



Dear Customers, AutoZoners and Stockholders,

Our company proudly exists to serve the needs of our customers, the motoring public. Whether during times of natural disasters, in the midst of a global pandemic, or as we go about our day-to-day lives, our ability to ensure that our customers can safely and responsibly operate their vehicles is and will always be essential. And, the health, safety and well being of our AutoZoners and customers remains our most important priority.

I give special thanks to our incredible AutoZoners across the company for their commitment, sacrifice and passion for always putting our customers first. On behalf of our 100,000 AutoZoners, I am honored to update you on our record-setting progress during fiscal 2020 and to review our opportunities for 2021 and beyond. The operating theme for AutoZone in 2021 is "AutoZone Strong" and it's all about our ability, as 1Team, to build upon our many successes and enduring culture to deliver second-to-none customer service, high quality parts and products and tremendous value for all our customers.

From the first store we opened in Forrest City, Arkansas, over 41 years ago, to now 6,549 stores spanning the Americas, our AutoZoners have been and will always be committed to providing WOW! Customer Service! and treating every customer like they are our only customer. Even though much has changed during our 41-year journey, our commitment to Customer Satisfaction has, is, and will forever remain the key to our success. I continue to be enthusiastic about our growing consumer demand, the health of our business and remarkable strength of the automotive aftermarket industry. I remain very bullish about our near and long-term future.

Summary of 2020 Results

In no uncertain terms, the spread of COVID-19 served as the defining moment in 2020. It forced us all to make tough decisions and real sacrifices. Yet, the unquestionable character of our AutoZoners, customers and the communities we serve have never been so readily apparent. Our historic financial performance was a direct result of our AutoZoners embodying our FY20 operating theme: “40 Years of WOW! Customer Service!”

For fiscal 2020, we achieved significant growth in both our U.S. Retail and Commercial businesses — which were major points of emphasis for us.

In FY20, we grew domestic same store sales by 7.4% and reached a record \$12.6 billion in sales. We also recorded record average net sales per store, record Commercial sales per program, record earnings per share, and record cash flow from operations.

We opened 138 net new stores and 114 net new domestic Commercial programs. Now, over 85% of our U.S. stores have a Commercial program along with every store in Mexico and Brazil. For fiscal year 2020, we also averaged \$10,600 in weekly sales per Commercial program in the U.S. as compared to \$10,000 for fiscal 2019. We continued to enhance our local market inventory availability by building new and expanding existing facilities, and ended the year with 44 Mega Hubs and 180 regular Hub stores domestically.

During fiscal 2020, we also continued to make significant investments in technology, ecommerce, digital, and benefits. In FY20, we began rolling out our new point-of sale systems with touch-screen capabilities. We also launched our new www.autozone.com website, which is more intuitive and brings the store experience and our website closer together for a better overall customer experience.

We continued to invest in technology to improve the overall shopping experience and reduce non-customer facing tasks for our AutoZoners.

But, of all the decisions our leadership team made in fiscal 2020, I am most proud of our decision to invest in and provide support for our AutoZoners on the front lines with an Emergency Time Off (ETO) benefit.

We made this decision in mid-March, during a period of tremendous uncertainty, and at a time when many businesses and organizations were forced to layoff and furlough hardworking people. While the world was facing all these challenges, our Executive Committee and Board of Directors unanimously decided to provide up to 80 hours of ETO for eligible full-time hourly AutoZoners and up to 40 hours of ETO for eligible part-time AutoZoners — along with other pandemic related expenses, these expenses amounted to an \$84 million decision to support many of our most vulnerable AutoZoners on the front lines.

As our business strengthened into the summer months, we were fortunate to not have to layoff, nor furlough, a single AutoZoner due to the impacts of COVID-19.

Our Future

Our operating theme for 2021, “AutoZone Strong” builds upon our unique and powerful culture and our commitment, as 1Team, to always go the extra mile for our customers. This means performing GOTTCChA (Going Out to the Customer’s Automobile); providing trustworthy advice; adding value; and absolutely practicing WITTDJR (What It Takes To Do The Job Right). We remain committed to staying connected to the customer.

For fiscal 2021, we will build upon our many lessons learned and successes to focus on accelerating growth in both our Retail and Commercial businesses. This upcoming year we are putting a tremendous effort into pushing for growth in our most “mature” business, our Do-It-Yourself (DIY) business. While we have always managed the DIY business well, we believe we can do it better. We are focusing on improving store and online product assortments and doubling down on our in-store AutoZoner efforts to drive sales. While purchasing products online and shipping to home is not a large business for us, we are seeing the buy online and pick up in store option we have in place growing rapidly. We believe this trajectory will only continue in fiscal 2021. We believe our DIY initiatives for fiscal 2021 represent a great opportunity for us to grow sales and take market share at a faster pace than we have in many years. And, regarding our Commercial business, with only 4% market share, we believe that Commercial remains our company’s single largest sales growth opportunity. We are proud of our Commercial share gains this past year, and believe we can build on that success for fiscal 2021.

Regarding international growth in fiscal 2021, we plan to return to a more normalized store opening pace. In fiscal 2020, we opened only 17 stores in Mexico and 8 stores in Brazil for total of 25 new international stores. Our target for FY21 is to double the pace and open approximately 50 stores.

Again, I want to thank all AutoZoners for their dedication and tireless efforts in 2020. The company’s success is entirely due to our AutoZoners solving problems and helping our customers with their needs. I would also like to thank our vendors for their ongoing commitment to our success. Additionally, I would like to thank you, our stockholders, for the confidence you have placed in our team by your decision to invest in AutoZone. We remain committed to managing your capital wisely, achieving an appropriate return on incremental projects and returning excess cash through an orderly share repurchase program.

I would also like to take a moment to give special thanks to Bill Giles, Executive Vice President and Chief Financial Officer, Finance, Information Technology and Store Development, and Bill Hackney, Senior Vice President, Merchandising, for their many contributions and exceptional service to our customers and organization.

After a 14-year AutoZone career for Bill Giles and a 37-year AutoZone career for Bill Hackney, they have decided to retire at the end of December. AutoZone has truly benefited from their innovation, guidance, passion for serving our customers and deep understanding of our businesses. While we will certainly miss them both, they have built organizations that are well prepared to continue moving our company forward into the future. I wish them and their families the very best in their retirements.

I would also like to welcome Jamere Jackson, Executive Vice President and Chief Financial Officer, Finance and Store Development-Elect, and Seong Ohm, Senior Vice President, Merchandising-Elect to the AutoZone family. Both have exceptional backgrounds and experiences and are very well-suited for their positions and contributing to the ongoing success of our company.

We have a wonderful culture that has been built over the past 41 years and counting. We remain passionate about Living our Pledge and Values to earn our customers' trust and business every day. I continue to believe that our best days are ahead. Thank you for staying in the Zone with us for all these years!

Sincerely,

A handwritten signature in black ink that reads "Bill Rhodes". The signature is written in a cursive, flowing style.

Bill Rhodes
Chairman, President and CEO
Customer Satisfaction