

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Quarterly report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended May 10, 1997, 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
(State or other jurisdiction of
incorporation or organization)

62-1482048
(I.R.S. Employer
Identification No.)

123 South Front Street
Memphis, Tennessee 38103
(Address of principal executive offices) (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.

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

APPLICABLE ONLY TO CORPORATE ISSUERS

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

Common Stock, \$.01 Par Value -151,000,793 shares as of June 20, 1997.

AUTOZONE, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS)

| | MAY 10, 1997 (UNAUDITED) | AUG. 31, 1996 |
|--|-----------------------------|---------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$4,838 | \$3,904 |
| Accounts receivable | 22,435 | 15,466 |
| Merchandise inventories | 750,569 | 555,894 |
| Prepaid expenses | 28,195 | 19,225 |
| Deferred income taxes | 18,147 | 18,608 |
| | ----- | ----- |
| Total current assets | 824,184 | 613,097 |
| Property and equipment: | | |
| Property and equipment | 1,224,666 | 1,061,166 |
| Less accumulated depreciation and amortization | (244,522) | (198,292) |
| | ----- | ----- |
| | 980,144 | 862,874 |
| Other assets: | | |
| Cost in excess of net assets acquired | 16,760 | 17,187 |
| Deferred income taxes | 4,424 | 2,938 |
| Other assets | 1,522 | 2,301 |
| | ----- | ----- |
| | 22,706 | 22,426 |
| | ----- | ----- |

\$1,827,034
=====

\$1,498,397
=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

| | | |
|-----------------------------|-------------|-------------|
| Accounts payable | \$467,799 | \$401,309 |
| Accrued expenses | 127,524 | 104,909 |
| Income taxes payable | 13,731 | 12,260 |
| Revolving credit agreements | - | 94,400 |
| | ----- | ----- |
| Total current liabilities | 609,054 | 612,878 |
| Long-term debt | 209,700 | - |
| Other liabilities | 17,752 | 19,937 |
| Stockholders' equity | 990,528 | 865,582 |
| | ----- | ----- |
| | \$1,827,034 | \$1,498,397 |
| | ===== | ===== |

See Notes to Condensed Consolidated Financial Statements.

AUTOZONE, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

| | TWELVE WEEKS ENDED | | THIRTY-SIX WEEKS ENDED | |
|---|--------------------|-------------|------------------------|-------------|
| | MAY 10, 1997 | MAY 4, 1996 | MAY 10, 1997 | MAY 4, 1996 |
| Net sales | \$637,895 | \$524,175 | \$1,745,052 | \$1,413,042 |
| Cost of sales, including warehouse and delivery expenses | 368,920 | 308,644 | 1,008,823 | 828,322 |
| Operating, selling, general and administrative expenses | 192,200 | 155,099 | 548,339 | 425,467 |
| Operating profit | 76,775 | 60,432 | 187,890 | 159,253 |
| Interest expense-net | 2,672 | 727 | 5,955 | 727 |
| Income before income taxes | 74,103 | 59,705 | 181,935 | 158,526 |
| Income taxes | 28,000 | 22,100 | 68,450 | 58,800 |
| Net income | \$46,103 | \$37,605 | \$113,485 | \$99,726 |
| Net income per share | \$.30 | \$.25 | \$.74 | \$.66 |
| Average shares outstanding, including common stock equivalents | 152,602 | 151,541 | 152,389 | 150,508 |

See Notes to Condensed Consolidated Financial Statements.

AUTOZONE, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(IN THOUSANDS)

THIRTY-SIX WEEKS ENDED
MAY 10, 1997 MAY 4, 1996

| | | |
|---|-----------|-----------|
| Cash flows from operating activities: | | |
| Net Income | \$113,485 | \$99,726 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 53,598 | 41,540 |
| Net increase in merchandise inventories | (194,675) | (134,034) |
| Net increase in current liabilities | 90,576 | 74,917 |
| Other - net | (18,424) | (3,544) |
| | ----- | ----- |
| Net cash provided by operating activities | 44,560 | 78,605 |
| Cash flows from investing activities: | | |
| Cash outflows for property and equipment, net | (170,387) | (183,181) |
| Cash flows from financing activities: | | |
| Net proceeds from debt | 115,300 | 84,272 |
| Proceeds from sale of Common Stock, including related tax benefit | 11,461 | 14,431 |
| | ----- | ----- |
| Net cash provided by financing activities | 126,761 | 98,703 |
| | ----- | ----- |
| Net increase/(decrease) in cash and cash equivalents | 934 | (5,873) |
| Cash and cash equivalents at beginning of period | 3,904 | 6,411 |
| Beginning cash balance of pooled entity | - | 4,244 |
| | ----- | ----- |
| Cash and cash equivalents at end of period | \$4,838 | \$4,782 |
| | ===== | ===== |

See Notes to Condensed Consolidated Financial Statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note A--Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the thirty-six weeks ended May 10, 1997, are not necessarily indicative of the results that may be expected for the fiscal year ending August 30, 1997. For further information, refer to the financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the year ended August 31, 1996.

NOTE B--INVENTORIES

Inventories are stated at the lower of cost or market using the last-in, first-out (LIFO) method. An actual valuation of inventory under the LIFO method can be made only at the end of each year based on the inventory levels and costs at that time. Accordingly, interim LIFO calculations must necessarily be based on management's estimates of expected year-end inventory levels and costs.

NOTE C--DEBT

During December 1996, the Company executed an agreement with a group of banks for a \$275 million five-year unsecured revolving credit facility to replace the existing revolving credit agreements. The rate of interest payable under the agreement is a function of the London Interbank Offered Rate (LIBOR), or the lending bank's base rate (as defined in the agreement), or a competitive bid rate, at the option of the Company. At May 10, 1997, the Company's borrowings under this agreement were \$209.7 million and the weighted average interest rate was 5.8%. The unsecured revolving credit agreement contains a covenant limiting the amount of debt the Company may incur relative to its total capitalization. Based on the terms of the Company's new five-year credit facility, amounts outstanding under the revolving credit facility have been classified as long-term.

On March 27, 1997, the Company acquired a negotiated rate unsecured revolving credit agreement totaling \$25 million which extends until March 26, 1998. There were no amounts outstanding under this agreement as of May 10, 1997.

NOTE D--CONTINGENCIES

The Company is a defendant in a purported class action entitled "Jack Elliot and Greg Dobson, on behalf of themselves and all others similarly situated, vs. AutoZone, Inc., and AutoZone Stores, Inc.," Civil Action No. 11416, Circuit Court for Roane County, Tennessee, filed on or about May 9, 1997. AutoZone Stores, Inc., is a wholly-owned subsidiary of the Company. In an ex parte proceeding held prior to service of the complaint upon the Company, and without notice to the Company, on May 14, 1997, the judge entered an order conditionally certifying a class of all persons and entities in 25 states in which the Company does business who purchased automotive batteries from any AutoZone or AutoZone retail store location at any time during the period May 5, 1990, to the present. At an appropriate time, the Company intends to move the court to either decertify the class or vacate or amend the conditional class certification order. In their complaint, which is similar to class action complaints filed against several other retailers of aftermarket automotive batteries, the plaintiffs allege that the Company sold "old", "used", or "out of warranty" automotive batteries to customers as if the batteries were new, and purports to state causes of action for unfair or deceptive acts or practices, breaches of contract, breaches of duty of good faith and fair dealing, intentional misrepresentation, fraudulent concealment, civil conspiracy, and unjust enrichment. The plaintiffs are seeking an accounting of all moneys wrongfully received by the Company, compensatory and punitive damages, along with plaintiffs' costs. The Company believes the claims are without merit and intends to vigorously defend this action.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

TWELVE WEEKS ENDED MAY 10, 1997, COMPARED TO

TWELVE WEEKS ENDED MAY 4, 1996

Net sales for the twelve weeks ended May 10, 1997 increased by \$113.7 million, or 21.7%, over net sales for the comparable period of fiscal 1996. This increase was due to a comparable store sales increase of 7%, (which was primarily due to sales growth in the Company's newer stores and the added sales of the Company's commercial program), and increases in net sales for stores opened since the beginning of fiscal 1996. At May 10, 1997 the Company had 1,578 stores in operation compared with 1,298 stores at May 4, 1996.

Gross profit for the twelve weeks ended May 10, 1997, was \$269.0 million, or 42.2% of net sales, compared with \$215.5 million, or 41.1% of net sales, during the comparable period for fiscal 1996. The increase in the gross profit percentage was due primarily to higher gross margins for commodity products such as oil, Freon and antifreeze, lower distribution costs, and to a lower commercial gross margin in the prior year.

Operating, selling, general and administrative expenses for the twelve weeks ended May 10, 1997 increased by \$37.1 million over such expenses for the comparable period for fiscal 1996, and increased as a percentage of net sales from 29.6% to 30.1%. The increase in the expense ratio was due primarily to an increase in net advertising costs.

The Company's effective income tax rate was 37.8% of pre-tax income for the twelve weeks ended May 10, 1997 and 37.0% for the twelve weeks ended May 4, 1996.

THIRTY-SIX WEEKS ENDED MAY 10, 1997, COMPARED TO THIRTY-SIX WEEKS ENDED MAY 4, 1996

Net sales for the thirty-six weeks ended May 10, 1997 increased by \$332.0 million, or 23.5%, over net sales for the comparable period of fiscal 1996. This increase was due to a comparable store sales increase of 8%, (which was primarily due to sales growth in the Company's newer stores and the added sales of the company's commercial program), and increases in net sales for stores opened since the beginning of fiscal 1996.

Gross profit for the thirty-six weeks ended May 10, 1997, was \$736.2 million, or 42.2% of net sales, compared with \$584.7 million, or 41.4% of net sales, during the comparable period for fiscal 1996. The increase in the gross profit percentage was due primarily to improved gross margin in commodities, such as oil, Freon and antifreeze, lower distribution costs, and the added sales of higher margin ALLDATA products.

Operating, selling, general and administrative expenses for the thirty-six weeks ended May 10, 1997 increased by \$122.9 million over such expenses for the comparable period for fiscal 1996, and increased as a percentage of net sales from 30.1% to 31.4%. The increase in the expense ratio was due primarily to costs of the Company's commercial program and to operating costs of ALLDATA.

The Company's effective income tax rate was 37.6% of pre-tax income for the thirty-six weeks ended May 10, 1997 and 37.1% for the thirty-six weeks ended May 4, 1996.

LIQUIDITY AND CAPITAL RESOURCES

For the thirty-six weeks ended May 10, 1997, net cash of \$44.6 million was provided by the Company's operations versus \$78.6 million for the comparable period of fiscal year 1996. The comparative decrease in cash provided by operations is due primarily to increased inventory requirements.

Capital expenditures for the thirty-six weeks ended May 10, 1997 were \$170.4 million. The Company anticipates that capital expenditures for fiscal 1997 will be approximately \$300 to \$325 million. Year-to-date, the Company opened 155 net new stores and 15 stores that replaced existing stores. The Company expects to open more than 300 new stores and approximately 18 replacement stores during fiscal 1997.

The Company anticipates that it will rely on internally generated funds to support a majority of its capital expenditures and working capital requirements; the balance of such requirements will be funded through borrowings. The Company has an unsecured revolving credit agreement with a group of banks providing for borrowings in an aggregate maximum amount of \$275 million. At May 10, 1997, the Company had borrowings outstanding under the credit agreement of \$209.7 million. On March 27, 1997, the Company acquired a short-term unsecured revolving credit agreement totaling \$25 million. There were no amounts outstanding under this agreement as of May

10, 1997.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The Company is a defendant in a purported class action entitled "Jack Elliot and Greg Dobson, on behalf of themselves and all others similarly situated, vs. AutoZone, Inc., and AutoZone Stores, Inc.," Civil Action No. 11416, Circuit Court for Roane County, Tennessee, filed on or about May 9, 1997. AutoZone Stores, Inc., is a wholly-owned subsidiary of the Company. In an ex parte proceeding held prior to service of the complaint upon the Company, and without notice to the Company, on May 14, 1997, the judge entered an order conditionally certifying a class of all persons and entities in 25 states in which the Company does business who purchased automotive batteries from any AutoZone or AutoZone retail store location at any time during the period May 5, 1990, to the present. At an appropriate time, the Company intends to move the court to either decertify the class or vacate or amend the conditional class certification order. In their complaint, which is similar to class action complaints filed against several other retailers of aftermarket automotive batteries, the plaintiffs allege that the Company sold "old", "used", or "out of warranty" automotive batteries to customers as if the batteries were new, and purports to state causes of action for unfair or deceptive acts or practices, breaches of contract, breaches of duty of good faith and fair dealing, intentional misrepresentation, fraudulent concealment, civil conspiracy, and unjust enrichment. The plaintiffs are seeking an accounting of all moneys wrongfully received by the Company, compensatory and punitive damages, along with plaintiffs' costs. The Company believes the claims are without merit and intends to vigorously defend this action.

The Company is also a party to various claims and lawsuits arising in the ordinary course of business, which it does not believe that such claims and lawsuits, singularly or in the aggregate, will have a material adverse effect on its business, properties, results of operations, financial condition or prospects.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

The following exhibits are filed as part of this report:

3.1 Articles of Incorporation of AutoZone, Inc. Incorporated by reference to Exhibit 3.1 to the Form 10-K for the fiscal year ended August 27, 1994.

3.2 Amendment to Articles of Incorporation of AutoZone, Inc., dated December 16, 1993, to increase its authorized shares of common stock to 200,000,000. Incorporated by reference to Exhibit 3.2 to the Form 10-K for the fiscal year ended August 27, 1994.

3.3 By-laws of AutoZone, Inc. Incorporated by reference to Exhibit 3.2 to the February 1992 Form S-1.

4.1 Form of Common Stock Certificate. Incorporated by reference to Exhibit 4.1 to Pre-Effective Amendment No. 2 to the February 1992 Form S-1.

4.2 Registration Rights Agreement, dated as of February 18, 1987, by and among Auto Shack, Inc. and certain stockholders. Incorporated by reference to Exhibit 4.9 to the Form S-1 Registration Statement filed by the Company under the Securities Act (No. 33-39197), (the "April 1991 Form S-1").

4.3 Amendment to the Registration Rights Agreement dated as of August 1, 1993. Incorporated by reference to Exhibit 4.1 to the Form S-3 Registration Statement filed by the Company under the Securities Act (No. 33-67550).

10.1 MANAGEMENT CONTRACT OR COMPENSATORY PLAN OR ARRANGEMENT.

Agreement between J. R. Hyde, III, and AutoZone, Inc. and its subsidiaries, dated March 18, 1997.

11.1 Statement re: Computation of earnings per share.

27.1 Financial Data Schedule. (SEC Use Only)

(b) Reports on Form 8-K

During the twelve weeks ended May 10, 1997, the Company filed a report on Form 8-K dated March 18, 1997, stating:

On March 18, 1997, J. R. Hyde, III, chairman of AutoZone announced his retirement as chairman. Mr. Hyde remains an active director and major shareholder. Johnston C. Adams, Jr., previously Chief Executive Officer and President, was elected Chairman and Chief Executive Officer. Timothy D. Vargo, previously Vice Chairman and Chief Operating Officer, was elected President and Chief Operating Officer. Mr. Adams and Mr. Vargo are also members of the board of directors.

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/ ROBERT J. HUNT

Robert J. Hunt
Executive Vice President and
Chief Financial Officer-Customer Satisfaction
(Principal Financial Officer)

By: /S/ MICHAEL E. BUTTERICK

Michael E. Butterick
Vice President, Controller-Customer Satisfaction
(Principal Accounting Officer)

Dated: June 23, 1997

03/17/97 1:44 PM

AGREEMENT

KNOW ALL MEN BY THESE PRESENTS, that J.R. Hyde, III ("Hyde") and AutoZone, Inc., a Nevada corporation, and its subsidiaries (collectively "AZO") for and in consideration of the promises, undertakings and benefits set out in this Agreement as of March 18, 1997 agree as follows:

1. EFFECTIVE DATE. Hyde resigns as an employee and Chairman of AZO as of March 18, 1997 (the "Effective Date"). Notwithstanding, Hyde shall remain a member of the Board of Directors of AZO subject to election, resignation, and replacement in the same manner as other members of the Board of Directors.

2. RELEASE. Except for the obligations of AZO and Hyde undertaken pursuant to the terms of this Agreement, Hyde and AZO each release and forever discharge the other and their respective employees, agents, subsidiaries, predecessors, successors, affiliates, heirs, and assigns from all claims of whatsoever nature and the right to receive compensation from such claims, growing out of or in any way directly or indirectly connected with the employment relationship between Hyde and AZO, included but not limited to:

- A. Breach of any express or implied term or condition of employment;
- B. Any other causes of action under any federal, state or local law, rule or regulation, including but not limited to claims under any worker's compensation law, the Age Discrimination in Employment Act (as amended), the Older Workers' Benefit Protection Act, the Civil Rights Act of 1991, the Civil Rights Act of 1964 (as amended), the Civil Rights Act of 1866, the Americans with Disabilities Act of 1990, the Family and Medical Leave Act of 1993, and/or the Tax Reform Act of 1986 (as amended); and/or
- C. Any right to receive any monetary damages or liability payments from any actions at law or in equity filed on his behalf with regard to his employment with or arising out of or relating to his employment with AZO.

3. RECISION. AZO's offer as described in this Agreement will remain open and effective for twenty-one (21) days from the Effective Date. Hyde may elect to accept or reject this offer within that time period. If Hyde does nothing within the twenty-one (21) day period, the offer shall be deemed withdrawn by AZO. If Hyde does sign the Agreement within the twenty-one (21) day period, Hyde will have seven (7) days following the

date he signed this Agreement to change his mind and revoke the Agreement in writing. Therefore, this Agreement will not be in effect until seven (7) days have passed following the date Hyde signs this Agreement.

4. BENEFITS. In consideration of the release granted by Hyde and the other obligations undertaken by Hyde pursuant to this Agreement, AZO agrees to provide, subject only to the limitations contained in this Agreement, the following benefits in his favor (the "Benefits"):

- A. Any vacation pay accrued as of the Effective Date;
- B. A prorated bonus for AZO's 1997 fiscal year based on the period from September 1, 1996, to the Effective Date. Such bonus shall be in accordance with the bonus plan previously approved by the Compensation Committee of AZO's Board of Directors and will be paid after the end of AZO's 1997 fiscal year when the bonuses of all other executive officers of AZO are paid;
- C. For the period beginning on the Effective Date and ending five years later, AZO shall pay Hyde an annual amount equal to three hundred sixty thousand dollars (\$360,000) in bi-weekly payments of thirteen thousand eight hundred forty-six dollars and 15/100 (\$13,846.15), to be paid as and when AZO pays its regular employees. As used in this Agreement, the term "bi-weekly" shall mean once every two weeks.
- D. Health and dental insurance during the period of time beginning on the Effective Date and ending on the date that Hyde ceases to receive payments pursuant to Section 3. C. of this Agreement as if Hyde were still employed by AZO, and thereafter the coverage as required by law.

HYDE UNDERSTANDS AND AGREES THAT THE ONLY SALARY OR BENEFITS (OTHER THAN SUCH COMPENSATION HE MAY RECEIVE AS A NON-EMPLOYEE DIRECTOR OF AZO) HE WILL RECEIVE FROM AZO ARE SET FORTH HEREIN, AND THAT ALL OTHER SALARY OR BENEFITS HE IS PRESENTLY RECEIVING FROM AZO, INCLUDING BUT NOT LIMITED TO LIFE INSURANCE, LONG TERM DISABILITY COVERAGE, SHORT TERM DISABILITY COVERAGE AND STOCK PURCHASE PLAN, SHALL BE AND ARE TERMINATED AS OF THE EFFECTIVE DATE. TIME IN SERVICE UNDER THE AUTOZONE, INC., ASSOCIATES PENSION PLAN SHALL CEASE TO ACCRUE AS OF THE EFFECTIVE DATE.

The parties understand that applicable local, state, and federal tax and appropriate insurance premium deductions and withholdings will be made from all of the appropriate payments.

The parties further understand and agree that this Agreement shall not diminish or adversely affect in any way Hyde's retirement benefits under the AutoZone, Inc. Associates' Pension Plan, except that payment of

Benefits in no way increases the vesting period for retirement benefits nor does it have any effect on the computation of retirement benefits which shall be as provided for pursuant to the AutoZone, Inc. Associates' Pension Plan.

5. NON-COMPETE. Hyde further agrees that he will not, for the period commencing on the Effective Date and ending on the date five years later, be engaged in or concerned with, directly or indirectly, any business related to or involved in the retail sale of auto parts to "DIY" customers, or the wholesale or retail sale of auto parts to commercial installers in any state or area in which AZO operates now or shall operate during the term of the non-compete agreement (herein called "Competitor"), as an employee, consultant, beneficial or record owner, partner, joint venturer, officer or agent of the Competitor. Notwithstanding, an investment by Hyde in an investment partnership or mutual fund whereby Hyde does not own more than five (5%) percent of such partnership or fund and does not or have the right to exercise investment control, shall not be considered a breach of this Section 5.

The parties acknowledge and agree that the time, scope, geographic area and other provisions of this Non-Compete section have been specifically negotiated by sophisticated commercial parties and specifically hereby agree that such time, scope, geographic area and other provisions are reasonable under the circumstances. The parties further agree that if, at any time, despite the express agreement of the parties hereto, Hyde violates the provisions of this Non-Compete section and fails to cure such violation within thirty days after his receipt of notice of such violation from AZO, and if AZO attempts to enforce this Agreement and a court of competent jurisdiction holds that any portion of this Non-Compete section is unenforceable for any reason, AZO may cease paying any further Benefits. In the event of breach by Hyde of any provision of this Non-Compete section Hyde acknowledges that such breach will cause irreparable damage to AZO, the exact amount of which will be difficult or impossible to ascertain, and that remedies at law for any such breach will be inadequate. Accordingly, AZO shall be entitled, in addition to any other rights or remedies existing in its favor, to obtain, without the necessity for any bond or other security, specific performance and/or injunctive relief in order to enforce, or prevent breach of any such provision and AZO shall be entitled to the remedies set forth in the section entitled "Remedies". Further, Hyde agrees not to hire, for himself or any other entity, encourage anyone or entity to hire, or entice away from AZO any full time employee of AZO during the term of this non-compete agreement other than current administrative personnel in the Chairman's

office.

6. CONFIDENTIALITY AND AZO PROPERTY. Unless otherwise required by law, Hyde shall hold in confidence any proprietary or confidential information obtained by him during his employment with AZO, which shall include, but not be limited to, information regarding AZO's present and future business plans, systems, operations and personnel. Confidential information shall not include information: (a) publicly disclosed by AutoZone; (b) rightfully received by Hyde from a third party without restrictions on disclosure or use; (c) approved for release or disclosure by AutoZone; or (d) produced or disclosed pursuant to applicable laws, regulation or court order. Hyde acknowledges that all such confidential or proprietary information is and shall remain the sole property of AZO and all embodiments of such information shall remain with or be returned to AZO.

7. AZO PROPERTY. Hyde agrees to return to AZO any and all property of AZO within a reasonable time after the Effective Date. AZO acknowledges that it is in possession of certain art belonging to Hyde and agrees to return such art upon request by Hyde. During such time as such art is in possession of AZO, AZO agrees to continue to take the same care as it is currently taking to safeguard such art. AZO agrees to insure such art while it is in the possession for such amounts as Hyde and AZO shall mutually agree upon it being agreed that the current insurance is sufficient until otherwise notified in writing by Hyde. AZO and Hyde agree that should any damage occur to such art while it is in the possession, AZO's liability to Hyde shall be limited to the insurance proceeds recovered by AZO.

8. COMPLETE AGREEMENT. This Agreement contains the entire agreement between the parties concerning the matters covered herein and integrates and merges all prior understandings, discussions and negotiations. No other agreements, oral or written, relating to the subject matter contained herein shall be binding upon or enforceable against any of the parties. This Agreement and the documents executed pursuant to it may be amended only in a writing signed by authorized representatives of the parties. No provision of this Agreement or any document executed pursuant to it may be waived except in a writing signed by authorized representatives of the parties.

This Agreement shall be governed and construed by the laws of the State of Tennessee, without regard to its choice of law rules. The parties agree that the only proper venue for any dispute under this Agreement shall be in the state or federal courts located in Shelby County, Tennessee.

9. SEVERABILITY. The sections of this Agreement are intended to be severable. If any section or provision of this Agreement shall be held to be unenforceable by any court of competent jurisdiction, this Agreement shall be modified to the minimum extent necessary to be enforceable, or if such modification is not possible, then this Agreement shall be construed as though such section or provision had not been included. If any section or provision of this Agreement shall be subject to two constructions, one of which would render such section or provision invalid, then such section or provision shall be given that construction that would render it valid.

10. REMEDIES. In the event of breach by Hyde of any provision of this Agreement, Hyde acknowledges that such breach will cause irreparable damage to AZO, the exact amount of which will be difficult or impossible to ascertain, and that remedies at law for any such breach will be inadequate. Accordingly, AZO shall be entitled, in addition to any other rights or remedies existing in its favor, to obtain, without the necessity for any bond or other security, specific performance and/or injunctive relief to enforce, or prevent breach of any such provision. In the event Hyde breaches this Agreement in any way and fails to cure such breach within thirty (30) days of receipt by Hyde of notice of such breach from AZO, any unpaid Benefits shall immediately terminate. AZO shall have the right, but not the obligation, to exercise any of its remedies under this Agreement or any that may be allowed by law in the event of a breach of this Agreement. Any such remedies available to AZO shall be cumulative, not exclusive. of this Agreement. Any such remedies available to Hyde shall be cumulative, not exclusive.

11. FURTHER ASSURANCES. Hyde warrants and represents to AZO that he has returned to AZO all keys, documents, and other property of AZO. Should Hyde fail or refuse to return any AZO property, AZO shall be entitled to exercise its rights under "REMEDIES," in addition to any rights that AZO may have by law.

The parties agree to execute on or after the date of the execution of this Agreement any and all reasonable additional documents as requested by the other or its counsel to effectuate the purposes hereof.

12. NOTICES. All notices shall be deemed received three days after it is sent by certified mail, return receipt requested, or when actually received by hand-delivery or overnight courier. All notices shall be sent to:

To AutoZone: General Counsel
 Legal Department
 AutoZone, Inc.
 123 South Front Street
 Memphis, TN 38103-3607

To Hyde: P. O. Box 1152

IN WITNESS WHEREOF, the respective parties execute this Agreement.

AUTOZONE, INC.

By: /S/ J.C. ADAMS, JR.

Title: CHAIRMAN & CEO

By: /S/ HARRY L. GOLDSMITH

Title: SVP

/S/ J.R. HYDE, III

J. R. Hyde, III

3/18/97

Date

STATEMENT RE: COMPUTATION OF EARNINGS PER SHARE
 (UNAUDITED)
 (IN THOUSANDS, EXCEPT PER SHARE DATA)

| | TWELVE WEEKS ENDED | | THIRTY-SIX WEEKS ENDED | |
|--|--------------------|-------------|------------------------|-------------|
| | MAY 10, 1997 | MAY 4, 1996 | MAY 10, 1997 | MAY 4, 1996 |
| PRIMARY: | | | | |
| Average shares outstanding | 150,879 | 148,670 | 150,548 | 147,831 |
| Net effect of dilutive stock options, based on the treasury stock method, using average fair market value | 1,723 | 2,871 | 1,841 | 2,677 |
| | ----- | ----- | ----- | ----- |
| Total shares used in computation | 152,602 | 151,541 | 152,389 | 150,508 |
| | ----- | ----- | ----- | ----- |
| Net income | \$46,103 | \$37,605 | \$113,485 | \$99,726 |
| | ----- | ----- | ----- | ----- |
| Per share amount | \$0.30 | \$0.25 | \$0.74 | \$0.66 |
| | ===== | ===== | ===== | ===== |
| Fully diluted: | | | | |
| Average shares outstanding | 150,879 | 148,670 | 150,548 | 147,831 |
| Net effect of dilutive stock options, based on the treasury stock method, using higher of average or ending fair market value | 1,723 | 3,750 | 1,841 | 4,151 |
| | ----- | ----- | ----- | ----- |
| Total shares used in computation | 152,602 | 152,420 | 152,389 | 151,982 |
| | ----- | ----- | ----- | ----- |
| Net income | \$46,103 | \$37,605 | \$113,485 | \$99,726 |
| | ----- | ----- | ----- | ----- |
| Per share amount | \$0.30 | \$0.25 | \$0.74 | \$0.66 |
| | ===== | ===== | ===== | ===== |

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS FOR THE QUARTER ENDED MAY 10, 1997, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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|---------|-------------|---------|
| 9-MOS | | |
| | AUG-30-1997 | |
| | MAY-10-1997 | |
| | | 4838 |
| | | 0 |
| | 22435 | |
| | | 0 |
| | 750569 | |
| | 824184 | |
| | | 1224666 |
| | 244522 | |
| | 1827034 | |
| 609054 | | |
| | | 0 |
| 0 | | |
| | | 0 |
| | | 1510 |
| | 989018 | |
| 1827034 | | |
| | | 1745052 |
| | 1745052 | |
| | | 1008823 |
| | 1008823 | |
| | 548339 | |
| | | 0 |
| | 5955 | |
| | 181935 | |
| | | 68450 |
| 113485 | | |
| | | 0 |
| | | 0 |
| | | 0 |
| | 113485 | |
| | .74 | |
| | .74 | |