AutoZone®

LIVE THE PLEDGE

Dear Customers, AutoZoners and Stockholders,

In preparation for my 19th and final Stockholder letter as President and Chief Executive Officer (CEO), I went back and read my first letter to you in the fall of 2005. I was amazed by the consistency of our focus in 2005 and today's priorities. Our Operating Plan theme was "Live the Pledge" and that's the theme for fiscal 2024 ("FY24"). Our top priorities in 2005 were "U.S. Retail; Continues to be our #1 Priority"; "Commercial: Continued Significant Growth Opportunities"; and "Mexico: Steady Growth, Future Potential". Sound familiar? Those are the same Strategic Priorities we have today except "Mexico" has become "International". While the focus is the same, the scale has changed tremendously – we have basically doubled our store count and the number of fantastic AutoZoners on our team, our sales have grown from $5.7 billion to $17.5 billion, cash flow from operations has grown from $648 million to averaging well over $3 billion for the last three years and our stock price has increased from $85 in March of 2005 to, as of this writing, $2,650 – increasing more than 30 times. Simply put, our team has delivered on those promises.

I love reflecting on the final paragraph of our 2005 letter with the benefit of hindsight. "Can we grow this business and grow it profitably into the future? Yes. AutoZone is well positioned to profitably grow sales. We have a clear plan for the future and a strong team to execute it. I look forward to updating you on our continued success well into the future".

I could say the exact same thing today – except for me updating you well into the future!

After eighteen years of leading the organization, this past June, I decided to step down from the President and CEO roles in January 2024. While I will remain the Executive Chairman, my day-to-day responsibilities will change. After a very robust formal succession planning process over three years, in June we announced that AutoZone's next Chief Executive Officer will be Phil Daniele. Phil is a 30-year AutoZoner and a tremendous leader. Phil knows the intricacies of the organization and this industry as well as anyone. He started his career as a part time employee with Walts Auto Parts in Jacksonville, Florida. He joined AutoZone as a Manager in Training in 1993 and worked his way up the organization through many areas and roles, most recently Executive Vice President, Merchandising, Marketing, and Supply Chain. While I will remain very engaged and an advisor to Phil and the broader team, I want to express how excited I am that in January 2024 Phil will become the 5th CEO in AutoZone's near 45-year history. He has the skills, temperament,

communication skills, passion and courage to lead this organization into its next many years of success. As I told over 3,000 AutoZoners at our recent National Sales Meeting in Memphis, TN, - when we began this succession process, I promised the board that we wouldn't deliver a CEO, we would deliver a CEO with a strong team of leaders at their side. I told our National Sales Meeting in September – "Mission Accomplished". We have built a deep bench of amazing leaders who are ready to continue leading, many in elevated roles. It is their time, and I am so excited about what they will accomplish together as 1Team in the coming years. I want to stress our company's success is built on our unique and powerful culture. It is what differentiates us and allows us to achieve the challenging goals we set for ourselves every year. From our founder Pitt Hyde's vision, to our past and current leaders, we are unwavering in doing the right things and doing them the right way. As we regularly say, you must get the little things right to accomplish large goals. Much has evolved and changed over the years, however, AutoZone's purpose for existing remains unchanged – we exist to serve the needs of the motoring public, our customers. At AutoZone, everything begins and ends with putting the customer first!

One thing we know for sure, we can't put our customers first without talented, passionate, dedicated AutoZoners. I want to thank our AutoZoners across the globe for what the company has been able to accomplish due to their efforts since we opened our first store in Forest City, Arkansas in 1979. We have built an organization that is focused on customers first. As our Pledge begins, AutoZoners Always Put Customers First, and that is what drives us.

As I have said to many at AutoZone, this past year was a solid year, but not our best year. We dealt with the challenges of a slowing Commercial business and a difficult macro backdrop. Yet even with these issues, we delivered solid financial results. Being a very financially disciplined company, we were able to generate operating profit growth of an amazing 61% since fiscal 2019 ("FY19") results. I reference FY19 because it was the year prior to the COVID-19 pandemic.

On behalf of AutoZoners everywhere, I am honored to update you on our progress, our impressive results for fiscal 2023 ("FY23") and to review our opportunities for FY24 and beyond.

To start, I want to say a sincere thank you to our 119,000 AutoZoners across the company and around the globe for what they have been able to accomplish over the past four years by intensely focusing on customer service and safety while dealing with the COVID-19 pandemic and its aftermath. We asked a tremendous amount of AutoZoners in our stores and our distribution centers who led the charge in delivering these impressive results. We achieved record sales of $17.5 billion, operating profit of $3.5 billion, and earnings per share of $132.36 in 2023. We could not have achieved these results without the entire organization working together to succeed.

As we turn our attention to 2024, as noted above, the operating theme that we have chosen is based on who we are: "Live The Pledge," which is both our action plan and a commitment to doing the right things for our Customers and AutoZoners. We highlight the Pledge at the top of each of our annual stockholder letters, and we do this because it is so core to who we are and the expectations of how we operate every day.

As we look to our future, I am very enthusiastic about our ability to grow by building upon the momentum gained over the last four years and executing on some very exciting initiatives to improve our product availability and service levels. In many respects, our business is simple - we understand that first and foremost we need to have products in-stock in our stores to be able to say "yes" to our customers' automotive needs, and then we have to execute on our service commitments by getting the part in the hands of our customers as soon as possible. Time is money for our customers, and to be able to quickly service our customers, especially our professional ones, we have invested extensively in product availability in recent years to meet or exceed our customers' expectations. Our ongoing investments in our AutoZoners, Supply Chain, Hubs and Mega Hubs, Information Systems, and store openings are where we will continue to focus our deployment of capital and resources. I remain very bullish about this upcoming year, and I believe we are well positioned to drive sales and profits and build on what we accomplished in FY23.

Summary of 2023 Results

For FY23, our focus was to Accelerate Together by driving continued sales growth across both our Retail and Commercial businesses – which remain our top two strategic priorities, while also continuing with our international success. As I previously mentioned, FY23 was a solid year, but we had our fair share of challenges when it came to execution. While we delivered continued impressive financial results with a record $17.5 billion in sales and grew domestic same stores sales by an admirable 3.4%, our execution was not up to our high standards. I describe it as needing to exit "pandemic mode". While adjusting to the ever-changing environment during the pandemic was acceptable then, it certainly is not acceptable now. Across the enterprise in FY23, we didn't live up to our "Flawless Execution" mantra. This execution shortfall was evident in our inability to meet our store opening goals in the U.S., Mexico and Brazil. In the stores, we weren't writing great schedules, our shrink expense was growing, turnover has been unacceptably high, etc. and our supply chain hasn't gotten back to historical norms on in-stock, turnover or productivity. Ultimately, from our store support centers, to our stores and supply chain, we adapted during the pandemic, as we should have. Now, during more predictable times, we have to and are returning to the process disciplines that have led to our success over the last 44+ years. Encouragingly, we opened 340 net new Commercial programs in FY23 which was more than double the 163 net new domestic Commercial programs opened in FY22. We now have 90% of our domestic stores with Commercial program along with the vast majority of our stores in Mexico and Brazil.

Of our company's many successes in FY23, our accelerated sales and operating profit growth internationally was clearly our brightest shining star. On a constant currency basis, we were able to generate 17.5% Same Store Sales results. This marks our third consecutive year of double digit International Same Store Sales on a constant currency basis. However, with International representing just over 10% of our overall revenues, our Domestic Commercial business remains our top priority for growth. Domestic Commercial is just over 25% of AutoZone's total revenues, and it grew an impressive 8.7% in FY23, but slower than the exceptional 26.5% growth we experienced in fiscal 2022 ("FY22"). While we appreciated that we were unlikely to grow Commercial in 2023 to the degree we grew in FY22, we were disappointed by the 8.7% growth we delivered. Domestic Commercial remains our number one strategic growth opportunity. With

Domestic Commercial sales reaching an all-time record of $4.6 billion dollars in FY23 and having less than 5% share of this significant and growing industry, we are excited about our future growth prospects. For the year, we averaged $16,000 in average weekly sales per Commercial program in the U.S., up from $15,500 last fiscal year.

During 2023, we continued to make significant investments to enhance our supply chain and our ability to say "Yes! We've Got It!" to our customers. While in FY22, we announced the future opening of three additional AutoZone distribution centers – two in the U.S. and one in Mexico, in FY23 we began construction on two and purchased the property on the third. These are very exciting additions to our supply chain network. In the U.S. the two new distribution centers will grow our capacity by 20 percent. And these two centers will be the most technologically advanced facilities we've ever opened. With a targeted opening date of early calendar 2025, these investments will help improve our store in-stock positions and enhance our ability to deliver harder-to-find parts to our customers. Additionally, in FY23 we opened a new direct import facility on the west coast. This facility will make our very robust direct import program more efficient by allowing us to postpone inventory allocations until those parts and products are on U.S. soil.

We continue to be very bullish on our hub and mega hub strategy. As a point of reference, our hubs allow us to carry roughly 50,000 SKUs - more than twice the assortment of a typical store - and our mega hubs allow us to carry 80,000 to 110,000 SKUs. In FY23, we ended the year with 98 domestic mega hubs and 210 domestic hubs. Our hub and mega hub stores continue to out-perform our sales expectations, yielding increased market share gains. With a goal of having, ultimately, 200 mega hubs and 300 hubs domestically, or 500 AutoZone stores with materially enhanced product assortments in the U.S. over the next few years, we are only about halfway to our mega hub opening goals. In FY24 we will again be growing our hub and mega hub stores.

Aside from store openings, we invested a record amount of capital for future growth. In recent years, as technological innovations continue to accelerate across society, so does our appetite for technology enhancements at AutoZone. We have made considerable and accelerated investments in technology to grow our Retail sales, while also deploying improved technology for our commercial deliveries that improve our on-time performance. Additionally, we will continue to leverage new technologies in our supply chain. We are investing significantly in information systems and security programs to make them more robust and resilient. We are committed to "incremental innovation" as innovation is always required but incremental innovation lowers the risk profile versus "revolutionary innovation."

On the international front, we opened 65 stores during FY23, up from 59 the year before. This year we opened our 100th store in Brazil - an amazing accomplishment! We could not be prouder of our AutoZoners in Brazil. From our first international store opened in 1998 to our 100th Brazilian store opened this year; we continue to focus on how best to serve our international customers while continuing to build our brand across the Americas. Our international business is now over 10% of our company's total revenues, and we are planning to accelerate our investments in these growth markets for years to come.

We also could not have been prouder of our ALLDATA team and their results. ALLDATA had an outstanding year, growing both sales and operating profit to record levels. ALLDATA services customers in several countries beyond the United States, and we believe ALLDATA continues to have significant growth ahead as we drive to solve our commercial customers' challenges through leveraging technology.

As part of the 2022 Annual Report, we shared with you the work we were doing regarding Environmental, Social and Governance (ESG) matters. I'm happy to report that while this is a journey, likely without a concrete destination, we have made significant progress. We expect to publish our ESG report annually, each April. Our report goes into detail on the progress we have made and the resulting disclosures and commitments. On ESG, I've always felt our governance practices are well-defined as we have made very intentional decisions on what we believe to be best for AutoZone, our customers, AutoZoners and stockholders. On the social front, our unique and powerful culture shines bright and strong and is a key differentiator for us in the marketplace. Additionally, I'm very proud of the diversity of our organization from the Board of Directors to senior leadership and, in particular, our field leadership team. Regarding environmental, we have expressed our ambition to achieve Net Zero greenhouse gas emissions (GHG) by 2050. We have also made short, medium and long-term GHG reduction targets that are intended to align with the Paris Agreement's goal of maintaining global temperature rise of 1.5 degrees Celsius. We look forward to continued engagement with you, our stockholders, on this topic.

Finally, I'm very proud of our organization for the hard work and collaboration exhibited over the last few years as we have navigated the turbulent waters of COVID-19, government and societal responses, and the most recent economic challenges. Our team never blinked when we faced these challenges. Our leadership stepped up and delivered exceptional results in the face of these challenges. We have grown our Retail and Commercial market share significantly since the start of the pandemic – our customers have voted with their wallets, and our sales performance relative to industry growth rates validates the progress we have made.

Our Future

As noted above, over the last couple of years, as we navigated the pandemic we didn't focus enough on the basics of our business and sufficiently leverage the process disciplines we have built over decades. Sure, we had many successes. But, to continue to enhance our competitive positioning we have to get back to flawlessly executing. Over the last six months, we've made some organizational changes, we radically intensified our focus on the details of our operations and our execution is improving. Our mantra for FY24 will be Live the Pledge – leading to flawless execution. I am very excited about what we can accomplish in FY24 and beyond.

For FY24, we expect there will continue to be macro challenges. These challenges will be a headwind at times, but also represent a real opportunity for further market share gains. Our goals and expectations for the year will mirror our

longer-term historical experiences. And our focus will be keenly on "the customer" with an adherence to our Pledge.

Our strategy will be consistent. We will continue to grow our store count in the U.S, and Mexico by around 200 and we will further accelerate growth in new stores in Brazil. We expect to open as many as 40 locations in Brazil in 2024. Our hub and mega hub strategy will continue to be a key focus with an expectation to reach 500 locations in the U.S. over the next several years.

Recently, we announced that after a strategic review, we would be opening more domestic and international stores on an annual basis. Over the last five years, we averaged 140 Domestic store openings and 50 International openings for roughly 190 new stores a year in the Americas. We plan on accelerating this pace and aspire to open as many as 500 stores annually five years from now. So, by fiscal 2028 we are modeling 500 store openings with the split being 300/200 between the U.S. and International. FY24 will remain around 200, but we will ramp from there. As our profitability per store is materially higher than it was at the start of the pandemic, our ultimate opportunities for stores in U.S. and Mexico have expanded tremendously. We now believe we can have close to 10,000 stores in the U.S. and roughly 1,500 in Mexico and, as we further penetrate the Commercial market in both countries, those numbers are likely to grow from here. While ramping up our store opening plans, we remain committed to being diligent and disciplined with our investments and have no plans on changing our capital allocation strategy. We will continue to hold our investments to the same hurdle rates driving strong returns on invested capital as we understand the capital we invest is our stockholders' capital.

We will be entering the fourth year of our Retail Acceleration strategy and our customers can see the fruits of those efforts in our rollout of self-checkout, a new Hybrid Znet (parts lookup system), and further and seamless integration of our digital engagement with customers. Our goal in Retail is to continue to retain the market share we amassed in the pandemic, especially in unit share, and focus on further market share growth.

In Commercial, our expectation is to continue to grow materially faster than the market. We expect our Commercial sales to improve throughout FY24 as our many initiatives take hold. We also expect to improve our Commercial execution and we are excited by the recent changes we've made. As we recently proclaimed, our long-term goal is to become the largest in each sector where we operate and that certainly includes the U.S. Commercial business. We will continue to refine and enhance our execution on the strategy we began developing about six years ago. It is a comprehensive strategy that includes improved product availability, leveraging the Duralast brand, improving our service levels and the productivity of our sales processes and making sure we are priced "right."' We will also be asking ourselves "what's next" to further enhance our competitive position in this highly fragmented market.

Our supply chain team is working diligently to prepare our distribution network for the next decade. We are adding new facilities, improving our systems leveraging automation, and enhancing processes all while intensely focusing on returning to our historical safety, service and productivity standards.

Before I close, I want to thank our entire Board of Directors for their counsel, support, guidance, and coaching. We have a tremendous group of individuals who serve on our board. They are a strong and cohesive team, and their team-based approach substantially enhances their individual contributions.

I also want to thank three of our senior executives who are retiring around the end of the calendar year. Grant McGee, Senior Vice President (SVP) Commercial, Charlie Pleas, SVP Finance and Accounting and Al Saltiel, SVP of Marketing and eCommerce have all played pivotal roles during their AutoZone tenures. They certainly will be missed but each of them has prepared their organizations for huge success following their well-earned retirements.

This letter marks my nineteenth since becoming Chief Executive Officer. It has been an honor serving in this capacity. It has been a huge privilege to work alongside so many amazing AutoZoners and leaders, and I'm extraordinarily proud of the team we have built! We have outstanding executives who are experienced and ready to take the company to the next level of success. As I have been saying, change is in the air, and with change come opportunities. With Phil Daniele as our Chief Executive Officer combined with the talented team supporting him, AutoZone is well positioned for future success.

Again, I want to thank all AutoZoners for their continued dedication and tireless efforts in FY23. Additionally, I would like to thank you, our stockholders, for the confidence you have placed in our team by your decision to invest in AutoZone. We remain committed to managing your capital wisely, achieving an appropriate return on the capital you entrust us to deploy and returning excess cash through our share repurchase program.

We have a wonderful culture that has been built over the past 44 years and counting. We remain passionate to Live The Pledge and our Values in order to earn our customers' trust and business every day. I continue to believe that our best days are ahead.

Thank you for staying in the Zone with us for all these years!

Sincerely,



Bill Rhodes
Chairman, President and CEO