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Second Quarter Earnings Release, FY2016



Forward-Looking Statements

Certain statements contained in this press release are forward-looking statements. Forward-looking statements typically use words such as “believe,” “anticipate,” “should,” “intend,” “plan,” “will,” “expect,” “estimate,” “project,” “positioned,” “strategy” 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: credit market conditions; the impact of recessionary conditions; competition; product demand; the ability to hire and retain qualified employees; consumer debt levels; inflation; weather; raw material costs of our suppliers; energy prices; war and the prospect of war, including terrorist activity; construction delays; access to available and feasible financing; the compromising of the confidentiality, availability or integrity of information, including cyber security attacks; and changes in laws or regulations. Certain of these risks are discussed in more detail in the “Risk Factors” section contained in Item 1A under Part 1 of this Annual Report on Form 10-K for the year ended August 29, 2015, 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 the “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.



Second Quarter Fiscal 2016 Conference Call

March 1, 2016



The 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.

Second Quarter FY 2016 P&L

	12 Weeks Ended		12 Weeks Ended		
in millions (excluding EPS and percentages)	2/13/2016		2/14/2015		B/(W)
Net Sales	\$	2,257	\$	2,144	+ 5%
Gross Margin		52.7%		52.2%	+ 50 bps
Operating Expense Ratio		35.8%		35.4%	- 40 bps
Operating Profit (EBIT)	\$	383	\$	361	+ 6%
Operating (EBIT) Margin		17.0%		16.9%	+ 10 bps
Interest	\$	33	\$	35	+ 5%
Tax Rate		34.7%		35.2%	
Net Income	\$	229	\$	212	+ 8%
Diluted Shares		30.8		32.5	+ 5%
Diluted EPS	\$	7.43	\$	6.51	+ 14%

YTD Second Quarter FY 2016 P&L

	24 Weeks Ended		24 Weeks Ended		
	2/13/2016		2/14/2015		B/(W)
in millions (excluding EPS and percentages)					
Net Sales	\$	4,643	\$	4,404	+ 5%
Gross Margin		52.6%		52.2%	+ 47 bps
Operating Expense Ratio		35.0%		34.7%	- 28 bps
Operating Profit (EBIT)	\$	821	\$	770	+ 7%
Operating (EBIT) Margin		17.7%		17.5%	+ 19 bps
Interest	\$	68	\$	72	+ 5%
Tax Rate		35.3%		35.5%	
Net Income	\$	487	\$	450	+ 8%
Diluted Shares		31.0		32.7	+ 5%
Diluted EPS	\$	15.72	\$	13.78	+ 14%



Growth Priorities

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

New Store Highlights

	<u>2nd Quarter</u>	<u>Total Location Count</u>
Beginning Domestic AutoZone Stores:		5,163
New	30	
Relocated	2	
Closed	0	
Ending Domestic AutoZone Stores:		5,193
Domestic stores square footage (000's)		33,874
New Mexico stores	9	
Ending Mexico Stores		451
New Brazil store	0	
Ending Brazil Stores		8
Total AutoZone stores		5,652
Square footage (000's)		37,255
Square footage per store		6,591
New IMC branches	2	
Total IMC branches		24
Total locations chainwide		<u><u>5,676</u></u>



Growth Priorities

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

Q2 Commercial Highlights

	# of Commercial Programs		
Total Commercial Programs	4,228		
% increase in programs vs. LY	7.4%		
	2nd		Trailing
	<u>Quarter</u>		<u>Four Quarters</u>
Domestic Commercial Sales: (\$ millions) (Excludes IMC)	\$402.0		\$1,891.1
% increase in sales	8.0%		10.8%

Q2 FY 2016 Total Cash Flow

(\$ Millions)	12 weeks ended <u>2/13/2016</u>	12 weeks ended <u>2/14/2015</u>	24 weeks ended <u>2/13/2016</u>	24 weeks ended <u>2/14/2015</u>
Net increase in cash and cash equivalents	\$ 42	\$ 34	\$ 33	\$ 27
Subtract increase in debt	90	26	219	105
Add back share repurchases	<u>150</u>	<u>26</u>	<u>550</u>	<u>326</u>
Cash flow before share repurchases & changes in debt	<u>\$ 102</u>	<u>\$ 34</u>	<u>\$ 364</u>	<u>\$ 248</u>
Ending debt	<u>\$ 4,845</u>	<u>\$ 4,430</u>	<u>\$ 4,845</u>	<u>\$ 4,430</u>

Balance Sheet Highlights

(\$ Millions)	<u>2/13/2016</u>	<u>2/14/2015</u>	<u>H/(L)</u>
Inventory	\$ 3,591	\$ 3,457	+ 4%
Inventory/location	\$ 633	\$ 631	+ 0%
Inventory, net of payables	\$ (321)	\$ (260)	
Inv., net of payables/location	\$ (57)	\$ (47)	
Inventory turns	1.4x	1.5x	
Working capital	\$ (785)	\$ (709)	
Net fixed assets	\$ 3,545	\$ 3,376	+ 5%
Debt	\$ 4,845	\$ 4,430	+ 9%
Stockholders' Deficit	\$ (1,741)	\$ (1,469)	+ 19%

Strong Financial Disciplines

'Live The Pledge'
Continued EPS growth

- Grow Retail Sales
 - Refinement of parts coverage
 - Continue deploying inventory more effectively across network
 - Invest in AutoZoner training and retention
 - Make sure our stores look great
 - Make sure we put our customers first in everything we do
 - Customer service will continue to be our key point of differentiation
- Grow Commercial Sales
 - Currently, small % of Domestic sales & only 3.0%* overall market share
 - Continue focus on building best-in-class B2B sales organization
 - Focused on profitable growth
- Prudently paced International growth
- Relentless focus on managing costs

*Based on Auto Care Association 2016 Factbook Commercial Industry estimated 2015 size of \$63.812

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