six weeks ended May 8, 2021 were $358.7 million as compared with $247.9 million in the comparable prior year period. Capital expenditures for the thirty-six weeks ended May 8, 2021 were $375.7 million compared to $273.9 million. The increase is primarily driven by increased store openings. During the thirty-six week period ended May 8, 2021 and May 9, 2020, we opened 108 and 73 net new stores, respectively. Investing cash flows were impacted by our wholly owned captive, which purchased $52.6 million and sold $72.3 million in marketable debt securities during the thirty-six weeks ended May 8, 2021. During the comparable prior year period, the captive purchased $82.5 million in marketable debt securities and sold $106.7 million.

Our net cash flows used in financing activities for the thirty-six weeks ended May 8, 2021 were $2.651 billion compared to $712.2 million in the comparable prior year period. During the thirty-six weeks ended May 8, 2021, we repaid our $250 million 2.500% Senior Notes due April 2021, which were callable at par in March 2021. In the comparable prior year period, we received $500 million from the issuance of 3.625% Senior Notes due April 2025 and received $750 million from the issuance of 4.000% Senior Notes due April 2030. We did not have any commercial paper activity during the thirty-six week period ended May 8, 2021 as compared to $1.030 billion in net proceeds in the comparable prior year period. Stock repurchases were $2.478 billion in the current thirty-six week period as compared with $930.9 million in the prior year period. Proceeds from the sale of common stock and exercises of stock options for the thirty-six weeks ended May 8, 2021 and May 9, 2020 provided $121.9 million and $56.3 million, respectively.

During fiscal 2021, we expect to increase the investment in our business as compared to fiscal 2020. The expected increase is driven by delays in capital spending for the third and fourth quarter of fiscal 2020 related to the uncertainties surrounding the COVID-19 pandemic. Our investments continue to be directed primarily to new stores, supply chain infrastructure, technology and enhancements to existing stores. The amount of our investments in our new stores is impacted by different factors, including such factors as whether the building and land are purchased (requiring higher investment) or leased (generally lower investment), located in the U.S., Mexico or Brazil, or located in urban or rural areas.

In addition to the building and land costs, our new stores require working capital, predominantly for inventories. Historically, we have negotiated extended payment terms from suppliers, reducing the working capital required and resulting in a high accounts payable to inventory ratio. We plan to continue leveraging our inventory purchases; however, our ability to do so may be limited by our vendors' capacity to factor their receivables from us. Certain vendors participate in arrangements with financial institutions whereby they factor their AutoZone receivables, allowing them to receive early payment from the financial institution on our invoices at a discounted rate. The terms of these agreements are between the vendor and the financial institution. Upon request from the vendor, we confirm to the vendor's financial institution the balances owed to the vendor, the due date and agree to waive any right of offset to the confirmed balances. A downgrade in our credit or changes in the financial markets may limit the financial institutions' willingness to participate in these arrangements, which may result in the vendor wanting to renegotiate payment terms. A reduction in payment terms would increase the working capital required to fund future inventory investments. Extended payment terms from our vendors have allowed us to continue our high accounts payable to inventory ratio. Accounts payable, as a percentage of gross inventory, was 123.9% at May 8, 2021, compared to 108.2% at May 9, 2020. The increase from the comparable prior year period was primarily due to increased accounts payable purchases with favorable vendor terms and higher inventory turns.

Depending on the timing and magnitude of our future investments (either in the form of leased or purchased properties or acquisitions), we anticipate that we will rely primarily on internally generated funds and available borrowing capacity to support a majority of our capital expenditures, working capital requirements and stock repurchases. The balance may be funded through new borrowings. We anticipate that we will be able to obtain such financing based on our current credit ratings and favorable experiences in the debt markets in the past.

For the trailing four quarters ended May 8, 2021, our adjusted after-tax return on invested capital ("ROIC"), which is a non-GAAP measure, was 40.2% as compared to 34.0% for the comparable prior year period. We use adjusted ROIC to evaluate whether we are effectively using our capital resources and believe it is an important indicator of our overall operating performance. Refer to the "Reconciliation of Non-GAAP Financial Measures" section for further details of our calculation.

*Debt Facilities*

On March 15, 2021, we repaid the $250 million 2.500% Senior Notes due April 2021 which were callable at par in March 2021.

As of May 8, 2021, the $500 million 3.700% Senior Notes due April 2022 were classified as long-term in the Consolidated Balance Sheets as we had the ability and intent to refinance them on a long-term basis through available capacity in our revolving credit facilities. As of May 8, 2021, we had $1.998 billion of availability under our $2.0 billion Revolving Credit Agreement.

We entered into a Master Extension, New Commitment and Amendment Agreement dated as of November 18, 2017 (the "Extension Amendment") to the Third Amended and Restated Credit Agreement dated as of November 18, 2016, as amended, modified, extended or restated from time to time (the "Revolving Credit Agreement"). Under the Extension Amendment: (i) our borrowing capacity under the Revolving Credit Agreement was increased from $1.6 billion to $2.0 billion; (ii) the maximum borrowing under the Revolving Credit Agreement may, at our option, subject to lenders approval, be increased from $2.0 billion to $2.4 billion; (iii) the termination date of the Revolving Credit Agreement was extended from November 18, 2021 until November 18, 2022; and (iv) we have the option to make one additional written request of the lenders to extend the termination date then in effect for an additional year. Under the Revolving Credit Agreement, we may borrow funds consisting of Eurodollar loans, base rate loans or a combination of both. Interest accrues on Eurodollar loans at a defined Eurodollar rate, defined as LIBOR plus the applicable percentage, as defined in the Revolving Credit Agreement, depending upon our senior, unsecured, (non-credit enhanced) long-term debt ratings. Interest accrues on base rate loans as defined in the Revolving Credit Agreement.

As of May 8, 2021, we had no outstanding borrowings and $1.7 million of outstanding letters of credit under the Revolving Credit Agreement.

Under our Revolving Credit Agreement, covenants include restrictions on liens, a maximum debt to earnings ratio, a minimum fixed charge coverage ratio and a change of control provision that may require acceleration of the repayment obligations under certain circumstances.

We also maintain a letter of credit facility that allows us to request the participating bank to issue letters of credit on our behalf up to an aggregate amount of $25 million. The letter of credit facility is in addition to the letters of credit that may be issued under the Revolving Credit Agreement. As of May 8, 2021, we had $25.0 million in letters of credit outstanding under the letter of credit facility, which expires in June 2022.

In addition to the outstanding letters of credit issued under the committed facilities discussed above, we had $136.9 million in letters of credit outstanding as of May 8, 2021. These letters of credit have various maturity dates and were issued on an uncommitted basis.

On April 3, 2020, we entered into a 364-Day Credit Agreement (the “364-Day Credit Agreement”) to supplement our existing Revolving Credit Agreement. The 364-Day Credit Agreement provided for loans in the aggregate principal amount of up to $750 million. The 364-Day Credit Agreement had a termination date of, and any amounts borrowed under the 364-Day Credit Agreement were due and payable on, April 2, 2021. Revolving loans under the 364-Day Credit Agreement could be base rate loans, Eurodollar loans, or a combination of both, at our election.

Effective February 22, 2021, we terminated the 364-Day Credit Agreement. There were no borrowings outstanding under the 364-Day Credit Agreement. We entered into the 364-Day Credit Agreement to augment our access to liquidity due to macroeconomic conditions existing at the time, and we determined the additional access to liquidity was no longer necessary.

All Senior Notes are subject to an interest rate adjustment if the debt ratings assigned are downgraded (as defined in the agreements). Further, the Senior Notes contain a provision that repayment may be accelerated if we experience a change in control (as defined in the agreements). Our borrowings under our Senior Notes contain minimal covenants, primarily restrictions on liens, sale and leaseback transactions and consolidations, mergers and the sale of assets. All of the repayment obligations under our borrowing arrangements may be accelerated and come due prior to the applicable scheduled payment date if covenants are breached or an event of default occurs. As of May 8, 2021, we were in compliance with all covenants and expect to remain in compliance with all covenants under our borrowing arrangements.

Our adjusted debt to earnings before interest, taxes, depreciation, amortization, rent and share-based compensation expense (“EBITDAR”) ratio was 2.0:1 as of May 8, 2021 and was 2.6:1 as of May 9, 2020. We calculate adjusted debt as the sum of total debt, financing lease liabilities and rent times six; and we calculate adjusted EBITDAR by adding interest, taxes, depreciation, amortization, rent, and share-based compensation expense to net income. Adjusted debt to EBITDAR is calculated on a trailing four quarter basis. We target our debt levels to a ratio of adjusted debt to EBITDAR in order to maintain our investment grade credit ratings. We believe this is important information for the management of our debt levels. To the extent EBITDAR continues to grow in future years, we expect our debt levels to increase; conversely, if EBITDAR declines, we would expect our debt levels to decrease. Refer to the “Reconciliation of Non-GAAP Financial Measures” section for further details of our calculation.

*Stock Repurchases*

From January 1, 1998 to May 8, 2021, we have repurchased a total of 149.7 million shares of our common stock at an aggregate cost of $24.832 billion, including 2.0 million shares of our common stock at an aggregate cost of $2.478 billion during the thirty-six week period ended May 8, 2021.

On December 15, 2020, the Board voted to increase the repurchase authorization by $1.5 billion. On March 23, 2021, the Board voted to increase the repurchase authorization by an additional $1.5 billion. This raised the total value of shares authorized to be repurchased to $26.15 billion. Considering cumulative repurchases as of May 8, 2021, we had $1.318 billion remaining under the Board’s authorization to repurchase our common stock.

Subsequent to May 8, 2021 we have repurchased 119,391 shares of our common stock at an aggregate cost of $174.8 million.

*Off-Balance Sheet Arrangements*

Since our fiscal year end, we have canceled, issued and modified stand-by letters of credit that are primarily renewed on an annual basis to cover deductible payments to our casualty insurance carriers. Our total stand-by letters of credit commitment at May 8, 2021, was $163.5 million, compared with $246.9 million at August 29, 2020, and our total surety bonds commitment at May 8, 2021, was $41.9 million, compared with $56.7 million at August 29, 2020.

**Financial Commitments**

Except for the previously discussed termination of the 364-Day Credit Agreement and the repayment of the $250 million 2.500% Senior Notes due April 2021, as of May 8, 2021, there were no significant changes to our contractual obligations as described in our Annual Report on Form 10-K for the year ended August 29, 2020.

**Reconciliation of Non-GAAP Financial Measures**

Management's Discussion and Analysis of Financial Condition and Results of Operations includes certain financial measures not derived in accordance with GAAP. These non-GAAP financial measures provide additional information for determining our optimal capital structure and are used to assist management in evaluating performance and in making appropriate business decisions to maximize stockholders' value.

Non-GAAP financial measures should not be used as a substitute for GAAP financial measures, or considered in isolation, for the purpose of analyzing our operating performance, financial position or cash flows. However, we have presented non-GAAP financial measures, as we believe they provide additional information that is useful to investors as it indicates more clearly our comparative year-to-year operating results. Furthermore, our management and the Compensation Committee of the Board use these non-GAAP financial measures to analyze and compare our underlying operating results and use select measurements to determine payments of performance-based compensation. We have included a reconciliation of this information to the most comparable GAAP measures in the following reconciliation tables.

*Reconciliation of Non-GAAP Financial Measure: Adjusted After-Tax ROIC*

The following tables calculate the percentages of adjusted ROIC for the trailing four quarters ended May 8, 2021 and May 9, 2020.

| *(in thousands, except percentage)* | A Fiscal Year Ended August 29, 2020[1] | B Thirty-Six Weeks Ended May 9, 2020 | A-B=C Sixteen Weeks Ended August 29, 2020 | D Thirty-Six Weeks Ended May 8, 2021 | C+D Trailing Four Quarters Ended May 8, 2021 |
|---|---|---|---|---|---|
| Net income | $ 1,732,972 | $ 992,515 | $ 740,457 | $ 1,384,543 | $ 2,125,000 |
| Adjustments: | | | | | |
| Interest expense | 201,165 | 135,528 | 65,637 | 137,217 | 202,854 |
| Rent expense[2] | 329,783 | 227,327 | 102,456 | 236,737 | 339,193 |
| Tax effect[3] | (115,747) | (79,102) | (36,645) | (81,522) | (118,167) |
| Adjusted after-tax return | $ 2,148,173 | $ 1,276,268 | $ 871,905 | $ 1,676,975 | $ 2,548,880 |
| | | | | | |
| Average debt[4] | | | | | $ 5,446,162 |
| Average stockholders’ deficit[4] | | | | | (1,364,932) |
| Add: Rent x 6[2] | | | | | 2,035,158 |
| Average finance lease liabilities[4] | | | | | 227,061 |
| Invested capital | | | | | $ 6,343,449 |
| | | | | | |
| Adjusted after-tax ROIC | | | | | 40.2 % |

| *(in thousands, except percentage)* | A Fiscal Year Ended August 31, 2019[1] | B Thirty-Six Weeks Ended May 4, 2019 | A-B=C Seventeen Weeks Ended August 31, 2019 | D Thirty-Six Weeks Ended May 9, 2020 | C+D Trailing Four Quarters Ended May 9, 2020 |
|---|---|---|---|---|---|
| Net income | $ 1,617,221 | $ 1,051,992 | $ 565,229 | $ 992,515 | $ 1,557,744 |
| Adjustments: | | | | | |
| Interest expense | 184,804 | 123,608 | 61,196 | 135,528 | 196,724 |
| Rent expense[2] | 332,726 | 224,259 | 108,467 | 227,327 | 335,794 |
| Tax effect[3] | (111,269) | (74,791) | (36,478) | (78,014) | (114,492) |
| Deferred tax liabilities, net of repatriation tax | (6,340) | (6,340) | — | — | — |
| Adjusted after-tax return | $ 2,017,142 | $ 1,318,728 | $ 698,414 | $ 1,277,356 | $ 1,975,770 |
| | | | | | |
| Average debt[4] | | | | | $ 5,303,066 |
| Average stockholders' deficit[4] | | | | | (1,684,662) |
| Add: Rent x 6[2] | | | | | 2,014,764 |
| Average finance lease liabilities[4] | | | | | 184,286 |
| Invested capital | | | | | $ 5,817,454 |
| | | | | | |
| Adjusted after-tax ROIC | | | | | 34.0 % |

*Reconciliation of Non-GAAP Financial Measure: Adjusted Debt to EBITDAR*

The following tables calculate the ratio of adjusted debt to EBITDAR for the trailing four quarters ended May 8, 2021 and May 9, 2020.

| *(in thousands, except ratio)* | A<br>Fiscal Year Ended August 29, 2020[(1)] | B<br>Thirty-Six Weeks Ended May 9, 2020 | A-B=C<br>Sixteen Weeks Ended August 29, 2020 | D<br>Thirty-Six Weeks Ended May 8, 2021 | C+D<br>Trailing Four Quarters Ended May 8, 2021 |
|---|---|---|---|---|---|
| Net income | $ 1,732,972 | $ 992,515 | $ 740,457 | $ 1,384,543 | $ 2,125,000 |
| Add: Interest expense | 201,165 | 135,528 | 65,637 | 137,217 | 202,854 |
| Income tax expense | 483,542 | 271,591 | 211,951 | 378,737 | 590,688 |
| Adjusted EBIT | 2,417,679 | 1,399,634 | 1,018,045 | 1,900,497 | 2,918,542 |
| Add: Depreciation and amortization expense | 397,466 | 272,115 | 125,351 | 278,044 | 403,395 |
| Rent expense[(2)] | 329,783 | 227,327 | 102,456 | 236,737 | 339,193 |
| Share-based expense | 44,835 | 32,251 | 12,584 | 38,061 | 50,645 |
| Adjusted EBITDAR | $ 3,189,763 | $ 1,931,327 | $ 1,258,436 | $ 2,453,339 | $ 3,711,775 |
| | | | | | |
| Debt | | | | | $ 5,267,896 |
| Financing lease liabilities | | | | | 228,597 |
| Add: Rent x 6[(2)] | | | | | 2,035,158 |
| Adjusted debt | | | | | $ 7,531,651 |
| | | | | | |
| Adjusted debt to EBITDAR | | | | | 2.0 |

| *(in thousands, except ratio)* | A<br>Fiscal Year Ended August 31, 2019[(1)] | B<br>Thirty-Six Weeks Ended May 4, 2019 | A-B=C<br>Seventeen Weeks Ended August 31, 2019 | D<br>Thirty-Six Weeks Ended May 9, 2020 | C+D<br>Trailing Four Quarters Ended May 9, 2020 |
|---|---|---|---|---|---|
| Net income | $ 1,617,221 | $ 1,051,992 | $ 565,229 | $ 992,515 | $ 1,557,744 |
| Add: Interest expense | 184,804 | 123,608 | 61,196 | 135,528 | 196,724 |
| Income tax expense | 414,112 | 259,762 | 154,350 | 271,591 | 425,941 |
| Adjusted EBIT | 2,216,137 | 1,435,362 | 780,775 | 1,399,634 | 2,180,409 |
| Add: Depreciation and amortization expense | 369,957 | 251,118 | 118,839 | 272,115 | 390,954 |
| Rent expense[(2)] | 332,726 | 224,259 | 108,467 | 227,327 | 335,794 |
| Share-based expense | 43,255 | 31,529 | 11,726 | 32,251 | 43,977 |
| Adjusted EBITDAR | $ 2,962,075 | $ 1,942,268 | $ 1,019,807 | $ 1,931,327 | $ 2,951,134 |
| | | | | | |
| Debt | | | | | $ 5,418,272 |
| Financing lease liabilities | | | | | 184,276 |
| Add: Rent x 6[(2)] | | | | | 2,014,764 |
| Adjusted debt | | | | | $ 7,617,312 |
| | | | | | |
| Adjusted debt to EBITDAR | | | | | 2.6 |

*(1) The fiscal year ended August 31, 2019 consists of 53 weeks. All other presented fiscal years are based on 52 weeks.*

*(2) The table below outlines the calculation of rent expense and reconciles rent expense to total lease cost, per ASC 842, the most directly comparable GAAP financial measure, for the trailing four quarters ended May 8, 2021 and May 9, 2020 (in thousands):*

| | | |
|---|---|---|
| Total lease cost, per ASC 842, for the trailing four quarters ended May 8, 2021 | $ | 421,750 |
| Less: Finance lease interest and amortization | | (55,725) |
| Less: Variable operating lease components, related to insurance and common area maintenance | | (26,832) |
| Rent expense for the trailing four quarters ended May 8, 2021 | $ | 339,193 |
| | | |
| Total lease cost, per ASC 842, for the 36 weeks ended May 9, 2020 | $ | 286,626 |
| Less: Finance lease interest and amortization | | (42,172) |
| Less: Variable operating lease components, related to insurance and common area maintenance | | (17,127) |
| Rent expense for the 36 weeks ended May 9, 2020 | $ | 227,327 |
| Add: Rent expense for the 17 weeks ended August 31, 2019 as previously reported prior to the adoption of ASC 842 | | 108,467 |
| Rent expense for the trailing four quarters ended May 9, 2020 | $ | 335,794 |

*(3) Effective tax rate over trailing four quarters ended May 8, 2021 and May 9, 2020 is 21.8% and 21.5%, respectively.*
*(4) All averages are computed based on trailing five quarter balances.*

**Recent Accounting Pronouncements**

Refer to Note A of the Notes to Condensed Consolidated Financial Statements for the discussion of recent accounting pronouncements.

**Critical Accounting Policies and Estimates**

Our critical accounting policies are described in Management’s Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended August 29, 2020. There have been no significant changes to our critical accounting policies since the filing of our Annual Report on Form 10-K for the year ended August 29, 2020.

**Item 3. Quantitative and Qualitative Disclosures about Market Risk**

At May 8, 2021, we had no material change to our instruments and positions that is sensitive to market risk since the disclosures in our Annual Report on Form 10-K for the year ended August 29, 2020.

The fair value of our debt was estimated at $4.758 billion as of May 8, 2021, and $6.081 billion as of August 29, 2020, based on the quoted market prices for the same or similar debt issues or on the current rates available to us for debt having the same remaining maturities. Such fair value was less than the carrying value of debt by $509.5 million and greater than the carrying value by $567.5 million at May 8, 2021 and August 29, 2020, respectively. We did not have any variable rate debt outstanding at May 8, 2021. The carrying value of debt reflects its face amount adjusted for any unamortized debt issuance costs and discounts. We had outstanding fixed rate debt of $5.268 billion, net of unamortized debt issuance costs of $32.1 million at May 8, 2021 and $5.513 billion, net of unamortized debt issuance costs of $36.6 million at August 29, 2020. A one percentage point increase in interest rates would have increased the fair value of our fixed rate debt by $624.5 million at May 8, 2021.

## Item 4. Controls and Procedures

### Evaluation of Disclosure Controls and Procedures

As of May 8, 2021, an evaluation was performed under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as amended. Based on that evaluation, our management, including the Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were effective as of May 8, 2021.

### Changes in Internal Controls

There were no changes in our internal control over financial reporting that occurred during the quarter ended May 8, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

# PART II. OTHER INFORMATION

## Item 1. Legal Proceedings

As of the date of this filing, there have been no additional material legal proceedings or material developments in the legal proceedings disclosed in Part 1, Item 3, of our Annual Report in Form 10-K for the fiscal year ended August 29, 2020.

## Item 1A. Risk Factors

As of the date of this filing, there have been no material changes in our risk factors from those disclosed in Part I, Item 1A, of our Annual Report on Form 10-K for the fiscal year ended August 29, 2020.

## Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Shares of common stock repurchased by the Company during the quarter ended May 8, 2021 were as follows:

**Issuer Repurchases of Equity Securities**

| Period | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Maximum Dollar Value that May Yet Be Purchased Under the Plans or Programs |
|---|---|---|---|---|
| February 14, 2021 to March 13, 2021 | 169,396 | $ 1,198.28 | 169,396 | $ 514,582,871 |
| March 14, 2021 to April 10, 2021 | 249,812 | 1,356.90 | 249,812 | 1,675,612,921 |
| April 11, 2021 to May 8, 2021 | 244,120 | 1,466.68 | 244,120 | 1,317,567,694 |
| Total | 663,328 | $ 1,356.79 | 663,328 | $ 1,317,567,694 |

During 1998, we announced a program permitting us to repurchase a portion of our outstanding shares not to exceed a dollar maximum established by our Board of Directors. This program was most recently amended by the Board on December 15, 2020 to increase the repurchase authorization by $1.5 billion and again on March 23, 2021, to increase the repurchase authorization by an additional $1.5 billion. This brings the total value of shares to be repurchased to $26.15 billion. All of the above repurchases were part of this program.

Subsequent to May 8, 2021, we have repurchased 119,391 shares of our common stock at an aggregate cost of $174.8 million.

## Item 3. Defaults Upon Senior Securities

Not applicable.

**Item 4. Mine Safety Disclosures**

Not applicable.

**Item 5. Other Information**

Not applicable.

**Item 6. Exhibits**

The following exhibits are being filed herewith:

| | |
|---|---|
| 3.1 | Restated Articles of Incorporation of AutoZone, Inc. Incorporated by reference to Exhibit 3.1 to the Quarterly Report on Form 10-Q for the quarter ended February 13, 1999. |
| 3.2 | Seventh Amended and Restated By-Laws of AutoZone, Inc. Incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K dated March 19, 2018. |
| 15.1 | Letter Regarding Unaudited Interim Financial Statements. |
| 31.1 | Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2 | Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1* | Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2* | Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101. INS | Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document |
| 101.SCH | Inline XBRL Taxonomy Extension Schema Document |
| 101.CAL | Inline XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF | Inline XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB | Inline XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE | Inline XBRL Taxonomy Extension Presentation Linkbase Document |
| 104. | The cover page for the Company’s Quarterly Report on Form 10-Q for the quarter ended May 8, 2021, has been formatted in Inline XBRL. |

* Furnished herewith.

## SIGNATURES

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

AUTOZONE, INC.

By:/s/ JAMERE JACKSON
Jamere Jackson
Chief Financial Officer and Executive Vice President
Finance and Store Development
(Principal Financial Officer)

By:/s/ CHARLIE PLEAS, III
Charlie Pleas, III
Senior Vice President, Controller
(Principal Accounting Officer)

Dated: June 11, 2021

**Exhibit 15.1**

The Board of Directors and Stockholders
AutoZone, Inc.

We are aware of the incorporation by reference in the following Registration Statements:

Registration Statement (Form S-8 No. 333-139559) pertaining to the AutoZone, Inc. 2006 Stock Option Plan

Registration Statement (Form S-8 No. 333-103665) pertaining to the AutoZone, Inc. 2003 Director Compensation Award Plan

Registration Statement (Form S-8 No. 333-42797) pertaining to the AutoZone, Inc. Amended and Restated Employee Stock Purchase Plan

Registration Statement (Form S-8 No. 333-88241) pertaining to the AutoZone, Inc. Amended and Restated Director Compensation Plan

Registration Statement (Form S-8 No. 333-75140) pertaining to the AutoZone, Inc. Executive Stock Purchase Plan

Registration Statement (Form S-3ASR No. 333-152592) pertaining to a shelf registration to sell debt securities

Registration Statement (Form S-8 No. 333-171186) pertaining to the AutoZone, Inc. 2011 Equity Incentive Award Plan

Registration Statement (Form S-3ASR No. 333-180768) pertaining to a shelf registration to sell debt securities

Registration Statement (Form S-3ASR No. 333-203439) pertaining to a shelf registration to sell debt securities

Registration Statement (Form S-3ASR No. 333-230719) pertaining to a shelf registration to sell debt securities

Registration Statement (Form S-8 No. 333-251506) pertaining to the AutoZone, Inc. 2020 Omnibus Incentive Award Plan

and in the related Prospectuses of our report dated June 11, 2021, relating to the unaudited condensed consolidated interim financial statements of AutoZone, Inc. that are included in its Form 10-Q for the quarter ended May 8, 2021.

Memphis, Tennessee
June 11, 2021

**Exhibit 31.1**

**CERTIFICATION PURSUANT TO**
**RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,**
**AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, William C. Rhodes, III, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of AutoZone, Inc. (“registrant”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

June 11, 2021

/s/ WILLIAM C. RHODES, III
William C. Rhodes, III
Chairman, President and Chief Executive Officer
(Principal Executive Officer)

**Exhibit 31.2**

**CERTIFICATION PURSUANT TO**
**RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,**
**AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Jamere Jackson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of AutoZone, Inc. (“registrant”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

June 11, 2021

/s/ JAMERE JACKSON
Jamere Jackson
Chief Financial Officer and Executive Vice President
Finance and Store Development
(Principal Financial Officer)

**Exhibit 32.1**

**CERTIFICATION PURSUANT TO**
**18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO**
**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of AutoZone, Inc. (the “Company”) on Form 10-Q for the period ended May 8, 2021, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, William C. Rhodes, III, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(i) the Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

June 11, 2021

/s/ WILLIAM C. RHODES, III
William C. Rhodes, III
Chairman, President and Chief Executive Officer
(Principal Executive Officer)

**Exhibit 32.2**

**CERTIFICATION PURSUANT TO**
**18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO**
**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of AutoZone, Inc. (the "Company") on Form 10-Q for the period ended May 8, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jamere Jackson, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(i) the Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

June 11, 2021

/s/ JAMERE JACKSON
Jamere Jackson
Chief Financial Officer and Executive Vice President
Finance and Store Development
(Principal Financial Officer)