AutoZone®
DRIVING THE FUTURE TOGETHER

Dear Customers, AutoZoners, and Stockholders,

I want to thank our more than 130,000 AutoZoners across the globe for their hard work, dedication, and commitment to customer satisfaction each and every day. I am honored to update you on our progress during Fiscal 2025 (FY25) and our plans for Fiscal 2026 (FY26) and beyond. With the start of our new fiscal year, we recently announced our operating theme for FY26, "Driving The Future Together." We are excited about this theme, as it represents a call to action and a focus on our top priority, our customers. As you might expect, we plan to leverage our unique and powerful culture to exceed the expectations of both our retail and commercial customers' needs. It also directs us towards our goals of accelerating our growth in the Americas. We are accelerating our store growth in the United States (US), Mexico, and Brazil while we continue to invest in our culture, in training AutoZoners, improving inventory assortments, and deploying technology so AutoZoners can say "Yes" to more customers. We are fortunate to compete in an industry where the demand for our goods and services is robust and growing.

In 2023 we stated our intentions to increase our investment in new stores, distribution centers, and information technology to support this growth. In FY25 these investments accelerated as we opened two new distribution centers (DCs) in the US and are nearing completion on our new DCs in Mexico and Brazil. These DCs add significant capacity to enable future store growth and are the most technologically advanced DCs we have ever opened.

This past year marked our 46th anniversary since our first store opened in Forrest City, Arkansas in 1979. This year marked record sales growth and near record store openings both domestically and internationally. We are very excited about where our future is headed.

As a long term AutoZoner, I am proud of what we have accomplished, but I am even more excited about what we will accomplish. By focusing on developing our AutoZoners' skills, talents, and striving to always say "Yes" to our customers, we are strengthening our position for continued success.

Fiscal Year 2025

FY25 continued to be a year of transformation. Our domestic same store sales of 3.2% showed a nice increase versus the previous year, but that number doesn't tell the whole story. With an improving trend in transaction counts and average ticket growth, our do-it-yourself (DIY) business experienced same store sales of just over 1%. Our domestic commercial business grew both traffic and ticket versus the previous year resulting in almost 9% growth on a 52-week basis. We are encouraged that our domestic commercial sales accelerated in each quarter, ending the fourth quarter with 12.5% on a sixteen-week basis. FY25 had the additional challenge of navigating tariffs which will have a significant impact on our business. It took the majority of our year to understand what kinds of costs we would incur from tariffs. Thus far, I believe AutoZone has done a good job of mitigating the negative impacts from tariffs, but we continue to learn as we work with our vendors to understand where we can reduce costs going forward. On the international front, we experienced another solid year. We grew our international same store sales on a constant currency basis of 9.3%, and we were north of 10% last year.

Fiscal Year 2025: A time for prudent investment

Under the current macro environment, we are confident this continues to be the time to invest our capital for future growth. We have confidence in our industry with the average age of the car parc approaching 13 years, more vehicles on the road, and miles driven continuing to increase. On the technology front, we continue to invest in our proprietary systems that support our DIY and commercial business across all countries where we operate. These technology investments are focused on making AutoZone easier to do business with. We are pleased to report that as we rolled out many of these new enhancements, our sales and customer service levels have improved. Additionally, we are making arguably the largest commitment to store growth that we have ever made. We have established an annual target of opening approximately 500 stores globally by Fiscal 2028 (FY28). We are targeting to open 300 domestic stores, and roughly 200 international stores, annually. As these are significant goals, considering we have historically opened around 200 stores globally, we had to ramp up our store development resources. This year, we opened an amazing 304 net new stores. We have plans to open more over each of the next three years as we strive

for our stated goal by the end of FY28. As part of these new store openings, we are committed to ramping up both our mega hub and hub store openings. We continue to target 285 mega hubs and over 300 hubs, domestically, once our buildout is complete. Lastly, we have continued to invest in ALLDATA, our subsidiary, which is second to none in the global marketplace for original equipment (OE) diagnostic and repair information. With EBIT growth north of 10% this past year, we remain committed to growing ALLDATA in the coming years. As previously discussed, while our initiatives are very exciting, they will take time to develop, and they come with some near-term cost headwinds. Our capital expenditures in FY25 were at an all-time high, exceeding $1.3 billion and roughly $300 million higher than the previous year. As we continue to ramp up our store openings, we expect to spend approximately $1.5 billion on capital expenditures in FY26.

Summary of FY25 results

During FY25 we had many successes. We delivered a record $18.9 billion in sales, up 4.5% over Fiscal 2024 (FY24) on a comparable 52-week basis, and we opened a record number of new stores.

Below are key highlights:

- Expanded our domestic store base by 195 net new stores
- Opened 200 net new domestic commercial programs, continuing to be in 92% of our domestic store base
- Opened a record number of stores in Mexico, opening 89 new stores, and ending with 883 stores
- Opened 20 additional stores in Brazil, for a total of 147 stores
- Opened 40 additional domestic hub stores, finishing FY25 with 367 hubs (including 133 mega hubs)
- Continued our relentless focus on Return On Invested Capital (ROIC), reporting 41.3% for FY25
- Generated a record $3.1 billion of operating cash flow
- Repurchased more than $1.5 billion of our shares over the year

What was different in Fiscal Year 2025

Our story continues to be about evolution and not revolution, as we are well positioned to begin FY26. With arguably the best brand of products in the automotive aftermarket, Duralast, we continue to expand our parts coverage.

In addition to the capital and inventory investments we made in FY25, we made sizable investments in operating expenses to open new stores and improve our store level execution. We focused more this year than past years on expanding our online offerings, and we believe that AutoZone.com is well positioned to help with the ever-increasing demands of online shoppers. We expect to rapidly add parts coverage to our online catalog in FY26.

Lastly, we continue to invest in our information systems infrastructure at increasing levels, as these investments will be core to our future customer service offerings and improve efficiency.

Why we are looking forward to FY26

Looking forward, FY26 will be a very busy year for us as we continue to ramp up our store openings and remain focused on improving the customer shopping experience. We are a leading retailer and distributor of automotive replacement parts and accessories in the Americas with 7,657 stores.

Our growth priorities for FY26 are:

- U.S. Retail (DIY)
- U.S. Commercial (DIFM)
- Accelerate International
- Accelerated Store Growth

In all our markets, we will continue to (1) improve parts coverage and expand our assortment; (2) deploy inventory more robustly and efficiently across our supply chain network; (3) leverage technology to improve the ease of doing business with us and introduce technology where it can benefit our business and customers; (4) train and invest in AutoZoners for long-term retention; and (5) remain relentless on execution.

U.S. Retail

FY26 will continue to focus on further implementation of our supply chain and inventory initiatives to drive growth and market share. For FY26, we are targeting over 210 net new domestic stores versus 195 net new stores this past year, and this year's openings will include more than 20 new mega hubs.

U.S. Commercial

Even with our commercial sales growth of almost +9% on a 52-week basis in FY25, we still have less than 5% share in this more than $100 billion market. We remain committed to continuing to grow our business in FY26. With just over $5.2 billion in sales for FY25, we have set aggressive sales growth targets for the new year with a goal to grow faster than the overall market. Our comprehensive strategy includes improved product availability, improving delivery times to customers, leveraging the power of our Duralast brand, and improving our service levels all while making sure we are “priced” right.

International

With 1,030 stores internationally, we have incredible opportunities for international expansion. For FY26, we will complete our new DCs in Mexico and Brazil as well as targeting approximately 130 new international stores. We see great growth opportunities across both Mexico and Brazil.

Our Future

Beyond FY26, we continue to believe we can have more than 10,000 stores in the US and 1,500 in Mexico as we further penetrate the commercial market in both countries. While accelerating our store openings, investing heavily in supply chain initiatives and technology, we have no plans on changing our capital allocation strategy. We will continue to hold our investments to the same hurdle rates, drive strong returns, and leverage our strong cash flows to repurchase shares and grow our earnings per share. As our ROIC, at 41.3%, is one of the best in all of hardline retailing, we are committed to being good stewards of capital as we understand the capital we deploy is your capital. While we expect this rate to decline slightly over the next three years, we expect it to ramp up again as our new stores mature.

Before I close, I want to thank our entire Board of Directors for their confidence in me to lead such an amazing company. AutoZone is such an incredible place to work and grow, and our Board Members’ advice has been invaluable to me and our leadership team.

I am honored to lead such a wonderful company, as it was AutoZone's previous leader's vision that drove us to be where we are today: a leading retailer and distributor of automotive replacement parts and accessories in the Americas. Finally, I want to highlight how strong our leadership team is at AutoZone. While AutoZoners will retire over time, I cannot stress enough how comforting it is to have the leaders we have across our organization. I believe we are second to none when it comes to the leadership and expertise on display at AutoZone. AutoZone is very fortunate to have such an amazing and experienced leadership team when it comes to developing and implementing our future growth plans. We are determined to remain focused on delivering the kinds of results we have had over the last forty-six years. I believe AutoZone is well positioned for future success, as our leadership team clearly understands the mission at hand. Again, I want to thank all our AutoZoners for their ongoing dedication and tireless efforts this past year and look forward to what we can accomplish in FY26. Additionally, I would like to thank you, our stockholders, for the confidence you have placed in our team through your decision to invest in AutoZone. We remain committed to managing your capital wisely, achieving the returns on capital you expect from us, and returning excess cash through our share repurchase program.

We promise to remain focused on *Living The Pledge* and adhering to our *Values* in order to earn our customers' business and trust every single day. We continue to believe that AutoZone's best days are ahead.

Thank you for staying in the Zone with us and providing confidence in our leadership team through your investment in AutoZone.

Sincerely,



Philip B. Daniele
President and Chief Executive Officer