



# ***DRIVE***

***FOR EXCELLENCE***

Third Quarter Earnings Release, FY2019

AUTOZONE, INC., © 2019 ALL RIGHTS RESERVED.



# Forward-Looking Statements

Certain statements contained in this presentation 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; access to available and feasible financing; the impact of recessionary conditions; consumer debt levels; changes in laws or regulations; war and the prospect of war, including terrorist activity; inflation; the ability to hire and retain qualified employees; construction delays; the compromising of confidentiality, availability, or integrity of information, including cyber attacks; and raw material costs of suppliers. Certain of these risks 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 25, 2018, and these Risk Factors should be read carefully. Forward-looking statements are not guarantees of future performance, and actual results, developments and business decisions may differ from those contemplated by such forward-looking statements, and events described above and in “Risk Factors” could materially and adversely affect our business. 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. Actual results may materially differ from anticipated results.



# **Third Quarter Fiscal 2019 Conference Call**

*May 21, 2019*

# AutoZone Pledge

AutoZoners always put customers first!

We know our parts and products.

Our stores look great!

We've got the best merchandise at the right price.

# Third Quarter FY 2019 P&L

<i>in millions (excluding EPS and percentages)</i>	<b>12 Weeks Ended 5/4/2019</b>	<b>12 Weeks Ended 5/5/2018</b>	<b>B/(W)</b>
<b>Net Sales</b>	\$ 2,783	\$ 2,660	4.6%
<b>Gross Margin</b>	53.6%	53.5%	12 bps
<b>Operating Expense Ratio</b>	33.9%	33.0%	(96 bps)
<b>Operating Profit (EBIT)</b>	\$ 548	\$ 546	0.3%
<b>Operating (EBIT) Margin</b>	19.7%	20.5%	(84 bps)
<b>Interest</b>	\$ 43	\$ 42	(3.1%)
<b>Tax Rate</b>	19.5%	27.2%	
<b>Net Income</b>	\$ 406	\$ 367	10.7%
<b>Diluted Shares</b>	25.4	27.3	7.1%
<b>Diluted EPS</b>	\$ 15.99	\$ 13.42	19.2%

# YTD Third Quarter FY 2019 P&L

<i>in millions (excluding EPS and percentages)</i>	<b>36 Weeks Ended 5/4/2019</b>	<b>36 Weeks Ended 5/5/2018</b>	<b>B/(W)</b>
<b>Net Sales</b>	\$ 7,875	\$ 7,662	2.8%
<b>Gross Margin</b>	53.8%	53.1%	71 bps
<b>Operating Expense Ratio</b>	35.5%	37.1%	160 bps
<b>Operating Profit (EBIT)</b>	\$ 1,435	\$ 1,220	17.7%
<b>Operating (EBIT) Margin</b>	18.2%	15.9%	231 bps
<b>Interest</b>	\$ 124	\$ 120	(2.8%)
<b>Tax Rate*</b>	19.8%	14.8%	
<b>Net Income</b>	\$ 1,052	\$ 937	12.2%
<b>Diluted Shares</b>	25.7	27.8	7.4%
<b>Diluted EPS</b>	\$ 40.92	\$ 33.75	21.2%

\*The Company's effective tax rate was 19.8% for the thirty-six weeks ended May 4, 2019 and 14.8% for the comparable prior year period. Fiscal 2019 and 2018 include \$38.2M and \$27.2M in tax benefits from stock option exercises, respectively.

Additionally, prior year-to-date results were negatively impacted by asset impairments of \$193.2M (pre-tax) recognized in the second quarter of fiscal 2018 related to the sale of two businesses completed in the prior year, and benefited from Tax Reform (effective January 1, 2018)

# Growth Priorities

- **U.S. Retail (DIY)**
- Commercial (DIFM)
- International

# New Store Highlights

	12 Weeks Ended May 4, 2019	12 Weeks Ended May 5, 2018	36 Weeks Ended May 4, 2019	36 Weeks Ended May 5, 2018
<b>AutoZone Domestic stores (Domestic):</b>				
<b>Store count:</b>				
Beginning domestic stores	5,651	5,514	5,618	5,465
Stores opened	35	26	68	77
Stores closed	-	-	-	2
Ending domestic stores	<u>5,686</u>	<u>5,540</u>	<u>5,686</u>	<u>5,540</u>
Relocated stores	1	2	2	3
Stores with commercial programs	4,831	4,683	4,831	4,683
Square footage (in thousands)	37,203	36,216	37,203	36,216
<b>AutoZone Mexico stores:</b>				
Beginning Mexico Stores	568	532	564	524
Stores opened	8	4	12	12
Total stores in Mexico	576	536	576	536
<b>AutoZone Brazil stores:</b>				
Beginning Brazil Stores	22	16	20	14
Stores opened	3	-	5	2
Total stores in Brazil	<u>25</u>	<u>16</u>	<u>25</u>	<u>16</u>
<b>Total AutoZone stores</b>	<u><u>6,287</u></u>	<u><u>6,092</u></u>	<u><u>6,287</u></u>	<u><u>6,092</u></u>
Square footage (in thousands)	41,653	40,294	41,653	40,294
Square footage per store	6,625	6,614	6,625	6,614



# Growth Priorities

- U.S. Retail (DIY)
- **Commercial (DIFM)**
- International

# Third Quarter Commercial Highlights

	<b># of Commercial Programs</b>	
<b>Total Commercial Programs</b>	<u>4,831</u>	
<b>% increase in programs vs. LY</b>	3.2%	
	<b>3rd Quarter</b>	<b>Trailing 4 Qtrs</b>
<b>Domestic Commercial Sales: (\$ millions)</b>	<u>\$614.8</u>	<u>\$2,408.1</u>
<b>% increase in sales</b>	14.9%	11.8%
	<b>3rd Quarter</b>	<b>Trailing 4 Qtrs</b>
<b>Domestic Avg Wkly \$/Program (\$ thousands)</b>	<u>\$10.7</u>	<u>\$9.7</u>
<b>% increase*</b>	11.4%	7.8%

\* Two Point Average for Programs Open

# Third Quarter FY 2019 Total Cash Flow

(\$ Millions)	12 weeks ended 5/4/2019	12 weeks ended 5/5/2018	36 weeks ended 5/4/2019	36 weeks ended 5/5/2018
Net decrease in cash and cash equivalents	\$ (22)	\$ (70)	\$ (44)	\$ (75)
Less increase/(decrease) in debt	48	(90)	151	(130)
Add back share repurchases	<u>466</u>	<u>400</u>	<u>1,313</u>	<u>927</u>
Cash flow before share repurchases & changes in debt	<u>\$ 396</u>	<u>\$ 420</u>	<u>\$ 1,118</u>	<u>\$ 982</u>
Ending debt	\$ 5,152	\$ 4,955	\$ 5,152	\$ 4,955

# Balance Sheet Highlights

(\$ Millions)	<u>As of 5/4/2019</u>	<u>As of 5/5/2018</u>	<u>H/(L)</u>
Inventory	\$ 4,326	\$ 4,006	8.0%
Inventory/location	\$ 688	\$ 658	4.6%
Inventory, net of payables	\$ (367)	\$ (291)	
Inv., net of payables/location	\$ (58)	\$ (48)	
Inventory turns	1.3x	1.3x	
Working capital	\$ (346)	\$ (247)	
Net fixed assets	\$ 4,325	\$ 4,123	4.9%
Debt	\$ 5,152	\$ 4,955	4.0%
Stockholders' Deficit	\$ (1,590)	\$ (1,362)	16.7%

# Strong Financial Disciplines

- Live the Pledge
- Continued EPS growth
- Grow Retail Sales
  - Make sure we put our customers first in everything we do
  - Customer service will continue to be our key point of differentiation
  - Improved parts coverage
  - Continue deploying inventory more effectively across network
  - Invest in AutoZoner training and retention
  - Make sure our stores look great
- Grow Commercial Sales
  - Currently, small % of Domestic sales & only **3%\*** overall market share
  - Continue focus on building best-in-class B2B sales organization
  - Increased engagement of store management
  - Focused on profitable growth
- Prudently paced International growth
- Relentless focus on managing costs

\*Based on Auto Care Association 2019 Factbook Commercial Industry estimated 2018 size of \$75.8B



***DRIVE***  
***FOR EXCELLENCE***