



AutoZone Fourth Quarter GAAP EPS \$2.27; Same Store Sales Up 3%; ROIC Improves to 23.4%

September 22, 2003

MEMPHIS, Tenn., Sept. 22 /PRNewswire-FirstCall/ -- AutoZone, Inc. (NYSE: AZO) today reported sales of \$1.829 billion for its fourth fiscal quarter (16 weeks) ended August 30, 2003, a decrease of 0.8% from the fourth quarter (17 weeks) ended August 31, 2002. Excluding sales from the extra week included in the prior year, sales were up 5.5%. Same store sales, or sales for domestic stores open at least one year, increased 3% during the quarter, including an increase of 1% for retail same store sales and an increase of 24% for commercial same store sales. Gross profit, as a percentage of sales, for the quarter improved by 1.90 percentage points while operating expenses, as a percentage of sales, declined by 0.86 percentage points. This resulted in an operating margin of 19.7%, up 2.76 percentage points from last year. Operating profit increased 15% over the prior year. However, both years were impacted by certain non-recurring items including:

- For fiscal 2003 fourth quarter, a \$4.6 million pre-tax favorable adjustment this year for the reversal of restructuring accruals
- For fiscal 2003 fourth quarter, a \$7.4 million pre-tax negative impact related to the continued implementation of Emerging Issues Task Force Issue 02-16
- For fiscal 2002 fourth quarter, a \$29 million pre-tax positive impact based on the benefit of the additional week.

Excluding these items, comparable operating profit increased for the quarter 28% as operating margin improved 3.55 percentage points to 19.8% from 16.3% last year.

Net income for the quarter increased by 17% to \$207.4 million, and diluted earnings per share, reflecting net income and the benefit of our share repurchase program, increased 31% to \$2.27 from \$1.73 reported in the year-ago quarter. Excluding the non-recurring items, comparable net income increased 31% and earnings per share increased 47%.

For the fiscal year ended August 30, 2003, AutoZone reported sales of \$5.457 billion (52 weeks), a 2.5% increase from fiscal 2002. Excluding sales from the extra week included in the prior year, sales were up 4.6%. Same store sales, or sales for domestic stores open at least one year, increased 3% during the year, including flat retail same store sales (against 8% same store sales growth last year) and an increase of 27% for commercial same store sales. Gross profit, as a percentage of sales, for the year improved by 1.48 percentage points while operating expenses, as a percentage of sales, declined by 0.86 percentage points. This resulted in an operating margin of 16.8%, up 2.34 percentage points from last year. Operating profit increased 19% over the prior year. In addition to the above-mentioned non-recurring items, operating profit for the full fiscal year was also impacted by:

- For fiscal 2003 third quarter, a \$4.7 million pre-tax favorable adjustment associated with the sale of the TruckPro business
- For fiscal 2003 third quarter, a \$2.6 million pre-tax negative impact related to the implementation of EITF Issue 02-16

Excluding these items, and the fourth fiscal quarter non-recurring items, comparable operating profit for fiscal 2003 increased by 24% as operating margin improved 2.62 percentage points to 16.8% from 14.2% last year.

Net income for the fiscal year increased by 21% to \$517.6 million, and diluted earnings per share increased by 34% to \$5.34 from \$4.00 reported for the year-ago. Excluding the non-recurring items, comparable net income increased 26% and earnings per share increased 40%.

Return on invested capital for the fiscal year increased to 23.4% from 19.8% the previous year.

"We are very pleased with our comparable performance as we have continued to build on the growth from our prior fiscal year. Our industry-leading results continue to show that AutoZone is a significant cash generator which has enabled us to add shareholder value over time," said Steve Odland, Chairman, President, and Chief Executive Officer. "This is the fourth straight quarter of over 20% AZ Commercial comparable sales increases. Not only have we continued to build our customer base in this area, but we continue to expand the volume of business we do with our existing commercial customers.

"Additionally, our ongoing focus on gross margin improvement and relentless expense discipline continues to drive profitability. The combined impact of these efforts considerably improved our operating margin in the quarter over the last year."

Under its ongoing share repurchase program, AutoZone repurchased 5.8 million shares of its common stock for \$447 million during the fourth quarter. Since 1998, cumulative share repurchases have totaled \$2.827 billion, or 72.0 million shares at an average price of \$39.25 per share.

As required by the Emerging Issues Task Force Issue 02-16, "Accounting by a Customer (including a Reseller) for Cash Consideration Received from a Vendor" (EITF Issue 02-16), AutoZone reflected the new accounting for new and modified vendor funding arrangements during the fourth quarter. This resulted in a non-cash pretax deferral of vendor funding of \$7.4 million (or \$0.05 per share) during the quarter and a reclassification of \$37 million of vendor funding from operating expenses to cost of goods sold. Additionally, as a result of EITF Issue 02-16, for the sixteen weeks ended August 30, 2003, selling, general, and administrative expenses were approximately \$37 million higher and gross margin was approximately \$30 million higher than such amounts would have been prior to the accounting change. Excluding the impact of the new pronouncement, gross margin for the quarter would have been 46.0% (vs. 45.7% last year) and selling, general and administrative expenses as a percent of sales would have been 25.9% (vs. 28.8% last year).

The new accounting pronouncement for vendor funding does not impact the way AutoZone runs its business or its relationships with vendors. It is a non-cash deferral of vendor funding. Based on the timing of the issuance of the pronouncement and guidelines, AutoZone was precluded from adopting EITF Issue 02-16 as a cumulative effect of a change in accounting principle. AutoZone's timing and accounting treatment of EITF Issue 02-16 was not discretionary. The timing of recognition for the remaining pre-tax impact of approximately \$15 million is expected to flow evenly over the four quarters of fiscal 2004.

During the quarter AutoZone opened 68 new stores, replaced 2 stores, and closed 1 store in the U.S. and opened 6 new stores in Mexico. As of August 30, 2003, AutoZone sells auto and light truck parts, chemicals and accessories through 3,219 AutoZone stores in 48 states plus the District of Columbia in the U.S. and 49 AutoZone stores in Mexico and also sells the ALLDATA brand diagnostic and repair software. On the web, AutoZone sells diagnostic and repair information through www.alldatadiy.com, and auto and light truck parts through www.autozone.com.

AutoZone will host a one-hour conference call this evening Monday, September 22, 2003, beginning at 4:30 p.m. (EDT) to discuss the fourth quarter results. Investors may listen to the conference call live and review supporting slides on the AutoZone website, www.autozone.com by clicking "Investor Relations," "Conference Calls," or by going directly to <http://www.autozone.com/investors>. The call will also be available by dialing (210) 234-0004. A replay of the call and slides will be available on AutoZone's website. In addition, a replay of the call will be available by dialing (402) 220-9742 through Monday, September 29, 2003, at 11:00 p.m. EDT.

This release includes certain financial information not derived in accordance with generally accepted accounting principles ("GAAP"). This information should not be considered a substitute for any measures derived in accordance with GAAP. The Company believes that this information is useful to investors as it indicates more clearly the Company's comparative year-to-year operating results. The financial impacts of the fifty-third week of operating results last year, the recognized gain associated with the sale of this year, the adoption of EITF Issue 02-16, and, lastly, the gain related to the reversal of the restructuring reserve this year were all identified as "adjustments" for comparative purposes. Management and the Company's Compensation Committee use this information to analyze and compare the Company's underlying operating results and to determine payments of performance-based compensation. We have included a reconciliation of this information to the most comparable GAAP measures in the accompanying reconciliation tables.

Certain statements contained in this press release are forward-looking statements. These statements discuss, among other things, business strategies and future performance. These forward-looking statements are subject to risks, uncertainties and assumptions, including, without limitation, competition, product demand, the economy, inflation, gasoline prices, consumer debt levels, war and the prospect of war, including terrorist activity, and the availability of commercial transportation. Actual results may materially differ from anticipated results. Please refer to the Risk Factors section of AutoZone's Form 10-K for the fiscal year ended August 31, 2002, for more information related to those risks. AutoZone undertakes no obligation to publicly release any revisions to any forward-looking statements contained in this press release to reflect events or circumstances occurring after the date of this release or to reflect the occurrence of unanticipated events.

AutoZone's 4th Quarter Highlights - Fiscal 2003

Condensed Consolidated Statements of Operations 4th Quarter, F2003 (in thousands, except per share data)

	GAAP Results	
	16 Weeks Ended August 30, 2003	17 Weeks Ended August 31, 2002
Net sales	\$1,829,347	\$1,843,337
Cost of goods sold	958,550	1,000,970
Gross profit	870,797	842,367
Operating expenses	510,707	530,445
Operating profit (EBIT)	360,090	311,922
Interest expense, net	26,699	24,736
Income before taxes	333,391	287,186
Taxes	125,950	109,200
Net income	\$207,441	\$177,986
Net income per share:		
Basic	\$2.32	\$1.77
Diluted	\$2.27	\$1.73
Weighted Average Shares outstanding:		
Basic	89,504	100,356
Diluted	91,320	102,827

AutoZone's 4th Quarter Highlights - Fiscal 2003

Condensed Consolidated Statements of Operations 4th Quarter, F2003 (in thousands, except per share data)

	Adjustments	
	16 Weeks Ended August 30, 2003	17 Weeks Ended August 31, 2002
Net sales	\$--	\$(109,079)
Cost of goods sold	29,600	(58,688)
Gross profit	(29,600)	(50,391)
Operating expenses	(32,400)	(20,911)

Operating profit (EBIT)	2,800	(29,480)
Interest expense, net	0	0
Income before taxes	2,800	(29,480)
Taxes	1,058	(11,210)
Net income	\$1,742	\$(18,270)
Net income per share:		
Basic	\$0.02	\$(0.18)
Diluted	\$0.02	\$(0.18)
Weighted Average Shares outstanding:		
Basic	89,504	100,356
Diluted	91,320	102,827

*Adjusted Statement of Operations for F2003 excludes EITF Issue 02-16 impact of \$7.4 million deferred from Cost of Goods and Restructuring Accrual Gain of \$4.6 million added back to Operating Expenses. Adjusted Statement of Operations for F2002 excludes 53rd week of operations.

AutoZone's 4th Quarter Highlights - Fiscal 2003

Condensed Consolidated Statements of Operations 4th Quarter, F2003 (in thousands, except per share data)

	*Adjusted Quarter Ended August 30, 2003	Quarter Ended August 31, 2002
Net sales	\$1,829,347	\$1,734,258
Cost of goods sold	988,150	942,282
Gross profit	841,197	791,976
Operating expenses	478,307	509,534
Operating profit (EBIT)	362,890	282,442
Interest expense, net	26,699	24,736
Income before taxes	336,191	257,706
Taxes	127,008	97,990
Net income	\$209,183	\$159,716
Net income per share:		
Basic	\$2.34	\$1.59
Diluted	\$2.29	\$1.55
Weighted Average Shares outstanding:		
Basic	89,504	100,356
Diluted	91,320	102,827

*Adjusted Statement of Operations for F2003 excludes EITF Issue 02-16 impact of \$7.4 million deferred from Cost of Goods and Restructuring Accrual Gain of \$4.6 million added back to Operating Expenses. Adjusted Statement of Operations for F2002 excludes 53rd week of operations.

Condensed Consolidated Statements of Operations Full Year, F2003 (in thousands, except per share data)

	GAAP Results	
	52 Weeks Ended August 30, 2003	53 Weeks Ended August 31, 2002
Net sales	\$5,457,123	\$5,325,510
Cost of goods sold	2,942,114	2,950,123
Gross profit	2,515,009	2,375,387
Operating expenses	1,597,212	1,604,379
Operating profit (EBIT)	917,797	771,008
Interest expense, net	84,790	79,860
Income before taxes	833,007	691,148

Taxes	315,403	263,000
Net income	\$517,604	\$428,148
Net income per share:		
Basic	\$5.45	\$4.10
Diluted	\$5.34	\$4.00
Weighted Average Shares outstanding:		
Basic	94,906	104,446
Diluted	96,963	107,111

Condensed Consolidated Statements of Operations

Full Year, F2003

(in thousands, except per share data)

	Adjustments	
	52 Weeks Ended August 30, 2003	53 Weeks Ended August 31, 2002
Net sales	\$--	\$(109,079)
Cost of goods sold	42,600	(58,688)
Gross profit	(42,600)	(50,391)
Operating expenses	(43,300)	(20,911)
Operating profit (EBIT)	700	(29,480)
Interest expense, net	0	0
Income before taxes	700	(29,480)
Taxes	265	(11,210)
Net income	\$435	\$(18,270)
Net income per share:		
Basic	\$0.00	\$(0.17)
Diluted	\$0.00	\$(0.17)
Weighted Average Shares outstanding:		
Basic	94,906	104,446
Diluted	96,963	107,111

*Adjusted Statement of Operations for F2003 excludes EITF Issue 02-16 impact in both Quarters 3 and 4, Restructuring Accrual Gain added back to Operating Expenses in Quarter 4, and TruckPro gain added back in Quarter 3. Adjusted Statement of Operations for F2002 excludes 53rd week of operations.

Condensed Consolidated Statements of Operations

Full Year, F2003

(in thousands, except per share data)

	*Adjusted	
	Fiscal Year Ended August 30, 2003	Fiscal Year Ended August 31, 2002
Net sales	\$5,457,123	\$5,216,431
Cost of goods sold	2,984,714	2,891,435
Gross profit	2,472,409	2,324,996
Operating expenses	1,553,912	1,583,468
Operating profit (EBIT)	918,497	741,528
Interest expense, net	84,790	79,860
Income before taxes	833,707	661,668
Taxes	315,668	251,790
Net income	\$518,039	\$409,878
Net income per share:		
Basic	\$5.46	\$3.92
Diluted	\$5.34	\$3.83
Weighted Average Shares outstanding:		
Basic	94,906	104,446
Diluted	96,963	107,111

*Adjusted Statement of Operations for F2003 excludes EITF Issue 02-16 impact in both Quarters 3 and 4, Restructuring Accrual Gain added

back to Operating Expenses in Quarter 4, and TruckPro gain added back in Quarter 3. Adjusted Statement of Operations for F2002 excludes 53rd week of operations.

Selected Balance Sheet Information
(in thousands)

	August 30, 2003	August 31, 2002
Merchandise inventories	\$1,511,316	\$1,375,584
Current assets	1,584,994	1,450,128
Property and equipment, net	1,715,753	1,661,728
Total assets	3,680,466	3,477,791
Accounts payable	1,321,905	1,145,533
Current liabilities	1,675,566	1,533,571
Stockholders' equity	373,758	689,127
Debt	1,546,845	1,194,517
Working capital	(90,572)	(83,443)

Adjusted Debt / EBITDAR (Trailing 4
Qtrs)

	August 30, 2003	August 31, 2002
Net income	517,604	428,148
Add: Interest	84,790	79,860
Taxes	315,403	263,000
EBIT	917,797	771,008
Depreciation/Amortization	109,748	118,255
Rent Expense	110,665	99,032
EBITDAR	1,138,210	988,295
Debt	1,546,845	1,194,517
Add: Rent x 6	663,990	594,192
Adjusted Debt	2,210,835	1,788,709
Adjusted Debt to EBITDAR	1.9	1.8

Selected Cash Flow Information
(in thousands)

	16 Weeks Ended August 30, 2003	17 Weeks Ended August 31, 2002	52 Weeks Ended August 30, 2003	53 Weeks Ended August 31, 2002
Depreciation & amortization	\$34,222	\$35,758	\$109,748	\$118,255
Capital spending	\$84,467	\$35,394	\$182,242	\$117,239
Net increase (decrease) in cash and cash equivalents, as reported	\$104	\$(744)	\$244	\$(788)
Net decrease (increase) in total debt	\$(126,982)	\$57,361	\$(352,572)	\$31,673
Share repurchases	\$446,537	\$286,541	\$891,095	\$698,983
Cash flow before share repurchases	\$319,659	\$343,158	\$538,767	\$729,868

Other Selected Financial Information
(in thousands)

	August 30, 2003	August 31, 2002
Cumulative share repurchases (\$):		
On balance sheet	\$2,826,811	\$1,935,716

Forward contracts	--	150,058
Total	\$2,826,811	\$2,085,774

Cumulative share repurchases
(shares):

On balance sheet	72,020	59,753
Forward contracts	--	2,181
Total	72,020	61,934

Shares outstanding, end of quarter 88,708 99,268

Return on Equity (ROE) August 30, 2003 August 31, 2002
97.4% 55.1%

Return on Invested Capital (ROIC) August 30, 2003 August 31, 2002
23.4% 19.8%

AutoZone's 4th Quarter Fiscal 2003
Selected Operating Highlights

Store Count & Square Footage

	16 Weeks Ended August 30, 2003	17 Weeks Ended August 31, 2002	52 Weeks Ended August 30, 2003	53 Weeks Ended August 31, 2002
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Domestic stores:

Store count:

Stores opened	68	30	160	102
Stores closed	1	14	9	53
Replacement stores	2	3	6	15
Total domestic stores	3,219	3,068	3,219	3,068

Stores with commercial
sales

1,941	2,009	1,941	2,009
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Square footage (in
thousands):

20,500	19,683	20,500	19,683
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Stores in Mexico:

Stores opened	6	12	10	18
Total stores in Mexico	49	39	49	39

Sales & Inventory Statistics (Domestic Stores Only):

	16 Weeks Ended August 30, 2003	*17 Weeks Ended August 31, 2002	52 Weeks Ended August 30, 2003	*53 Weeks Ended August 31, 2002
Sales per average store (\$ in thousands)	\$559	\$553	\$1,689	\$1,658
Sales per average square foot	\$88	\$86	\$264	\$258

Same store sales - rolling 13 periods

Total	3%	7%	3%	9%
Retail vs. commercial				

Retail	1%	5%	0%	8%
Commercial	24%	18%	27%	17%

* For comparison purposes, excludes 53rd week in fiscal 2002.

Inventory turns:

Based on average inventories	2.0 X	2.2 X
Based on ending inventories	2.0 X	2.1 X
Inventory turns, net of payables:		
Based on average inventories	7.5 X	8.7 X
Based on ending inventories	18.5 X	13.8 X

Inventory Statistics (Total Stores):

52 Weeks Ended	53 Weeks Ended
August 30, 2003	August 31, 2002

Accounts

payable/inventory (total company)	87%	83%
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	as of August 30, 2003	as of May 10, 2003	as of Feb 15, 2003	as of Nov 23, 2002
(\$ in thousands)				
Gross Inventory	\$1,511,316	\$1,497,643	\$1,490,172	\$1,484,699
Gross Inventory / Store	\$462	\$469	\$471	\$473
Net Inventory (net of payables)	\$189,411	\$407,485	\$442,095	\$363,951
Net Inventory / Store	\$58	\$128	\$140	\$116

SOURCE AutoZone, Inc.

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