

Dear Customers, AutoZoners and Stockholders,



On behalf of our more than 71,000 AutoZoners, I am honored to update you on our progress during fiscal 2013 and to review our opportunities for 2014 and beyond. As I reflect on our business and our progress, I'm reminded of the expansion of our business across many fronts. Our U.S. Retail business remains our number one priority and we continue to expand our footprint annually by approximately three percent. Our Commercial business represents a tremendous growth opportunity that we are aggressively pursuing. In fiscal 2013, we opened 368 new programs and we have opened 997 new programs in just the last three years. We ended the fiscal year with 71% of our domestic stores operating the Commercial program and we continue to see significant opportunities for further program expansion and growth in existing programs. On the international front, we opened 41 additional stores in Mexico and now have 362 total locations. We also opened our first three stores in Brazil. ALLDATA now has over 80,000 customers, and we began selling our product offerings in Europe. Fiscal 2013 also saw our first significant acquisition this century, when we completed the acquisition of AutoAnything, Inc. AutoAnything is one of America's largest and fastest growing online retailers of specialized automotive products. We knew AutoAnything was a perfect fit for AutoZone when we learned its guiding business philosophy mirrored ours – "always do what is in the best interest of the customer".

Since our inception in 1979, the key operating principles identified by our founders have continuously guided us. Those principles include clean, well-lit, well-merchandised stores with AutoZoners who provide exceptional service and trustworthy advice. The last part about AutoZoners continues to be our key point of differentiation, and that is why we are so fanatical about our culture. Our culture, where we dress alike, routinely and enthusiastically perform our Cheer and Pledge, recognize contributions, large or small, of fellow AutoZoners and put our customers first in everything we do, is our secret weapon!

This year marked another exceptional year for earnings growth. Fiscal 2013 included an extra week (the 53rd week), so for comparability purposes, I have excluded that week from these comparisons. In fiscal 2013, Net Income grew 6.7% on top of 9.6% the year prior, while Earnings per Share grew 15.6% on top of 20.6% last year. This marked our seventh consecutive year where earnings per share in each quarter grew in excess of 10%; that's 28 consecutive quarters of double digit growth in Earnings per Share. While our earnings continued to be quite strong, our sales performance, up only 4.3% on a 52 week basis, did not meet our expectations or aspirations. Arguably a more difficult environment challenged our sales results this past year, but we can't control macro influences and, over time, they even out. What we can control are our actions and that's where our emphasis and focus must be. We are the industry leader and we must act accordingly.

Upon reflection, when we encountered the softening sales environment, we didn't move fast enough to find additional opportunities to improve our sales growth. In the middle of the year, we changed course. Specifically, we began reassessing inventory availability across all areas of our network. While we have always added inventory on a systematic basis, late in the year we became much more aggressive in testing a wide variety of concepts to significantly improve local store and local market inventory availability. Many of these tests are still in the early stages. We have completed one test that improves the algorithms used to determine store SKU placements. We are in the process of implementing this new logic by category, and it will take about a year to complete. It has been our long-standing philosophy that we need to generate new ideas, test them and once proven, implement them. Some tests will fail. If we aren't trying concepts that fail; we aren't trying enough new ideas. We are excited about these opportunities as we know superior inventory availability is a requirement in this business. We are also excited about some material enhancements to our electronic parts catalog, Z-net, which are currently being implemented. Z-Net, in our opinion, is the industry leading sales tool. And with these enhancements, it will improve the ease of access to the wealth of content in our catalog, will help facilitate a comprehensive discussion with our customers, and will streamline every transaction allowing us to serve our customers faster. At the beginning of fiscal 2013, we recommitted ourselves to leveraging information technology at an accelerated rate and this is the first, but not the last, of those efforts.



Summary of 2013 Results

Regarding 2013, we had many successes. We exceeded \$9.1 billion in sales, up 6.3% over fiscal year 2012, and we delivered \$27.79 in earnings per share, up 18.3% over 2012. Excluding the 53rd week, sales were up 4.3% and earnings per share of \$27.15 increased 15.6%. We also:

- Expanded our domestic store base by a net 151 stores, ending with 4,836 stores
- Opened 368 new commercial programs ending the year with the program in 71% of our domestic store base
- Increased our presence in Mexico by 41 stores ending with 362 stores
- Opened our first three stores in Brazil
- Began selling the ALLDATA Repair product in Europe
- Acquired AutoAnything – our first significant acquisition this century
- Enhanced and significantly grew our on-line offerings at autozone.com and autozonepro.com
- Relocated or expanded 32 Hub stores and improved the product offerings
- Grew Operating Profit dollars 8.9% (6.4% on a 52 week basis)
- Continued our industry leading Return On Invested Capital (ROIC) reporting 32.7% for fiscal 2013
- Generated over \$1 billion of Operating Cash Flow for the fourth consecutive year
- Repurchased more than \$1.3 billion in AutoZone stock for the third straight year

These industry leading results were again driven by our AutoZoners' continued dedication to delivering trustworthy advice and exceptional customer service. Their dedication and passion for our culture of putting our customers first is the reason for these milestones.

Why we are looking forward to 2014

U.S. Retail

We are the country's largest retailer of automotive aftermarket products with more than 4,800 stores across the United States. As the economy and this sector of our industry continued to be challenged in 2013, we focused on the following initiatives: (1) Great People Providing Great Service; (2) Leveraging the Internet; (3) Hub Store Improvements; and (4) Leveraging Technology.

We have dedicated significant resources to training our AutoZoners on customer service and our culture, and our AutoZoners continue to do a great job of delivering Trustworthy Advice to our customers. We also intensified our efforts to ensure our AutoZoners' safety. They are our most important asset and we must do everything in our power to keep them safe.

Every day, more and more customers are choosing to interact with us through the Internet. They are coming to our websites for typical information on store locations, parts availability and pricing. They are also coming for the vast amount of content we have available to them to help them solve their problems and maintain their vehicles. Our objective is to meet them wherever and however they desire to interact with us. We want our customers to have a seamless and consistent on-line and off-line experience with us. This year, in order to accelerate our expansion in this area, we acquired AutoAnything. AutoAnything is an on-line retailer of performance parts, products, and accessories. This acquisition has allowed us to further penetrate this sector of the industry and it adds a team with tremendous knowledge of e-commerce. We believe the combination of our two talented teams' experiences and product offerings gives us the opportunity to accelerate our pace of growth with these important and growing customer segments.

Our Hub stores, which carry approximately double the hard parts assortments found in our typical stores, function as additional distribution nodes in the local markets to provide same day access to harder to find parts. During fiscal 2013, we expanded or relocated 32 Hub stores, opened an additional six and finished the year with 155. In one of our inventory availability tests, we are testing significantly increasing the assortments available in these locations.



Leveraging technology was a new initiative for 2013. We have a long and strong heritage of leveraging technological enhancements to provide solutions to our customers. In 2013, we determined we needed to intensify our focus on this area so we reset our expectations on technology investment. We are just beginning to see the first system enhancements but we are excited about the impact they will have on our performance.

We believe the work we completed on all of these initiatives last year positions us well as we enter 2014.

U.S. Commercial

In fiscal 2013, our Commercial sales grew by 12.6% (10.4% on a 52 week basis) ending the year at \$1.459 billion. This is a highly fragmented sector of our industry and we see tremendous opportunities to increase our market share. We have been aggressively investing in this sector for the last several years and, as a result of those investments and a tremendous amount of hard work by our team, our sales have more than doubled since 2010. In just the past three years alone, we have added 997 new commercial programs and we now have the program in 71% of our domestic stores. We have ample opportunities for continued growth as we continue to leverage our culture and knowledgeable AutoZoners, increase and further develop our world class sales force and enhance our parts availability, all designed to make us our professional customers' Trusted Partner.

International

This year marked our first foray into expansion outside of North America when we opened our first stores in Brazil. We opened our first stores in Mexico in 1998 and today have 362 stores across all 31 Mexican states and the Federal District. Our business model has worked very well in Mexico and our expectations are to continue to grow our store count at a similar pace for the foreseeable future. Based on our success in Mexico, we have decided to open 10-15 stores in Brazil to evaluate the Brazilian customers' receptivity to our stores and to assess our financial performance. We will open these stores over the next couple of years, and then pause development while we refine our offerings and operations to meet the unique needs of this market. Once we have proven that our offering is successful, we will then determine our long-term growth plans in this large and growing market.

Digital Integration

For the last few years, our fourth strategic growth priority has been ALLDATA. As we assessed the ever-changing landscape in our industry, we determined that we should broaden our thinking. Therefore, for 2014, we have renamed this strategic priority "Digital Integration" which is designed to encompass and leverage all of our digital assets. Today, we have a wealth of data, content and customer relationships from ALLDATA, autozone.com, autozonepro.com and AutoAnything. It is important and imperative that we "combine forces" and look at our customers and opportunities on a more holistic basis. We are in the very early stages of initiating this change and we have tremendous work ahead of us, but this promises to be an important and significant change in our thinking that has the opportunity to significantly deepen our relationships with our customers.

Our Future

Our operating theme for 2014 is "Creating Customers for Life." Simply put, we want to make each shopping experience as memorable as possible for our customers to ensure they return again and again. We understand our customers have choices. Every customer interaction is an opportunity to exceed their expectations and we must capitalize on those opportunities. In today's environment, our customers want to interact with us in a variety of ways; in store, over the phone, via the internet or on their mobile device. We are committed to meeting our customers where they want to meet us which means we have to flawlessly integrate our in-store and online shopping experiences. We made very good progress in this area in 2013 but we still have substantial opportunities for improvement. Our success on building this foundation will create, we believe, a competitive advantage for the future.

For fiscal 2014, our key priorities are: (1) Great People Providing Great Service; (2) Commercial Growth; (3) Leveraging the Internet; (4) Leveraging Information Technology; and (5) Improving Inventory Availability. Our key priorities don't change significantly from year to year. They are more about evolution than revolution but they must lead to meaningful improvements. Focusing the organization on a few select significant opportunities allows us to quickly capitalize on them.

We have a terrific business model that has stood the test of time but it has evolved significantly over the years. We must continue to evolve to embrace the changes in our customers' shopping habits, to adapt to the ever-changing competitive environment and to embrace changes in vehicle technology. We have consistently met those challenges and we remain committed to meeting the wants, needs and desires of our customers.

As we think about the future, we intend to continue to grow new store square footage at an annual rate of approximately four percent and we expect to grow our Commercial business at an accelerated rate. Therefore, we look to routinely grow EBIT dollars in the low to mid-single digit range, or better in times of strength. And, we will continue to leverage our historically strong cash flows to repurchase shares, enhancing our earnings per share into double digits. This approach has been quite successful for an extended period of time. Our Return on Investment Capital, at 32.7%, is one of the best, if not "the best" in hardlines retailing. We have been and will continue to be good stewards of capital as we understand the capital we deploy is your capital.

This year, we added three new members to our Board of Directors: Doug Brooks, Chairman of the Board of Brinker International; Linda Goodspeed, Senior Vice President and Chief Information Officer of ServiceMaster; and Bryan Jordan, Chairman of the Board, President and Chief Executive Officer of First Horizon National Corporation. These terrific new directors bring a wealth and diverse set of experiences to our Board and their talents, combined with the talents of our existing members, further strengthens our Board. We welcome Doug, Linda and Bryan to the AutoZone team.

Lastly, I again want to thank our AutoZoners for their exceptional efforts in 2013. But, I would remind everyone that in order to succeed in the future, we will have to work even harder than we have in the past. Last year is behind us. We are excited about our opportunities in 2014 and believe we can again deliver solid results. However, it is never easy. We must remain committed to meeting and exceeding our customers' expectations. I would also like to thank our vendors for their ongoing commitment to our collective success. Finally, I would like to thank our stockholders for the confidence you have in us by your decision to invest in our company. We remain committed to managing your capital wisely, achieving an appropriate return on all incremental capital projects and returning excess cash flow through an orderly share repurchase program.

We have an incredible heritage of customer service. While we have performed very well throughout our company's history, I continue to believe our best days are ahead. Thank you for staying in the Zone with us for all these years.

We look forward to updating you on our continued success well into the future.

Sincerely,



Bill Rhodes
Chairman, President and CEO
Customer Satisfaction