YES! WE'VE GOT IT

AutoZone®

2017 ANNUAL REPORT

Notice of Annual Meeting of Stockholders and Proxy Statement

Corporate Profile

AutoZone, Inc. is the nation's leading retailer and a leading distributor of automotive replacement parts and accessories in the United States. We began operations in 1979 and at August 26, 2017, operated 5,465 AutoZone stores in the United States and Puerto Rico; 524 in Mexico; 14 in Brazil; and 26 Interamerican Motor Corporation ("IMC") branches. Each AutoZone store carries an extensive product line for cars, sport utility vehicles, vans and light trucks, including new and remanufactured automotive hard parts, maintenance items, accessories and non-automotive products. Many of our AutoZone stores also have a commercial sales program that provides commercial credit and prompt delivery of parts and other products to local, regional and national repair garages, dealers, service stations and public sector accounts. IMC branches carry an extensive line of original equipment quality import replacement parts. We also sell the ALLDATA brand automotive diagnostic and repair software through www.alldata.com and www.alldatadiy.com. Additionally, we sell automotive hard parts, maintenance items, accessories and non-automotive products through www.autozone.com, www.autozonepro.com and accessories, performance and replacement parts through www.autoanything.com, and our commercial customers can make purchases through www.autozonepro.com and www.imcparts.net. We do not derive revenue from automotive repair or installation services.

- 6,029 locations (5,465 stores in 50 states, the District of Columbia and Puerto Rico in the U.S., 524 in Mexico,14 in Brazil and 26 IMC branches)
- 4,592 domestic Commercial programs
- 11 Distribution centers (9 in the United States and 2 in Mexico)
- More than 87,000 AutoZoners

Selected Financial Highlights

(Dollars in millions, except per share data)	2013*	2014	2015	2016	**2017**
Net Sales	$9,148	$9,475	$10,187	$10,636	**$10,888**
Operating Profit	$1,773	$1,830	$1,953	$2,060	**$2,080**
Diluted Earnings per Share	$27.79	$31.57	$36.03	$40.70	**$44.07**
After-Tax Return on Invested Capital	32.9 %	32.1%	31.2%	31.3%	**29.9%**
Domestic Same Store Sales Growth	0.0 %	2.8 %	3.8 %	2.4%	**0.5%**
Operating Margin	19.4 %	19.3 %	19.2 %	19.4%	**19.1%**
Cash Flow from Operations	$1,482	$1,365	$1,573	$1,641	**$1,571**

*2013 includes a 53rd week

YES! WE'VE GOT IT
AutoZone

Dear Customers, AutoZoners and Stockholders,

On behalf of more than 87,000 AutoZoners, I am excited to update you on our progress during fiscal 2017 and to review our plans for 2018 and beyond. For 2018, AutoZone is continuing the 2017 operating theme: "YES! We've Got It". Being able to say "YES" to customers has always been at the core of what we do. We are focused on continued enhancements to our capabilities in 2018 to effectively deploy our inventory assortment to AutoZone stores across the U.S., Mexico, and Brazil even better than ever, allowing more AutoZoners to say "YES" to more customers

This past year marked AutoZone's 38th anniversary and I am as excited about our future today as when I had the privilege of becoming AutoZone's Chief Executive back in 2005. We continue to set the standard for great service in clean, well-lit, well-merchandised stores in convenient locations. Our vision has always been centered on the customer: getting them what they need to do the job right so they can get back on their way. With AutoZone stores in 50 U.S. States, the District of Columbia, Puerto Rico, Mexico and Brazil, and our ALLDATA, AutoAnything and IMC businesses, we will continue to expand and enhance our offerings to both retail and commercial customers.

We have more than 87,000 of the very best people in our industry, our AutoZoners. It continues to be our responsibility to create terrific career opportunities for all AutoZoners. We embrace diversity as one of our Values, to make sure we provide tremendous opportunities for growth and advancement to both current and future AutoZoners. I am proud of what we have accomplished to help AutoZoners achieve their goals and we will continue to improve. By focusing on developing our AutoZoners' skills and talents, and always saying "Yes! We've Got It" to our customers, we are constantly strengthening our founder's great vision and we are positioned well for continued future success.

Providing the right inventory availability and assortment to meet our customers' changing demands has been an ongoing theme for AutoZone since the Company's inception back in 1979. With such a large and diverse car and truck population across North and South America, we need to carry even more products to meet our customers' needs. We are opening more distribution centers, more mega hubs, more hubs, and working to determine the optimal frequency of delivery from our distribution centers (DCs). In 2017 alone, we opened two new distribution centers: one in the U.S. and one in Mexico. We also have another DC in the U.S. under construction plus one other in the process of being expanded. Additionally, we opened four more hub stores, finishing fiscal year 2017 with 186, and added five more mega hub stores, finishing the year with 16 in operation. Along with our increase in availability, we've continued to expand the frequency of deliveries our U.S stores receive in an effort to improve our "in-stock". Across our approximately 6,000 U.S. and Mexico stores, we are increasing availability using our DCs, mega hub and hub locations to both reduce out-of-stocks and add coverage. This expanded parts coverage is allowing us to say, "Yes! We've Got it," more than ever. We are committed to having the availability of parts to meet or exceed our customers' expectations.

Fiscal 2017 was a more challenging year for AutoZone than we had expected. While we never take our business for granted, the additional challenge was primarily due to two occurrences. First, the delay in timing for income tax refunds issued by the U.S. government negatively impacted sales. While 2016's refund season began at the end of January, this year it did not begin until the end of February. Although we assumed we'd "earn back" lost sales from the tax refund delay during the spring selling season, it did not happen. Secondly, the mild winter experienced across much of the Northeastern and Midwestern markets continued for a second straight year. Our business performs well when temperatures become extreme, because extreme cold or heat causes parts to fail. Mild temperatures simply don't have the same impact. For a second straight year, mild temperatures caused sales to underperform during the winter and spring seasons in traditional parts categories that typically do well in winter months. While facing these headwinds, we continued with our phased inventory availability implementation, distribution center initiatives, new store openings, and investments in our internet businesses. Throughout the year, the data available to us shows we continue to gain share, and we believe we are better positioned to grow our business in 2018 because of what we accomplished in 2017.

What's Different

While our story continues to be one of evolution, not revolution, we are on solid footing heading into fiscal 2018. Assortment and availability are core to future sales growth. We have substantially expanded our breadth of parts coverage. With the best brand of products in the automotive aftermarket, Duralast, AutoZone has driven further into lines of coverage like never before. I can say today that our coverage and assortment have never been better. But, we know we must continue to improve further. That is why we opened two new distribution centers in fiscal 2017 with still a third under construction. Additional hub stores and mega hub locations make incremental choice available. We expect to take our expanded delivery network to even more locations this upcoming year. While our very successful 186 hub stores carry a more extensive line of hard parts inventory than their surrounding stores—usually twice the number of products—the mega hubs carry an even more extensive assortment, roughly twice what a hub store carries. Additional deliveries from distribution centers are focused on providing higher in-stock levels on products we stock in our stores, and the mega hubs are focused on increasing local market availability. We will expand or build up to 40 mega hubs to provide substantially broader inventory assortments to the vast majority of our domestic stores.

With regard to our domestic operations, we continue to study our Commercial business in order to find opportunistic ways to accelerate sales growth beyond the current, industry leading rate of 5.7%: the rate of growth we had during fiscal 2017. In addition, we continued to focus on growing sales at our IMC branches. Acquired in 2015, IMC and its 26 locations represent the second largest distributor of original equipment ("OE") quality import replacement parts in the United States. With its extensive line of OE brands for most European and Asian cars, we believe IMC has strong prospects.

In fiscal 2017, we continued with our international store growth, opening 47 stores outside the U.S., and finishing with 524 stores in Mexico and 14 in Brazil. Our commitment to growing internationally is stronger today than ever, as we see our product and service offerings being well received by customers in these geographies.

We are also expanding our growing Internet offerings. Utilizing our consumer sites autozone.com and autoanything.com, we believe we are well positioned to serve our customers however they elect to interact with us. In 2018, we will continue to focus on both increasing our online product offerings and improving the shopping experience, including enhancing our business-to-business sites like autozonepro.com. While our Internet business is a key focus for future growth, it remains relatively small in sales volume. However, over time, as mobile shopping intensifies, it will expand. We have to stay out front in this sector of our industry. Our customers are demanding an ever-improving online shopping experience. And we intend to deliver.

We are proud of what we've accomplished this past year and we believe fiscal 2017 laid a strong foundation for an even better year in 2018. While fiscal 2017 was clearly a more challenging year for AutoZone, the initiatives begun are expected to drive sales for years to come. Lastly, we will continue investing capital in our information systems infrastructure at increasing levels, as these investments will be at the core of our customer interfacing efforts. Looking forward, 2018 will be a busy year for us as we have many growth opportunities ahead.

Summary of 2017 Results

During 2017, we had many successes. We recorded a record $10.9 billion in sales, up 2.4% over fiscal year 2016, and we delivered a record $44.07 in earnings per share, up 8.3% over 2016. We also:

- Opened our 6,000th store and had the honor to do so in our hometown of Memphis, Tennessee
- Expanded our domestic store base by 168 stores across 50 states and Puerto Rico
- Opened 202 net new Commercial programs, ending the year with commercial programs in 84% of our domestic store base
- Increased our presence in Mexico, celebrating our 500th store opening during the year and ending with 524 stores
- Opened six additional stores in Brazil, for a total of 14 stores
- Significantly grew our online offerings at autozone.com, autozonepro.com and autoanything.com
- Opened four additional hub stores, finishing the fiscal year with 186 hubs (including 16 mega hubs)
- Continued our relentless focus on Return on Invested Capital (ROIC), reporting 29.9% for fiscal 2017
- Generated $1.6 billion of Operating Cash Flow
- Repurchased more than $1 billion of our shares for the ninth consecutive year

Our success is directly attributable to our 87,000+ great AutoZoners and their commitment to living our Pledge and Values and leveraging our unique and powerful culture to say, "YES! We've Got It."

We are looking forward to 2018!

U.S. Retail

We are the country's largest retailer of automotive aftermarket products with nearly 5,500 stores across the United States. Our initiatives for 2017 were: (1) Great People Providing Great Service; (2) Profitable Commercial Growth; (3) Leveraging the Internet; (4) Yes! We've Got It.; and, (5) Leveraging Information Technology.

The most significant initiative impacting U.S. Retail in 2017 was the further implementation of our inventory availability initiatives highlighted earlier, which we call "Yes! We've Got It." Many of our retail initiatives generally don't change significantly from year to year. Our Great People Providing Great Service initiative has been, and will continue to be, a constant because it is central to our culture. This initiative is focused on hiring, retaining, training and developing the best people in the industry. We also continued with our aggressive investments in technology this past year. We have committed to a multi-year approach to enhancing our systems, both hardware and software, to ensure our AutoZoners have the best, most reliable tools available. As a result, we significantly increased our investments in IT over the last five years. We expect an increased level of investment next year as well, as technology improvements will be part of our key priorities for years to come.

U.S. Commercial

In fiscal 2017, our Commercial sales grew 5.7% over last year. This customer base remains highly fragmented, and we see tremendous opportunities to increase market share. We opened 202 net new programs this past year and have opened 750 net new programs over the last three years. We now have commercial programs in 84% of our domestic store base with opportunities to continue to open additional programs and grow sales in our existing programs. In 2017, we intensified our focus on growing our "mature programs" and specifically our "mature customers." Despite challenges to our industry in 2017, we saw, as in previous years, our growth rates continue to outpace the overall industry. We believe we are well positioned for growth in Commercial for 2018 and beyond.

International

With 524 stores across Mexico and 14 in Brazil, we expanded our international store base in 2017. While our business model performed well last year, we were challenged by exchange rate fluctuations that hurt translation of local currency profits into their U.S. dollar equivalents. With the bulk of our international business in Mexico, the peso's weakness relative to the U.S. dollar caused a significant headwind to bottom line comparisons with fiscal 2016. While exchange rates remained a challenge for us in 2017, we continued with our ongoing store expansion strategy. Our deliberate store opening schedule is driven by our efforts to improve our information systems within our international operations. We believe having all our stores across the world on the same systems platform will allow improved execution. This is a challenging task since there are different requirements for doing business in Brazil versus Mexico, for example. While we have been doing business in Mexico for nearly two decades, we expect to continue expanding our presence there for many more years. In Brazil, we have a much smaller presence and added six new stores in 2017. As we continue to develop a model that works well for our Brazilian customers and for us financially, we expect to expand. We intend to open up to 10 new stores in Brazil in 2018. We are excited about our ongoing International opportunities.

Digital Integration

Our digital integration effort strives to leverage all our "digital assets" to both communicate with and sell more effectively to our customers. We have a wealth of data, content and customer relationships from AutoZone Retail and Commercial, ALLDATA, autozone.com, autozonepro.com, AutoAnything and IMC. By combining these customer views and mining our data further, we'll be able to learn more and improve upon having the right merchandise in the right locations for whenever and wherever our customers demand it. We must make sure our customers are "one click" from experiencing WOW! Customer Service in any way they wish to engage with us. As we strengthen this focus, we understand our challenges and see our opportunities. This will continue to be an important part of our thinking on customer relationships for years to come and will remain a key focus in 2018.

Our Future

Our 2018 operating theme "Yes! We've Got It" means we are focused on having the right inventory available at the right location every day. Having the parts customers demand, closer to where they need them, will continue to be the key to our success in the future. We have always understood there are choices our customers can make on where they shop, and we don't take that for granted. Every customer interaction is an opportunity for us to surprise and delight, leading our customers to say "WOW!" or conversely, an opportunity for us to disappoint a customer – an unacceptable outcome. While 2017 was a challenging sales year due to the delayed income tax refund season and milder weather impacting failure related parts sales, we did not stop investing in merchandise availability, training and, most importantly, our AutoZoners. We are challenging ourselves in 2018 to improve on our customer service efforts. And, we are determined to say "YES" to our customers even more in 2018.

We have a solid business model that is built on delivering consistent financial results. As we think about the future, we intend to continue to grow new store square footage at an annual rate of three to four percent, and we expect to continue to grow our commercial sales at a rate faster than our retail sales. While we did not continue our streak of 41 consecutive quarters of double-digit EPS growth this past year, we are positioned for steady future growth. We will also continue to leverage our historically strong cash flows to repurchase shares to grow our earnings per share. Primarily, we will continue to invest in initiatives that provide us with an appropriate return. As our ROIC, at 29.9%, is one of the best in all of hardlines retailing, we are committed to being good stewards of capital as we understand the capital we deploy is your capital.

As I write this letter, I would be remiss to not comment on the horrible storms and natural disasters that occurred in recent months. I want to recognize the extraordinary efforts our AutoZoners made to help each other and our customers recover in Houston, Florida, Puerto Rico, Mexico and California. The efforts of our folks went above and beyond imaginable, and I'm proud to be a part of such a wonderful team that truly cares about people.

I want to thank all AutoZoners for their dedication and hard work in 2017. Over the years, our Company's success is entirely due to their consistent commitments to going the extra mile to help our customers. They embrace our culture and provide our customers with an exceptional experience. I would also like to thank our vendors for their ongoing commitment to our collective success. Additionally, I would like to thank you, our stockholders, for the confidence you have placed in us by your decision to invest in our Company. 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 thank Sue Gove, one of our board members, for her service over the last 12 years. She has decided not to stand for re-election at our upcoming stockholders' meeting. She has been an invaluable contributor to the development of our strategies and has been a material contributor to our overall success. We wish her all the best in her future endeavors.

We have a wonderful culture that has been firmly built over the past 38 years. We remain passionate about our Pledge, Values, and culture to earn our customers' business every day. 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

Bill Rhodes
Chairman, President and CEO
Customer Satisfaction

Notice of annual meeting of stockholders and proxy statement

AUTOZONE, INC.

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
DECEMBER 20, 2017

What:	Annual Meeting of Stockholders
When:	December 20, 2017, 8:00 a.m. Central Standard Time
Where:	J. R. Hyde III Store Support Center 123 South Front Street Memphis, Tennessee
Stockholders will vote regarding:	• Election of eleven directors • Ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for the 2018 fiscal year • Advisory vote on executive compensation • Advisory vote on the frequency of future advisory votes on executive compensation • The transaction of other business that may be properly brought before the meeting
Record Date:	Stockholders of record as of October 23, 2017, may vote at the meeting.

By order of the Board of Directors,

Kristen C. Wright
Secretary

Memphis, Tennessee
October 27, 2017

We encourage you to vote by telephone or Internet, both of which are convenient, cost-effective and reliable alternatives to returning your proxy card by mail.

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AutoZone, Inc.
123 South Front Street
Memphis, Tennessee 38103

Proxy Statement
for
Annual Meeting of Stockholders
December 20, 2017

The Meeting

The Annual Meeting of Stockholders of AutoZone, Inc. will be held at AutoZone's offices, the J. R. Hyde III Store Support Center, 123 South Front Street, Memphis, Tennessee, at 8:00 a.m. CST on December 20, 2017.

About this Proxy Statement

Our Board of Directors has sent you this Proxy Statement to solicit your vote at the Annual Meeting. This Proxy Statement contains important information for you to consider when deciding how to vote on the matters brought before the Meeting. Please read it carefully.

In this Proxy Statement:

- "AutoZone," "we," "us," and "the Company" mean AutoZone, Inc.
- "Annual Meeting" or "Meeting" means the Annual Meeting of Stockholders to be held on December 20, 2017, at 8:00 a.m. CST at the J. R. Hyde III Store Support Center, 123 South Front Street, Memphis, Tennessee.
- "Board" means the Board of Directors of AutoZone, Inc.

AutoZone will pay all expenses incurred in this proxy solicitation. We also may make additional solicitations in person, by telephone, facsimile, e-mail, or other forms of communication. Brokers, banks, and others who hold our stock for beneficial owners will be reimbursed by us for their expenses related to forwarding our proxy materials to the beneficial owners.

This Proxy Statement is first being sent or given to security holders on or about October 27, 2017.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE STOCKHOLDER MEETING TO BE HELD ON DECEMBER 20, 2017. This Proxy Statement and the annual report to security holders are available at www.autozoneinc.com.

Information about Voting

What matters will be voted on at the Annual Meeting?

At the Annual Meeting, stockholders will be asked to vote on the following proposals:

1. to elect ten directors;

2. to ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for the 2018 fiscal year;

3. to approve an advisory vote on executive compensation; and

4. to approve an advisory vote on the frequency of future advisory votes on executive compensation

Stockholders also will transact any other business that may be properly brought before the Meeting.

Who is entitled to vote at the Annual Meeting?

The record date for the Annual Meeting is October 23, 2017. Only stockholders of record at the close of business on that date are entitled to attend and vote at the Annual Meeting. The only class of stock that can be voted at the Meeting is our common stock. Each share of common stock is entitled to one vote on all matters that come before the Meeting. At the close of business on the record date, October 23, 2017, we had 27,492,520 shares of common stock outstanding.

How do I vote my shares?

You may vote your shares in person or by proxy:

<u>By Proxy</u>: You can vote by telephone, on the Internet or by mail. *We encourage you to vote by telephone or Internet, both of which are convenient, cost-effective, and reliable alternatives to returning your proxy card by mail.*

1. *By Telephone*: You may submit your voting instructions by telephone by following the instructions printed on the enclosed proxy card. If you submit your voting instructions by telephone, you do not have to mail in your proxy card.

2. *On the Internet*: You may vote on the Internet by following the instructions printed on the enclosed proxy card. If you vote on the Internet, you do not have to mail in your proxy card.

3. *By Mail*: If you properly complete and sign the enclosed proxy card and return it in the enclosed envelope, it will be voted in accordance with your instructions. The enclosed envelope requires no additional postage if mailed in the United States.

<u>In Person</u>: You may attend the Annual Meeting and vote in person. If you are a registered holder of your shares (if you hold your stock in your own name), you need only to attend the Meeting. However, if your shares are held in an account by a broker, you will need to present a written consent from your broker permitting you to vote the shares in person at the Annual Meeting.

How will my vote be counted?

Your vote for your shares will be cast as you indicate on your proxy card. If you sign your card without indicating how you wish to vote, your shares will be voted FOR our nominees for director, FOR Ernst & Young LLP as independent registered public accounting firm, FOR the advisory vote on executive compensation, FOR approval of an annual frequency for future executive compensation votes, and in the proxies' discretion on any other matter that may properly be brought before the Meeting or any adjournment of the Meeting.

The votes will be tabulated and certified by our transfer agent, Computershare. A representative of Computershare will serve as the inspector of election.

Can I change my vote after I submit my proxy?

Yes, you may revoke your proxy at any time before it is voted at the Meeting by:

- giving written notice to our Secretary that you have revoked the proxy, or
- providing a later-dated proxy.

Any written notice should be sent to the Secretary at 123 South Front Street, Dept. 8074, Memphis, Tennessee 38103.

How many shares must be present to constitute a quorum for the Meeting?

Holders of a majority of the shares of the voting power of the Company's stock must be present in person or by proxy in order for a quorum to be present. If a quorum is not present at the scheduled time of the Annual Meeting, we may adjourn the Meeting, without notice other than announcement at the Meeting, until a quorum is present or represented. Any business which could have been transacted at the Meeting as originally scheduled can be conducted at the adjourned meeting.

Corporate Governance Matters

Independence

How many independent directors does AutoZone have?

Our Board has determined that ten of our current eleven directors are independent: Douglas H. Brooks, Linda A. Goodspeed, Sue E. Gove, Earl G. Graves, Jr., Enderson Guimaraes, J. R. Hyde, III, D. Bryan Jordan, W. Andrew McKenna, George R. Mrkonic, Jr., and Luis P. Nieto, Jr. All of these directors meet the independence standards of our Corporate Governance Principles and the New York Stock Exchange listing standards.

How does AutoZone determine whether a director is independent?

In accordance with AutoZone's Corporate Governance Principles, a director is considered independent if the director meets the independence requirements of the applicable New York Stock Exchange listing standards, and, with respect to the Audit Committee, the applicable Securities & Exchange Commission rules.

In determining the independence of our directors, the Board considers relationships involving directors and their immediate family members that are relevant under applicable laws and regulations, the listing standards of the New York Stock Exchange, and the standards contained in our Corporate Governance Principles. The Board relies on information from Company records and questionnaires completed annually by each director.

As part of its most recent independence determinations, the Board noted that AutoZone does not have, and did not have during fiscal 2017, significant commercial relationships with companies at which Board members served as officers or directors, or in which Board members or their immediate family members held an aggregate of 10% or more direct or indirect interest.

The Board considered the fact that Mr. Jordan is the Chairman of the Board, President and Chief Executive Officer and a member of the board of directors of First Horizon National Corporation, parent company of First Tennessee Bank, which

- participates in one of AutoZone's supplier confirmed receivables programs (under which some AutoZone vendors are borrowers, but AutoZone is not);
- has established a Daylight Overdraft line which allows AutoZone to make large payments early in the morning creating a "daylight" overdraft which is rectified at the end of the day;

- acts as Trustee for AutoZone's pension plan;
- offers brokerage services to AutoZone employees exercising stock options, and
- holds various AutoZone deposit accounts.

During fiscal 2017, First Horizon National Corporation did business with AutoZone in arm's length transactions which were not, individually or cumulatively, material to either AutoZone or First Horizon National Corporation and which did not materially benefit Mr. Jordan, either directly or indirectly.

The Board also considered the fact that Mr. Brooks is a member of the board of directors of Southwest Airlines. During fiscal 2017, AutoZone purchased airline tickets from Southwest Airlines which were not, individually or cumulatively, material to either AutoZone or Southwest Airlines and which did not materially benefit Mr. Brooks, either directly or indirectly.

The Board also reviewed donations made by the Company to not-for-profit organizations with which Board members or their immediate family members were affiliated by membership or service or as directors or trustees.

Based on its review of the above matters, the Board determined that none of Messrs. Brooks, Graves, Guimaraes, Hyde, Jordan, McKenna, Mrkonic, or Nieto or Ms. Goodspeed or Gove has a material relationship with the Company and that all of them are independent within the meaning of the AutoZone Corporate Governance Principles and applicable law and listing standards. The Board also determined that Mr. Rhodes is not independent since he is an employee of the Company.

Board Leadership Structure

Our Board believes that having a combined Chairman/CEO, independent members and chairs for each of our Board committees and an independent Lead Director currently provides the best board leadership structure for AutoZone. This structure, together with our other corporate governance practices, provides strong independent oversight of management while ensuring clear strategic alignment throughout the Company. Our Lead Director is a non-employee director who is elected by the Board. Earl G. Graves, Jr., a director since 2002, currently serves as our Lead Director.

Our Lead Director:

- Chairs Board meetings when the Chairman is not present, including presiding at all executive sessions of the Board (without management present) at every regularly scheduled Board meeting;
- Works with management to determine the information and materials provided to Board members;
- Approves Board meeting agendas, schedules and other information provided to the Board;
- Consults with the Chairman on such other matters as are pertinent to the Board and the Company;
- Has the authority to call meetings of the independent directors;
- Is available for direct communication and consultation with major shareholders upon request; and
- Serves as liaison between the Chairman and the independent directors.

Board Risk Oversight

Oversight of risk management is a responsibility of the Board and is an integral part of the Board's oversight of AutoZone's business. AutoZone's management takes a variety of calculated risks in order to enhance Company performance and shareholder value. The primary responsibility for the identification, assessment and management of the various risks resides with AutoZone's management. The Board is primarily responsible for ensuring that management has established and adequately resourced processes for identifying and preparing the Company to manage risks effectively. Additionally, the Board reviews the Company's principal strategic and operating risks as part of its regular discussion and consideration of AutoZone's strategy and operating results. The Board also reviews periodically with the General Counsel legal matters that may have a material adverse impact on the Company's financial statements, the Company's compliance with laws, and any material reports received from regulatory agencies.

The Audit Committee is involved in the Board's oversight of risk management. At each of its regular meetings, the Audit Committee reviews the Company's major financial exposures and the steps management has taken to identify, assess, monitor, control, remediate and report such exposures. The Audit Committee, along with management, also evaluates the effectiveness of the risk avoidance and mitigation processes in place. Such risk-related information is then summarized, reported and discussed at each quarterly Board meeting.

To assist with risk management and oversight, AutoZone has adopted the concept of enterprise risk management ("ERM") using the framework issued in 2004 by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's Vice President of Internal Audit, who reports directly to the Audit Committee, has been charged with leading the Company's ERM processes with the assistance of Company management. The Vice President of Internal Audit presents to the Audit Committee a comprehensive review of the Company's ERM processes annually. This presentation includes an overview of all significant risks that have been identified and assessed and the strategies developed by management for managing such risks. The Vice President of Internal Audit leads open discussions with the Audit Committee members to analyze the significance of the risks identified and to verify that the list is all-inclusive. Company management is also involved in these discussions to ensure that the Board gains a full understanding of the risks and the strategies that management has implemented to manage the risks.

Other Board committees also consider significant risks within their areas of responsibility. The Compensation Committee considers risk in connection with the design of AutoZone's compensation programs. The Nominating and Corporate Governance Committee oversees risks related to the Company's governance policies and practices.

Corporate Governance Documents

Our Board has adopted Corporate Governance Principles; charters for its Audit, Compensation, and Nominating & Corporate Governance Committees; a Code of Conduct for directors, officers and employees of AutoZone; and a Code of Ethical Conduct for Financial Executives. Each of these documents is available on our corporate website at www.autozoneinc.com and is also available, free of charge, in print to any stockholder who requests it.

Meetings and Attendance

How many times did AutoZone's Board meet during the last fiscal year?

During the 2017 fiscal year, the Board held four meetings.

Did any of AutoZone's directors attend fewer than 75% of the meetings of the Board and their assigned committees?

All of our directors attended at least 75% of the meetings of the Board and their assigned committees during the fiscal year.

Proxy

What is AutoZone's policy with respect to directors' attendance at the Annual Meeting?

As a general matter, all directors are expected to attend our Annual Meetings. At our 2016 Annual Meeting, all directors were present.

Do AutoZone's non-management directors meet regularly in executive session?

The non-management members of our Board regularly meet in executive sessions in conjunction with each regularly scheduled Board meeting. Our Lead Director, Mr. Graves, presides at these sessions.

Committees of the Board

What are the standing committees of AutoZone's Board?

AutoZone's Board has three standing committees: Audit Committee, Compensation Committee, and Nominating and Corporate Governance Committee, each consisting only of independent directors.

Audit Committee

What is the function of the Audit Committee?

The Audit Committee is responsible for:

- the integrity of the Company's financial statements,
- the independent auditor's qualification, independence and performance,
- the performance of the Company's internal audit function, and
- the Company's compliance with legal and regulatory requirements.

The Audit Committee performs its duties by:

- evaluating, appointing or dismissing, determining compensation for, and overseeing the work of the independent public accounting firm employed to conduct the annual audit, which reports to the Audit Committee;
- pre-approving all audit and permitted non-audit services performed by the independent auditor, considering issues of auditor independence;
- conducting periodic reviews with Company officers, management, independent auditors, and the internal audit function;
- reviewing and discussing with management and the independent auditor the Company's annual audited financial statements, quarterly financial statements, internal controls report and the independent auditor's attestation thereof, and other matters related to the Company's financial statements and disclosures;
- overseeing the Company's internal audit function;
- reporting periodically to the Board and making appropriate recommendations; and
- preparing the report of the Audit Committee required to be included in the annual proxy statement.

Who are the members of the Audit Committee?

The Audit Committee consists of Ms. Goodspeed, Ms. Gove, Mr. Jordan, Mr. McKenna (Chair), Mr. Mrkonic, and Mr. Nieto.

Are all of the members of the Audit Committee independent?

Yes, the Audit Committee consists entirely of independent directors under the standards of AutoZone's Corporate Governance Principles and the listing standards of the New York Stock Exchange.

Does the Audit Committee have an Audit Committee Financial Expert?

The Board has determined that Ms. Goodspeed, Ms. Gove, Mr. Jordan, Mr. McKenna, Mr. Mrkonic and Mr. Nieto each meet the qualifications of an audit committee financial expert as defined by the Securities and Exchange Commission. All members of the Audit Committee meet the New York Stock Exchange definition of financial literacy.

How many times did the Audit Committee meet during the last fiscal year?

During the 2017 fiscal year, the Audit Committee held eight meetings.

Where can I find the charter of the Audit Committee?

The Audit Committee's charter is available on our corporate website at www.autozoneinc.com and is also available, free of charge, in print to any stockholder who requests it.

Audit Committee Report

The Audit Committee of AutoZone, Inc. has reviewed and discussed AutoZone's audited financial statements for the year ended August 26, 2017, with AutoZone's management. In addition, we have discussed with Ernst & Young LLP, AutoZone's independent registered public accounting firm, the matters required to be discussed by Statement on Auditing Standards No. 61, *Communications with Audit Committees*, as amended and as adopted by the Public Company Accounting Oversight Board ("PCAOB") in Rule 3200T, the Sarbanes-Oxley Act of 2002, and the charter of the Committee.

The Committee also has received the written disclosures and the letter from Ernst & Young LLP required by the applicable requirements of the PCAOB regarding the firm's communications with the Audit Committee concerning independence, and we have discussed with Ernst & Young LLP their independence from the Company and its management. The Committee has discussed with AutoZone's management and the auditing firm such other matters and received such assurances from them as we deemed appropriate.

As a result of our review and discussions, we have recommended to the Board of Directors the inclusion of AutoZone's audited financial statements in the annual report for the fiscal year ended August 26, 2017, on Form 10-K for filing with the Securities and Exchange Commission.

While the Audit Committee has the responsibilities and powers set forth in its charter, the Audit Committee does not have the duty to plan or conduct audits or to determine that AutoZone's financial statements are complete, accurate, or in accordance with generally accepted accounting principles; AutoZone's management and the independent auditor have this responsibility. Nor does the Audit Committee have the duty to assure compliance with laws and regulations and the policies of the Board of Directors.

W. Andrew McKenna (Chair)
Linda A. Goodspeed
Sue E. Gove
D. Bryan Jordan
George R. Mrkonic, Jr.
Luis P. Nieto

The above Audit Committee Report does not constitute soliciting material and should not be deemed filed or incorporated by reference into any other Company filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent the Company specifically incorporates this Report by reference therein.

Compensation Committee

What is the function of the Compensation Committee?

The Compensation Committee has the authority, based on its charter and the AutoZone Corporate Governance Principles, to:

- review and approve AutoZone's compensation objectives;
- review and approve the compensation programs, plans, policies and awards for executive officers, including recommending equity-based plans for stockholder approval;
- lead the independent directors in the evaluation of the performance of the Chief Executive Officer ("CEO") in meeting established goals and objectives relevant to the compensation of the CEO;
- act as administrator as may be required by AutoZone's short- and long-term incentive plans and stock or stock-based plans; and
- review the compensation of AutoZone's non-employee directors from time to time and recommend to the full Board any changes that the Compensation Committee deems necessary.

The Compensation Committee may appoint subcommittees from time to time with such responsibilities as it may deem appropriate; however, the committee may not delegate its authority to any other persons.

AutoZone's processes and procedures for the consideration and determination of executive compensation, including the role of the Compensation Committee and compensation consultants, are described in the "Compensation Discussion and Analysis" on page 21.

Who are the members of the Compensation Committee?

The Compensation Committee consists of Mr. Brooks, Ms. Goodspeed, Mr. Graves (Chair), Mr. McKenna, and Mr. Mrkonic, all of whom are independent directors under the standards of AutoZone's Corporate Governance Principles and the listing standards of the New York Stock Exchange.

How many times did the Compensation Committee meet during the last fiscal year?

During the 2017 fiscal year, the Compensation Committee held three meetings.

Where can I find the charter of the Compensation Committee?

The Compensation Committee's charter is available on our corporate website at www.autozoneinc.com and is also available, free of charge, in print to any stockholder who requests it.

Nominating and Corporate Governance Committee

What is the function of the Nominating and Corporate Governance Committee?

The Nominating and Corporate Governance Committee ensures that:

- qualified candidates are presented to the Board for election as directors;

- the Board has adopted appropriate corporate governance principles that best serve the practices and objectives of the Board; and
- AutoZone's Articles of Incorporation and By-Laws are structured to best serve the interests of the stockholders.

Who are the members of the Nominating and Corporate Governance Committee?

The Nominating and Corporate Governance Committee consists of Ms. Gove (Chair), Mr. Guimaraes, Mr. Jordan and Mr. Nieto, all of whom are independent directors under the standards of AutoZone's Corporate Governance Principles and the listing standards of the New York Stock Exchange.

How many times did the Nominating and Corporate Governance Committee meet during the last fiscal year?

During the 2017 fiscal year, the Nominating and Corporate Governance Committee held three meetings.

Where can I find the charter of the Nominating and Corporate Governance Committee?

The Nominating and Corporate Governance Committee's charter is available on our corporate website at www.autozoneinc.com and is also available, free of charge, in print to any stockholder who requests it.

Director Nomination Process

What is the Nominating and Corporate Governance Committee's policy regarding consideration of director candidates recommended by stockholders? How do stockholders submit such recommendations?

The Nominating and Corporate Governance Committee's policy is to consider director candidate recommendations from stockholders if they are submitted in writing to AutoZone's Secretary in accordance with the procedure set forth in Article III, Section 1 of AutoZone's Sixth Amended and Restated By-Laws ("By-Laws"), including biographical and business experience, information regarding the nominee and other information required by said Article III, Section 1. Copies of the By-Laws will be provided upon written request to AutoZone's Secretary and are also available on AutoZone's corporate website at www.autozoneinc.com.

What qualifications must a nominee have in order to be recommended by the Nominating and Corporate Governance Committee for a position on the Board?

The Board believes each individual director should possess certain personal characteristics, and that the Board as a whole should possess certain core competencies. Such personal characteristics are integrity and accountability, informed judgment, financial literacy, mature confidence, high performance standards, and passion. They should also have demonstrated the confidence to be truly independent, as well as be business savvy, have an owner orientation and have a genuine interest in AutoZone. Core competencies of the Board as a whole are accounting and finance, business judgment, management expertise, crisis response, industry knowledge, international markets, strategy and vision. These characteristics and competencies are set forth in more detail in AutoZone's Corporate Governance Principles, which are available on AutoZone's corporate website at www.autozoneinc.com.

How does the Nominating and Corporate Governance Committee identify and evaluate nominees for director?

Prior to each annual meeting of stockholders at which directors are to be elected, the Nominating and Corporate Governance Committee considers incumbent directors and other qualified individuals, if necessary, as

Proxy

potential director nominees. In evaluating a potential nominee, the Nominating and Corporate Governance Committee considers the personal characteristics described above, and also reviews the composition of the full Board to determine the areas of expertise and core competencies needed to enhance the function of the Board. The Nominating and Corporate Governance Committee may also consider other factors such as the size of the Board, whether a candidate is independent, how many other public company directorships a candidate holds, and the listing standards requirements of the New York Stock Exchange.

The Nominating and Corporate Governance Committee recognizes the importance of selecting directors from various backgrounds and professions in order to ensure that the Board as a whole has a variety of experiences and perspectives which contribute to a more effective decision-making process. The Board does not have a specific diversity policy, but considers diversity of race, ethnicity, gender, age, cultural background and professional experiences in evaluating candidates for Board membership.

The Nominating and Corporate Governance Committee uses a variety of methods for identifying potential nominees for director. Candidates may come to the attention of the Nominating and Corporate Governance Committee through current Board members, stockholders or other persons. The Nominating and Corporate Governance Committee may retain a search firm or other consulting firm from time to time to identify potential nominees. Nominees recommended by stockholders in accordance with the procedure described above, i.e., submitted in writing to AutoZone's Secretary, accompanied by the biographical and business experience information regarding the nominee and the other information required by Article III, Section 1 of the By-Laws, will receive the same consideration as the Nominating and Corporate Governance Committee's other potential nominees.

Procedure for Communication with the Board of Directors

How can stockholders and other interested parties communicate with the Board?

Stockholders and other interested parties may communicate with the Board by writing to the Board, to any individual director or to the non-management directors as a group c/o Secretary, AutoZone, Inc., 123 South Front Street, Dept. 8074, Memphis, Tennessee 38103. The Company's General Counsel and Secretary will review all such correspondence and will forward correspondence that, in her opinion, deals with the function of the Board or that she otherwise determines requires the attention of any member, group or committee of the Board. Communications addressed to the Board or to the non-management directors as a group will be forwarded to the Chair of the Nominating and Corporate Governance Committee, and communications addressed to a committee of the Board will be forwarded to the chair of that committee.

Compensation of Directors

Director Compensation Table

This table shows the compensation paid to our non-employee directors during the 2017 fiscal year. No amounts were paid to our non-employee directors during the 2017 fiscal year that would be classified as “Option Awards,” “Non-Equity Incentive Plan Compensation,” “Changes in Pension Value and Nonqualified Deferred Compensation Earnings” or “All Other Compensation,” so these columns have been omitted from the table.

Name (1)	Fees Paid in Cash ($) (2)	Stock Awards ($) (3)	Total ($)
Douglas H. Brooks	80,000	124,992	204,992
Linda A. Goodspeed	—	214,997	214,997
Sue E. Gove	75,000	124,992	199,992
Earl G. Graves, Jr.	—	239,993	239,993
Enderson Guimaraes	—	204,998	204,998
J.R. Hyde, III	—	204,998	204,998
D. Bryan Jordan	—	214,997	214,997
W. Andrew McKenna	—	224,995	224,995
George R. Mrkonic, Jr.	—	214,997	214,997
Luis Nieto	90,000	124,992	214,992

(1) William C. Rhodes, III, our Chairman, President and Chief Executive Officer, serves on the Board but does not receive any compensation for his service as a director. His compensation as an employee of the Company is shown in the Summary Compensation Table on page 33.

(2) Under the Amended and Restated AutoZone, Inc. 2011 Equity Incentive Award Plan (the “Amended 2011 Equity Plan”), AutoZone’s non-employee directors receive their director compensation in the form of Restricted Stock Units, which are contractual rights to receive in the future a share of AutoZone stock. Upon timely election, non-employee directors may elect to receive $80,000 of the annual retainer fee, plus any additional fees, in the form of cash, paid in quarterly installments in advance (on January 1, April 1, July 1 and October 1 of each calendar year). This column represents the portion of the Director Compensation that was paid in cash and earned in fiscal year 2017.

(3) The “Stock Awards” column represents the aggregate grant date fair value computed in accordance with FASB ASC Topic 718 for awards of Restricted Stock Units under the Amended 2011 Equity Plan during fiscal 2017. See Note B, Share-Based Payments, to our consolidated financial statements in our 2017 Annual Report for a discussion of our accounting for share-based awards and the assumptions used. The aggregate number of outstanding awards of common stock under the AutoZone, Inc. 2003 Director Compensation Plan (“Stock Units”) and Restricted Stock Units held by each director at the end of fiscal 2017 are shown in the following footnote 4. See “Security Ownership of Management and Board of Directors” on page 13 for more information about our directors’ stock ownership.

(4) As of August 26, 2017, each current non-employee director had the following aggregate number of outstanding Stock Units, Restricted Stock Units and stock options:

Name	Stock Units (#)	Restricted Stock Units (#)	Stock Options (#)
Douglas H. Brooks	—	949	—
Linda A. Goodspeed	—	1,465	—
Sue E. Gove	280	3,078	—
Earl G. Graves, Jr.	3,417	3,431	1,000
Enderson Guimaraes	—	1,891	—
J.R. Hyde, III	7,505	3,028	9,000
D. Bryan Jordan	—	1,481	—
W. Andrew McKenna	4,247	3,131	9,000
George R. Mrkonic, Jr.	1,405	3,117	—
Luis Nieto	1,136	2,585	—

Narrative Accompanying Director Compensation Table

AutoZone's current director compensation program became effective January 1, 2017.

Annual Retainer Fees. Non-employee directors receive an annual retainer fee of $205,000 (the "Annual Retainer"). The lead director and the chair of the Audit Committee each receive an additional fee ("Additional Fee") of $20,000 annually, the chair of the Compensation Committee receives an Additional Fee of $15,000 per year, the chair of the Nominating and Corporate Governance Committee receives an Additional Fee of $10,000 per year, and the non-chair members of the Audit Committee each receive an Additional Fee of $10,000 per year (such Additional Fees, together with the Annual Retainer, the "Director Compensation"). There are no meeting fees.

Under the Amended 2011 Equity Plan, which replaced the AutoZone, Inc. 2011 Equity Incentive Award Plan (the "2011 Equity Plan"), non-employee directors receive Director Compensation in the form of Restricted Stock Units, which are contractual rights to receive in the future a share of AutoZone common stock. Upon timely delivery of an election form, a non-employee director may elect to receive $80,000 of the Annual Retainer plus any Additional Fees in the form of cash, paid in quarterly installments, with the remainder of the Annual Retainer paid in the form of Restricted Stock Units. All Restricted Stock Units are granted on January 1 of the applicable calendar year.

If a non-employee director is elected to the Board, or assumes a different position, after the beginning of a calendar quarter, he or she will receive the Annual Retainer and/or Additional Fees, prorated based on the number of days remaining in the calendar year, for Restricted Stock Units or quarter, for cash, as appropriate.

Restricted Stock Units become payable on the earlier to occur of (1) the fifth anniversary of the grant date, or (2) the date on which the non-employee director ceases to be a director (the "Payment Date"). Upon timely delivery of an election form, a non-employee director may elect to receive payment on the date on which he or she ceases to be a director. Restricted Stock Units are payable in shares of AutoZone common stock no later than the fifteenth day of the third month following the end of the tax year in which such Payment Date occurs.

Other Predecessor Plans

The AutoZone, Inc. Second Amended and Restated Director Compensation Plan and the AutoZone, Inc. Fourth Amended and Restated 1998 Director Stock Option Plan were terminated in December 2002 and were replaced by the AutoZone, Inc. First Amended and Restated 2003 Director Compensation Plan (the "2003 Director Compensation Plan") and the AutoZone, Inc. First Amended and Restated 2003 Director Stock Option

Plan (the “2003 Director Stock Option Plan”). The 2003 Director Compensation Plan and the 2003 Director Stock Option Plan were terminated in December 2010 and replaced by the 2011 Equity Plan. The 2011 Equity Plan was terminated in December 2015 and replaced with the Amended 2011 Equity Plan. However, grants made under those plans continue in effect under the terms of the grant made and are included in the aggregate awards outstanding shown above.

Stock Ownership Requirement

The Board has established a stock ownership requirement for non-employee directors. Each director is required to own AutoZone common stock and/or restricted stock units having a cumulative fair market value in an amount equal to three times the value of the base annual retainer payable pursuant to the Director Compensation Program within five years of joining the Board, and to maintain such ownership level thereafter. Exceptions to this requirement may only be made by the Board under compelling mitigating circumstances. Shares, Stock Units and Restricted Stock Units issued under the AutoZone, Inc. Second Amended and Restated Director Compensation Plan, the 2003 Director Compensation Plan, the 2011 Equity Plan and the Amended 2011 Equity Plan count toward this requirement. The in-the-money value of vested stock options does not count toward this requirement.

OTHER INFORMATION

Security Ownership of Management and Board of Directors

This table shows the beneficial ownership of common stock by each director, the Principal Executive Officer, the Principal Financial Officer and the other three most highly compensated executive officers, and all current directors and executive officers as a group. Unless stated otherwise in the notes to the table, each person named below has sole authority to vote and invest the shares shown.

Name of Beneficial Owner	Shares	Deferred Stock Units(1)	Options(2)	Restricted Stock Units(3)	Total	Ownership Percentage
Douglas H. Brooks	610	0	0	949	1,559	*
Linda A. Goodspeed	0	0	0	1,465	1,465	*
Sue E. Gove	0	280	0	3,078	3,358	*
Earl G. Graves, Jr.	0	3,417	1,000	3,431	7,848	*
Enderson Guimaraes	0	0	0	1,891	1,891	*
J. R. Hyde, III(4)	65,600	7,505	9,000	3,028	85,133	*
D. Bryan Jordan	240	0	0	1,481	1,721	*
W. Andrew McKenna	4,000	4,247	6,000	3,131	17,378	*
George R. Mrkonic, Jr.	0	1,405	0	3,117	4,522	*
Luis P. Nieto	0	1,136	0	2,585	3,721	*
William C. Rhodes, III(5)	48,113	0	132,961	0	181,074	*
William T. Giles	8,666	0	90,555	0	99,221	*
William W. Graves(6)	5,619	0	51,860	0	57,479	*
Mark A. Finestone(7)	4,238	0	56,760	0	60,998	*
Thomas B. Newbern	12,641	0	18,085	0	30,726	*
All current directors and executive officers as a group (24 persons)	159,303	17,990	569,609	24,156	771,058	2.8%

* Less than 1%.

(1) Includes shares that may be acquired immediately upon termination as a director by conversion of Stock Units.

(2) Includes shares that may be acquired upon exercise of stock options either immediately or within 60 days of October 23, 2017.

(3) Includes Restricted Stock Units that may be acquired within sixty (60) days of termination of service as a director.

(4) Does not include 2,000 shares owned by Mr. Hyde's wife.

(5) Includes 1,694 shares held as custodian for Mr. Rhodes' children, 162 shares held as trustee of trusts for Mr. Rhodes' children, 777 shares held as trustee of trusts for Mr. Rhodes' nieces and nephews, 14,732 shares owned by a trust for Mr. Rhodes' wife and 16,376 shares owned by two (2) grantor retained annuity trusts. Also includes 2,987 shares held by a charitable foundation for which Mr. Rhodes is president and a director and for which he shares investment and voting power.

(6) Includes 3,600 shares owned by a grantor retained annuity trust.

(7) Includes 102 shares held in trusts for Mr. Finestone's children and 2,345 shares owned by a grantor retained annuity trust.

Security Ownership of Certain Beneficial Owners

The following entities are known by us to own more than five percent of our outstanding common stock:

Name and Address of Beneficial Owner	Shares	Ownership Percentage(1)
T. Rowe Price Associates, Inc.(2) 1000 East Pratt Street Baltimore, MD 21202	3,324,827	12.1%
Blackrock, Inc.(3) 55 East 52nd Street New York, NY 10055	2,058,773	7.5%
The Vanguard Group, Inc.(4) PO Box 2600, V26 Valley Forge, PA 19482	1,899,758	6.9%
FMR LLC(5) 245 Summer Street Boston, MA 02210	1,864,473	6.8%
State Street Corp.(6) One Lincoln Street Boston, MA 02111	1,363,261	5.0%

(1) The ownership percentages are calculated based on the number of shares of AutoZone common stock outstanding as of October 23, 2017.

(2) The source of this information is the Form 13F filed by T. Rowe Price Associates, Inc. on August 14, 2017 for the quarter ending June 30, 2017.

(3) The source of this information is the Form 13F filed by Blackrock, Inc. on August 10, 2017 for the quarter ending June 30, 2017. The shares are beneficially owned by a group consisting of BlackRock Asset Management Schweiz AG (148 shares); BlackRock Asset Management North Asia Ltd (182 shares); BlackRock (Singapore) Limited (951 shares); BlackRock International Limited (1,039 shares); BlackRock (Netherlands) B.V. (6,099 shares); BlackRock Investment Management (Australia) Limited (8,564 shares); BlackRock Capital Management, Inc. (14,549 shares); BlackRock Advisors (UK) Limited (15,309 shares); BlackRock (Luxembourg) S.A. (19,460 shares); BlackRock Asset Management Canada Limited (22,029 shares); BlackRock Advisors LLC (27,354 shares); BlackRock Japan Co. Ltd (33,930 shares); BlackRock Life Limited (35,839 shares); BlackRock Financial Management, Inc. (42,458 shares); BlackRock Investment Management, LLC (62,050 shares); BlackRock Asset Management Ireland Limited (87,118 shares); BlackRock Investment Management (UK) Limited (95,214 shares); BlackRock Fund Managers

Limited (177,177 shares); BlackRock Fund Advisors (630,690 shares); and BlackRock Institutional Trust Company, N.A. (778,613 shares).

(4) The source of this information is the Form 13F filed by The Vanguard Group, Inc. on August 24, 2017 for the quarter ending June 30, 2017. The shares are beneficially owned by a group consisting of Vanguard Group Inc. (1,849,297 shares); Vanguard Fiduciary Trust Co. (34,390 shares); and Vanguard Investments Australia, Ltd. (16,071 shares).

(5) The source of this information is the Form 13F filed by FMR LLC on August 29, 2017 for the quarter ending June 30, 2017. The shares are beneficially owned by a group consisting of Fidelity Management & Research Co. and FMR CO LLC (1,732,258 shares); FIAM LLC (51,300 shares); Fidelity (Canada) Asset Management ULC (48,500 shares); Strategic Advisers Inc. (14,890 shares); Fidelity Institutional Asset Management Trust Co., (8,920 shares); Fidelity Management Trust Co. (8,005 shares); and Fidelity Management & Research Co. (600 shares).

(6) The source of this information is the Form 13F filed by State Street Corp. on August 14, 2017 for the quarter ending June 30, 2017.

THE PROPOSALS

PROPOSAL 1 — Election of Directors

Ten directors will be elected at the Annual Meeting to serve until the next annual meeting of stockholders in 2018. Pursuant to AutoZone's Sixth Amended and Restated By-Laws, in an uncontested election of directors, a nominee for director is elected to the Board if the number of votes cast for such nominee's election exceed the number of votes cast against such nominee's election. (If the number of nominees were to exceed the number of directors to be elected, i.e., a contested election, directors would be elected by a plurality of the votes cast at the Annual Meeting.) Pursuant to AutoZone's Corporate Governance Principles, incumbent directors must agree to tender their resignation if they fail to receive the required number of votes for re-election, and in such event the Board will act within 90 days following certification of the shareholder vote to determine whether to accept the director's resignation. These procedures are described in more detail in our Corporate Governance Principles, which are available on our corporate website at www.autozoneinc.com. The Board may consider any factors it deems relevant in deciding whether to accept a director's resignation. If a director's resignation offer is not accepted by the Board, that director will continue to serve until AutoZone's next annual meeting of stockholders or until his or her successor is duly elected and qualified, or until the director's earlier death, resignation, or removal.

Any director nominee who is not an incumbent director and who does not receive a majority vote in an uncontested election will not be elected as a director, and a vacancy will be left on the Board. The Board, in its sole discretion, may either fill a vacancy resulting from a director nominee not receiving a majority vote pursuant to the By-Laws or decrease the size of the Board to eliminate the vacancy.

Broker non-votes occur when shares held by a brokerage firm are not voted with respect to a proposal because the firm has not received voting instructions from the beneficial owner of the shares and the firm does not have the authority to vote the shares in its discretion. Shares abstaining from voting and shares as to which a broker non-vote occurs are considered present for purposes of determining whether a quorum exists, but are not considered votes cast or shares entitled to vote with respect to such matter. Accordingly, abstentions and broker non-votes will have no effect on the outcome of Proposal 1.

The Board recommends that the stockholders vote FOR each of these nominees. These nominees have consented to serve if elected. Should any nominee be unavailable to serve, your proxy will be voted for the substitute nominee recommended by the Board, or the Board may reduce the number of directors on the Board.

Each of the nominees named below was elected a director at the 2016 annual meeting. Sue E. Gove is not standing for re-election to the Board.

Proxy

Nominees

The nominees are:

Douglas H. Brooks, 65, has been a director since 2013. He is retired. Until his retirement in 2013, he had held various positions with Brinker International, including serving as Non-Executive Chairman of the Board of Brinker International from January 2013 until December 2013; Chairman, President and Chief Executive Officer of Brinker from 2004 until January 2013, and President and Chief Operating Officer from 1999 to 2004. He served on the Brinker board of directors from 1999 through 2013 and on the Club Corp. board of directors from 2013 through 2017. Mr. Brooks is also a director of Southwest Airlines.

Experience, Skills and Qualifications: The Board believes Mr. Brooks is qualified to serve as a director of the Company based on his strategic and operational business background, his knowledge of international operations, his experience as a chief executive officer of a public company, his experience managing a company with a focus on customer service, his owner orientation, and his board experience as well as his integrity, energy, and willingness to spend time on and interest in AutoZone.

Linda A. Goodspeed, 55, had been a director since 2013. She retired in 2017 as the Chief Operating Officer and a Managing Partner at WealthStrategies Financial Advisors, positions she had held since 2007. She had served as Senior Vice President and Chief Information Officer of ServiceMaster from 2011 to 2014. From 2008 to September 2011, Ms. Goodspeed served as Vice President, Information Systems and Chief Information Officer for Nissan North America, Inc., a subsidiary of Nissan Motor Company, a global manufacturer of vehicles. From 2001 to 2008, Ms. Goodspeed served as Executive Vice President at Lennox International, Inc., a global manufacturer of air conditioning, heating and commercial refrigeration equipment. She is also a director of American Electric Power Co., Inc., Darling Ingredients Inc., and Global Power Equipment Group.

Experience, Skills and Qualifications: The Board believes Ms. Goodspeed is qualified to serve as a director of the Company based on her experience in key strategic and operational roles with several large global companies, her expertise in information technology and previous position as the chief information officer of a service company, her owner orientation, her board experience and her executive management skills, as well as her integrity, energy, and willingness to spend time on and interest in AutoZone.

Earl G. Graves, Jr., 55, has been a director since 2002 and was elected Lead Director in January 2009. He has been the President and Chief Executive Officer of Black Enterprise, publisher of Black Enterprise Magazine, since January 2006, and was President and Chief Operating Officer from 1998 to 2006. Mr. Graves has been employed by the same company in various capacities since 1988.

Experience, Skills and Qualifications: The Board believes Mr. Graves is qualified to serve as a director of the Company based on his business, management and strategic planning experience, his knowledge of advertising and marketing, his owner orientation, and his board experience, as well as his integrity, energy, and willingness to spend time on and interest in AutoZone.

Enderson Guimaraes, 58, has been a director since 2012. He retired as the President and Chief Operating Officer for Laureate Education, Inc., positions he had held since 2015. He was Executive Vice President, Global Categories and Operations of PepsiCo, Inc. from January 2015 through July 2015. He served as Chief Executive Officer of PepsiCo Europe and Sub-Sahara Africa from September 2012 through January 2015. He was also President of PepsiCo Global Operations from October 2011 to September 2012. Mr. Guimaraes previously had served as Executive Vice President of Electrolux and Chief Executive Officer of its major appliances business in Europe, Africa and the Middle East from 2008 to 2011. Prior to this, Mr. Guimaraes spent 10 years at Philips Electronics, first as a regional marketing executive in Brazil and ultimately as Senior Vice President and head of Global Marketing Management and general manager of the WidiWall LED display business. He also served as CEO of Philips' Lifestyle Incubator group, an innovation engine which created new businesses and developed them over several years. Earlier, Mr. Guimaraes worked in various marketing positions at Danone and Johnson & Johnson.

Experience, Skills and Qualifications: The Board believes Mr. Guimaraes is qualified to serve as a director of the Company based on his business, management and strategic planning experience, his knowledge of advertising, marketing and international operations, and his owner orientation as well as his integrity, energy, and willingness to spend time on and interest in AutoZone.

J. R. Hyde, III, 74, has been a director since 1986 and was non-executive Chairman of the Board from 2005 until June 2007. He has been the President of Pittco Holdings, Inc., an investment company, since 1988. Mr. Hyde has been a director of GTx, Inc., a biopharmaceutical company, since 2000 and has been the Lead Director since 2015. Mr. Hyde served as Chairman of the Board of GTx, Inc. from 2000 to 2015. Mr. Hyde, AutoZone's founder, was AutoZone's Chairman from 1986 to 1997 and its Chief Executive Officer from 1986 to 1996. He was Chairman and Chief Executive Officer of Malone & Hyde, AutoZone's former parent company, until 1988. Mr. Hyde was a director of FedEx Corporation from 1977 to September 2011.

Experience, Skills and Qualifications: The Board believes Mr. Hyde, the founder and a former Chairman and Chief Executive Officer of AutoZone, is qualified to serve as a director of the Company based on his extensive knowledge of AutoZone's business and the automotive aftermarket industry, his expertise in strategic business development and executive management, his owner orientation, and his board experience as well as his integrity, energy, and willingness to spend time on and interest in AutoZone.

D. Bryan Jordan, 55, has been a director since 2013. He has served as Chairman of the Board, President and Chief Executive Officer of First Horizon National Corporation since January 1, 2012, and has held the positions of President and Chief Executive Officer and director since 2008. From May 2007 until September 2008 Mr. Jordan was Executive Vice President and Chief Financial Officer of First Horizon and First Tennessee Bank National Association, and prior to that he served in various positions at Regions Financial Corporation and its subsidiary Regions Bank, including (beginning in 2002) as Chief Financial Officer.

Experience, Skills and Qualifications: The Board believes Mr. Jordan is qualified to serve as a director of the Company based on his extensive experience in the banking and financial services industry, his experience serving as the chief executive officer and the chief financial officer of public companies, his knowledge of corporate finance and management, and his owner orientation, as well as his integrity, energy, and willingness to spend time on and interest in AutoZone.

W. Andrew McKenna, 71, has been a director since 2000 and served as Lead Director from June 2007 through January 2009. He is retired. Until his retirement in 1999, he had held various positions with The Home Depot, Inc., including Senior Vice President–Strategic Business Development from 1997 to 1999; President, Midwest Division from 1994 to 1997; and Senior Vice President–Corporate Information Systems from 1990 to 1994. Prior to joining Home Depot he was a Partner, Management Consulting, with Deloitte & Touche for 10 years. He was also President of SciQuest.com, Inc. in 2000. Mr. McKenna was a director of Danka Business Systems PLC from 2002 to 2008, serving as Chairman of the Board from March 2005 to March 2006. Mr. McKenna was a director of Bally Technologies from 2011 to 2014, when the company was sold.

Experience, Skills and Qualifications: The Board believes Mr. McKenna is qualified to serve as a director of the Company based on his executive experience in the retail industry and other industries, his expertise in strategic business development, his background in finance, audit and information technology, his owner orientation, and his board experience, as well as his integrity, energy, and willingness to spend time on and interest in AutoZone.

George R. Mrkonic, Jr., 65, has been a director since 2006. He is the non-Executive Chairman of Maru Group, a London, UK based research, insight and advisory services firm. Previously, he was the Non-Executive Chairman of Paperchase Products Limited, London, UK, a retailer of cards, stationery, wraps and gifts in the UK, Europe and the Middle East, since 2005, and has been a director since 1999. Prior to that, he was President of Borders Group, Inc. from 1994 to 1997 and Vice Chairman of Borders Group, Inc. from 1994 to 2002. He is also a director of Brinker International, Inc., and Ulta Salon, Cosmetics & Fragrance, Inc. Mr. Mrkonic was a director of Pacific Sunwear of California, Inc. from 2007 to 2015 and Syntel, Inc. from 2009 to May 2016.

Experience, Skills and Qualifications: The Board believes Mr. Mrkonic is qualified to serve as a director of the Company based on his experience as a senior executive in retail companies, his knowledge of corporate strategy, finance, and management, his owner orientation, and his board experience, as well as his integrity, energy, and willingness to spend time on and interest in AutoZone.

Luis P. Nieto, 62, has been a director since 2008. He is president of Nieto Advisory LLC which provides advisory services to small consumer food companies. He was president of the Consumer Foods Group of ConAgra Foods Inc., one of the largest packaged foods companies in North America, from 2008 until his retirement in June 2009. Previously, he was president of ConAgra Refrigerated Foods from 2006 to 2008 and ConAgra Meats from 2005 to 2006. Prior to joining ConAgra, Mr. Nieto was President and Chief Executive Officer of the Federated Group, a leading private label supplier to the retail grocery and foodservice industries from 2002 to 2005. From 2000 to 2002, he served as President of the National Refrigerated Products Group of Dean Foods Company. He held other positions at Dean Foods Group from 1998 to 2000. Prior to joining Dean Foods, Mr. Nieto held positions in brand management and strategic planning with Mission Foods, Kraft Foods and the Quaker Oats Company. Mr. Nieto is also a director of Ryder Systems, Inc.

Experience, Skills and Qualifications: The Board believes Mr. Nieto is qualified to serve as a director of the Company based on his expertise in brand management and marketing, including experience managing a diverse portfolio of brands and products, as well as his knowledge of finance and operations, his executive management experience, his owner orientation and his board experience, as well as his integrity, energy, and willingness to spend time on and interest in AutoZone.

William C. Rhodes, III, 52, was elected Chairman in June 2007. He has been President, Chief Executive Officer, and a director since 2005. Prior to his appointment as President and Chief Executive Officer, Mr. Rhodes was Executive Vice President–Store Operations and Commercial. Prior to fiscal 2005, he had been Senior Vice President–Supply Chain and Information Technology since fiscal 2002, and prior thereto had been Senior Vice President–Supply Chain since 2001. Prior to that time, he served in various capacities within the Company since 1994. Prior to 1994, Mr. Rhodes was a manager with Ernst & Young LLP. Mr. Rhodes is also a director of Dollar General Corporation.

Experience, Skills and Qualifications: The Board believes Mr. Rhodes, AutoZone's Chairman, President and Chief Executive Officer, is qualified to serve as a director of the Company based on his 20 plus years' experience with the Company, which have included responsibility for corporate strategy, executive management, operations, finance, supply chain and information technology; his knowledge and understanding of the automotive aftermarket and retail industries; his financial background and his owner orientation, as well as his integrity and energy.

PROPOSAL 2 — Ratification of Independent Registered Public Accounting Firm

Ernst & Young LLP, our independent auditor for the past thirty fiscal years, has been selected by the Audit Committee to be AutoZone's independent registered public accounting firm for the 2018 fiscal year. Representatives of Ernst & Young LLP will be present at the Annual Meeting to make a statement if they so desire and to answer any appropriate questions.

The Audit Committee recommends that you vote FOR ratification of Ernst & Young LLP as AutoZone's independent registered public accounting firm.

Under Nevada law and the Company's By-Laws, if a quorum is present, Ernst & Young LLP will be ratified as AutoZone's independent registered public accounting firm if the number of votes cast in favor of the matter exceeds the number of votes cast in opposition to the matter. Broker non-votes occur when shares held by a brokerage firm are not voted with respect to a proposal because the firm has not received voting instructions from the beneficial owner of the shares and the firm does not have the authority to vote the shares in its discretion. Shares abstaining from voting and shares as to which a broker non-vote occurs are considered present for purposes of determining whether a quorum exists, but are not considered votes cast or shares entitled to vote with respect to such matter. Accordingly, abstentions and broker non-votes will have no effect on the outcome of Proposal 2. The Audit Committee is not bound by a vote either for or against the firm. The Audit Committee will consider a vote against the firm by the stockholders in selecting our independent registered public accounting firm in the future.

During the past two fiscal years, the aggregate fees for professional services rendered by Ernst & Young LLP were as follows:

	2017	2016
Audit Fees	$2,077,192	$2,255,034
Audit-Related Fees	5,935(1)	—
Tax and other Non-Audit-Related Fees	78,326(2)	400,545(3)

(1) Audit-Related Fees for 2017 were for services rendered for AutoZone de Mexico related to Banco Nacional de Mexico, S.A.'s Foreign Exchange Correspondents certification process.

(2) Tax and other Non-Audit-Related Fees for 2017 were for state, local and international tax services.

(3) Tax and other Non-Audit-Related Fees for 2016 were for state, local and international tax services.

The Audit Committee pre-approves all services performed by the independent registered public accounting firm under the terms contained in the Audit Committee charter, a copy of which can be obtained at our website at www.autozoneinc.com. The Audit Committee pre-approved 100% of the services provided by Ernst & Young LLP during the 2017 and 2016 fiscal years. The Audit Committee considers the services listed above to be compatible with maintaining Ernst & Young LLP's independence.

PROPOSAL 3 — Advisory Vote on Executive Compensation — "Say-on-Pay"

In accordance with Section 14A of the Securities Exchange Act, we are asking stockholders to approve the following advisory resolution on the compensation of our Principal Executive Officer, the Principal Financial Officer and our other three most highly paid executive officers (collectively, the "Named Executive Officers") at the Annual Meeting:

"RESOLVED, that the compensation paid to AutoZone's Named Executive Officers, as disclosed in this Proxy Statement pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis, the accompanying compensation tables and the related narrative discussion, is hereby APPROVED."

This advisory vote, commonly known as a "say-on-pay" proposal, gives our stockholders the opportunity to endorse or not endorse our executive pay program. The Board recommends a vote "FOR" this resolution because it believes that AutoZone's executive compensation program, described in the Compensation Discussion and Analysis, is effective in achieving the Company's goals of rewarding financial and operating performance and the creation of stockholder value.

Our Board and Compensation Committee believe that there should be a strong relationship between pay and corporate performance, and our executive compensation program reflects this belief. While the overall level and balance of compensation elements in our compensation program are designed to ensure that AutoZone can retain key executives and, when necessary, attract qualified new executives to the organization, the emphasis of AutoZone's compensation program is linking executive compensation to business results and intrinsic value creation, which is ultimately reflected in increases in stockholder value.

AutoZone sets challenging financial and operating goals, and a significant amount of an executive's annual cash compensation is tied to these objectives and therefore "at risk"—payment is earned only if performance warrants it.

AutoZone's compensation program is intended to support long-term focus on stockholder value, so it emphasizes long-term rewards. At target levels, the majority of an executive officer's total compensation package each year is the potential value of his or her stock options, which yield value to the executive only if the stock price appreciates.

Our management stock ownership requirement effectively promotes meaningful and significant stock ownership by our Named Executive Officers and further aligns their interests with those of our stockholders.

We urge you to read the Compensation Discussion and Analysis, as well as the Summary Compensation Table and related compensation tables and narrative, appearing on pages 33 through 46, which provide detailed information on our compensation philosophy, policies and practices and the compensation of our Named Executive Officers.

Because the vote on this proposal is advisory in nature, it is not binding on AutoZone, the Board or the Compensation Committee. The vote on this proposal will, therefore, not affect any compensation already paid or awarded to any Named Executive Officer and will not overrule any decisions made by the Board or the Compensation Committee. Because we highly value the opinions of our stockholders, however, the Board and the Compensation Committee will consider the results of this advisory vote when making future executive compensation decisions.

Under Nevada law and the Company's By-Laws, if a quorum is present, this matter will be approved if the number of votes cast in favor of the matter exceeds the number of votes cast in opposition to the matter. Broker non-votes occur when shares held by a brokerage firm are not voted with respect to a proposal because the firm has not received voting instructions from the beneficial owner of the shares and the firm does not have the authority to vote the shares in its discretion. Shares abstaining from voting and shares as to which a broker non-vote occurs are considered present for purposes of determining whether a quorum exists, but are not considered votes cast or shares entitled to vote with respect to such matter. Accordingly, abstentions and broker non-votes will have no effect on the outcome of Proposal 3.

The Board recommends that the stockholders vote FOR this proposal.

PROPOSAL 4 — Advisory Vote on the Frequency of Future Advisory Votes on Executive Compensation

In addition to the advisory vote on executive compensation or "say-on-pay" vote, we are also asking stockholders to cast an advisory vote on the frequency of that vote. Stockholders are being asked to vote on whether the advisory vote on executive compensation should be held every year, every two years or every three years.

The Board recommends holding the advisory vote on executive compensation every year. An annual vote provides the Board with timely feedback from stockholders on executive compensation matters. An annual advisory vote is also consistent with our Compensation Committee's practice of monitoring both short- and long-term compensation program elements each year.

The proxy card gives you four choices for voting on this proposal. You can choose whether the "say-on-pay" vote should be held every year, every two years or every three years. You may also abstain from voting. You are not voting to approve or disapprove the Board's recommendation on this proposal.

The vote on this proposal is non-binding, and the final decision with respect to the frequency of future advisory votes on executive compensation remains with the Board. However, the Board values the opinions of our stockholders and will take into account the outcome of the vote in considering the frequency of future advisory votes on executive compensation.

Proxy

In accordance with Securities and Exchange Commission rules, stockholders will have the opportunity at least every six years to recommend the frequency of future “say-on-pay” advisory votes on executive compensation.

The Board recommends that the stockholders vote to conduct future advisory votes on executive compensation EVERY YEAR.

Other Matters

We do not know of any matters to be presented at the Annual Meeting other than those discussed in this Proxy Statement. If, however, other matters are properly brought before the Annual Meeting, your proxies will be able to vote those matters in their discretion.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

This Compensation Discussion and Analysis provides a principles-based overview of AutoZone’s executive compensation program. It discusses our rationale for the types and amounts of compensation that our executive officers receive and how compensation decisions affecting these officers are made. It also discusses AutoZone’s total rewards philosophy, the key principles governing our compensation program, and the objectives we seek to achieve with each element of our compensation program.

What are the Company’s key compensation principles?

Pay for performance. The primary emphasis of AutoZone’s compensation program is linking executive compensation to business results and intrinsic value creation, which is ultimately reflected in increases in stockholder value. Base salary levels are intended to be competitive in the U.S. marketplace for executives, but the more potentially valuable components of executive compensation are annual cash incentives, which depend on the achievement of pre-determined business goals, and to a greater extent, long-term compensation, which is based on the value of our stock.

Attract and retain talented AutoZoners. The overall level and balance of compensation elements in our compensation program are designed to ensure that AutoZone can retain key executives and, when necessary, attract qualified new executives to the organization. We believe that a company which provides quality products and services to its customers, and delivers solid financial results, will generate long-term stockholder returns, and that this is the most important component of attracting and retaining executive talent.

What are the Company’s overall executive compensation objectives?

Drive high performance. AutoZone sets challenging financial and operating goals, and a significant amount of an executive’s annual cash compensation is tied to these objectives and therefore “at risk”—payment is earned only if performance warrants it.

Drive long-term stockholder value. AutoZone’s compensation program is intended to support long-term focus on stockholder value, so it emphasizes long-term rewards. At target levels, the majority of an executive officer’s total compensation package each year is the potential value of his or her stock options.

The table below illustrates how AutoZone’s compensation program weights the “at-risk” components of its Named Executive Officers’ 2017 total compensation. See the Summary Compensation Table on page 33 for additional details about fiscal 2017 compensation for all of the Named Executive Officers (“NEOs”).

Executive	Base Salary	Annual Incentive	Long-Term Incentive	Total At-Risk
William C. Rhodes III*	18%	24%	58%	82%
All Other NEOs	25%	15%	60%	75%

* Mr. Rhodes' long-term incentive consists of fiscal 2017 stock and option grants, plus one-fifth of the total annualized value of his one-time grant of 50,000 stock options in fiscal 2016. The one-time award vests 50% on each of the fourth and fifth anniversaries of the grant date.

Who participates in AutoZone's executive compensation programs?

The Chief Executive Officer and the other Named Executive Officers, as well as the other senior executives comprising AutoZone's Executive Committee, participate in the compensation program outlined in this Compensation Discussion and Analysis. The Executive Committee consists of the Chief Executive Officer and officers with the title of senior vice president or executive vice president (a total of 14 executives at the end of fiscal 2017). However, many elements of the compensation program also apply to other levels of AutoZone management. The intent is to ensure that management is motivated to pursue, and is rewarded for achieving, the same financial, operating and stockholder objectives.

What are the key elements of the Company's overall executive compensation program?

The table below summarizes the key elements of AutoZone's executive compensation program and the objectives they are designed to achieve. More details on these elements follow throughout the Compensation Discussion and Analysis and this Proxy Statement, as appropriate.

	Description	Objectives
Base salary	• Annual fixed cash compensation.	• Attract and retain talented executives. • Recognize differences in relative size, scope and complexity of positions as well as individual performance over the long term.
Annual cash incentive	• Annual variable pay tied to the achievement of economic profit objectives, as operationalized by our primary measures: • Earnings before interest and taxes, and • Return on invested capital. • Actual payout depends on the results achieved. Individual potential payout is capped at $4 million; however, payout is zero if threshold targets are not achieved. • The Compensation Committee may reduce payouts in its discretion when indicated by individual performance or other reasons, but does not have discretion to increase payouts.	• Communicate key financial and operating objectives. • Drive high levels of performance by ensuring that executives' total cash compensation is linked to achievement of financial and operating objectives. • Support and reward consistent, balanced growth and returns performance (add value every year) with demonstrable links to stockholder returns. • Drive cross-functional collaboration and a total-company perspective.
Stock options and other equity compensation	• Senior executives receive non-qualified stock options (NQSOs). • All stock options are granted at fair market value on the grant date (discounted options are prohibited).	• Align long-term compensation with stockholder results. Opportunities for significant wealth accumulation by executives are tightly linked to stockholder returns.

	Description	Objectives
	• AutoZone's equity compensation plan prohibits re-pricing of stock options and does not include a "reload" program. • AutoZone may occasionally grant awards of performance-restricted stock units, as well as awards of restricted stock with time-based vesting.	• Provide retention incentives to ensure business continuity, and facilitate succession planning and executive knowledge transfer.
Stock purchase plans	• AutoZone maintains a broad-based employee stock purchase plan (ESPP) which is qualified under Section 423 of the Internal Revenue Code. The Employee Stock Purchase Plan allows AutoZoners to make quarterly purchases of AutoZone shares at 85% of the fair market value on the first or last day of the calendar quarter, whichever is lower. The annual contribution limit under the ESPP is $15,000. • The Company has implemented an Executive Stock Purchase Plan so that executives may continue to purchase AutoZone shares beyond the limit the IRS and the company set for the Employee Stock Purchase Plan. An executive may make purchases using up to 25% of their prior fiscal year's eligible compensation.	• Allow all AutoZoners to participate in the growth of AutoZone's stock. • Encourage ownership, and therefore alignment of executive and stockholder interests.
Management stock ownership requirement	• Executive officers must meet specified minimum levels of ownership, using a multiple of base salary approach.	• Encourage ownership by requiring executive officers to meet specified levels of ownership. • Alignment of executive and stockholder interests.
Retirement plans	The Company maintains three retirement plans: • 401(k) defined contribution plan, • Frozen defined benefit pension plan, and • Non-qualified deferred compensation plan (including a frozen defined benefit restoration feature)	• Provide competitive executive retirement benefits. • The non-qualified plan enables executives to defer 25% of base salary and 75% of annual cash incentives, independent of the IRS limitations set for the qualified 401(k) plan. • The restoration component of the non-qualified plan, which was frozen at the end of 2002, allowed executives to accrue benefits that were not capped by IRS earnings limits.

	Description	Objectives
Health and other benefits	Executives are eligible for a variety of benefits, including: • Medical, dental and vision plans; • Life and disability insurance plans; and • Charitable contribution match program.	• Provide competitive benefits. • Minimize perquisites while ensuring a competitive overall rewards package.

Annual cash compensation. Annual cash compensation consists of base salary and annual cash incentives.

Base Salary. Salaries are determined within the context of a targeted total cash compensation level for each position. Base salary is a fixed portion of the targeted annual cash compensation, with the specific portion varying based on differences in the size, scope or complexity of the jobs as well as the tenure and individual performance level of incumbents in the positions. Points are assigned to positions using a job evaluation system developed by Korn Ferry Hay Group ("Hay Group"), a global management and human resources consulting firm, and AutoZone maintains salary ranges based on these job evaluations. These salary ranges are usually updated annually based on broad-based survey data; in addition to Hay Group survey data, AutoZone also subscribes to survey information from a variety of providers for this purpose, as discussed below.

The survey data used to periodically adjust salary ranges is broad-based, including data submitted by hundreds of companies. Examples of the types of information contained in salary surveys include summary statistics (e.g., mean, median, 25th percentile, etc.) related to:

- base salaries
- variable compensation
- total annual cash compensation
- long-term incentive compensation
- total direct compensation

The salary surveys cover both the retail industry and compensation data on a broader, more general public company universe. Multiple salary surveys are used, so that ultimately the data represent hundreds of companies and positions and thousands of incumbents, or people holding those positions. The surveys generally list the participating companies, and for each position "matched", the number of companies and incumbents associated with the position. Subscribers cannot determine which information comes from which company.

The salary ranges which apply to the Named Executive Officers, including the Principal Executive Officer, are part of the structure applicable to thousands of AutoZone's employees. AutoZone positions are each assigned to a salary grade. This is generally accomplished at the creation of a position, using the Hay Group job evaluation method, and jobs tend to remain in the same grade as long as there are no significant job content changes. Each grade in the current salary structure has a salary range associated with it. This range has a midpoint, to which we compare summary market salary data (generally median pay level) of the types discussed above.

Over time, as the median pay levels in the competitive market change, as evidenced by the salary survey data, AutoZone will make appropriate adjustments to salary range midpoints so that on average, these midpoints are positioned at roughly 95% of the market median value as revealed by the surveys. This positioning relative to the market allows for competitive base salary levels, while generally leaving actual average base pay slightly below the survey market level. This fits our stated philosophy of delivering competitive total rewards at or above the market median through performance-based variable compensation.

Proxy

In making decisions related to compensation of the Named Executive Officers, the Compensation Committee uses the survey data and salary ranges as context in reviewing compensation levels and approving pay actions. Other elements that the Compensation Committee considers are individual performance, Company performance, individual tenure, internal equity, position tenure, and succession planning.

Annual Cash Incentive. Executive officers and certain other employees are eligible to receive annual cash incentives each fiscal year based on the Company's attainment of certain Company performance objectives set by the Compensation Committee at the beginning of the fiscal year. The annual cash incentive target for each position, expressed as a percentage of base salary, is based on both salary range and level within the organization, and therefore does not change annually. As a general rule, as an executive's level of management responsibility increases, the portion of his or her total compensation dependent on Company performance increases.

The threshold and target percentage amounts for the Named Executive Officers for fiscal 2017 are shown in the table below.

Principal Position	**Threshold**	**Target**
Chairman, President & CEO	62.5%	125%
Executive Vice President	37.5%	75%

Annual cash incentives for executive officers are paid pursuant to the AutoZone, Inc. 2015 Executive Incentive Compensation Plan ("EICP"), our performance-based short-term incentive plan. Pursuant to the plan, the Compensation Committee establishes incentive objectives at the beginning of each fiscal year. For more information about the EICP, see Discussion of Plan-Based Awards Table on page 36.

The actual incentive amount paid depends on Company performance relative to the target objectives. A minimum pre-established goal must be met in order for any incentive award to be paid, and the incentive award as a percentage of annual salary will increase as the Company achieves higher levels of performance.

The Compensation Committee may in its sole discretion reduce the incentive awards paid to Named Executive Officers. Under the EICP, the Compensation Committee may not exercise discretion in granting awards in cases where no awards are indicated, nor may the Compensation Committee increase any calculated awards. Any such "positive" discretionary changes, were they to occur, would be paid outside of the EICP and reported under the appropriate Bonus column in the Summary Compensation Table on page 33; however, the Compensation Committee has not historically exercised this discretion.

The Compensation Committee, as described in the EICP, may (but is not required to) disregard the effect of one-time charges and extraordinary events such as asset write-downs, litigation judgments or settlements, changes in tax laws, accounting principles or other laws or provisions affecting reported results, accruals for reorganization or restructuring, and any other extraordinary non-recurring items, acquisitions or divestitures and any foreign exchange gains or losses on the calculation of performance.

The incentive objectives for fiscal 2017 were set during a September 2016 Compensation Committee meeting, and were based on the achievement of specified levels of earnings before interest and taxes ("EBIT") and return on invested capital ("ROIC"), as are the incentive objectives for fiscal 2018, which were set during a Compensation Committee meeting held in September 2017. The total incentive award is determined based on the impact of EBIT and ROIC on AutoZone's economic profit for the year, rather than by a simple allocation of a portion of the award to achievement of the EBIT target and a portion to achievement of the ROIC target. EBIT and ROIC are key inputs to the calculation of economic profit (sometimes referred to as "economic value added"), and have been determined by our Compensation Committee to be important factors in enhancing stockholder value. If both the EBIT and ROIC targets are achieved, the result will be a 100%, or target, payout. However, the payout cannot exceed 100% unless the EBIT target is exceeded (i.e., unless there is "excess EBIT" to fund the additional incentive payout). Additionally, when the aggregate incentive amount is calculated, if the resulting payout amount in excess of target exceeds a specified percentage of excess EBIT (currently 20%), then the incentive payout will be reduced until the total amount of the incentive payment in excess of target is within that specified limit.

The specific targets are tied to achievement of the Company's operating plan for the fiscal year. In 2017, the target objectives were EBIT of $2,166.7 million and ROIC of 31.1%. The 2017 incentive awards for each named executive officer were based on the following performance:

	EBIT ($MMs)	ROIC
EICP Target	2,166.7	31.1%
Actual (as adjusted)	2,083.8	30.0%
Difference	(82.9)	-114 bps

Effect of Performance on Total Annual Cash Compensation. Because AutoZone emphasizes pay for performance, it is only when the Company exceeds its target objectives that an executive's total annual cash compensation begins to climb relative to the median market level. Similarly, Company performance below target will cause an executive's total annual cash compensation to drop below market median. As discussed below, AutoZone does not engage in strict benchmarking of compensation levels, i.e., we do not use specific data to support precise targeting of compensation, such as setting an executive's base pay at the 50th percentile of an identified group of companies.

Incentive Compensation Recovery Policy. During fiscal 2017, AutoZone implemented an incentive compensation recovery, or "clawback", policy. The purpose of the policy is to enable AutoZone's Board, at its discretion, to recover excess incentive compensation in the event that the Company is required to prepare an accounting restatement to correct an error that is material to the previously issued financial statements. "Excess" compensation is generally the amount of performance-based compensation paid above what would have been received had the statements in question been accurate. The Company will revise and administer this policy in compliance with the Dodd-Frank Act provisions, once the rules implementing those provisions become effective.

Stock compensation. To emphasize achievement of long-term stockholder value, AutoZone's executives receive a significant portion of their targeted total compensation in the form of non-qualified stock options. Although stock options have potential worth at the time they are granted, they only confer actual value if AutoZone's stock price appreciates between the grant date and the exercise date. For this reason, we believe stock options are a highly effective long-term compensation vehicle to reward executives for creating stockholder value. We want our executives to realize total compensation levels well above the market norm, because when they do, such success is the result of achievement of Company financial and operating objectives that leads to growth in the per-share value of AutoZone common stock.

AutoZone grants stock options annually. Currently, the annual grants are reviewed and approved by the Compensation Committee in the meeting (typically in late September or early October) at which it reviews prior year results, determines incentive payouts, and takes other compensation actions affecting its executive officers. The Compensation Committee has not delegated its authority to grant stock options; all grants are directly approved by the Compensation Committee. Option grant amounts for the Chief Executive Officer's direct reports and other senior executives are recommended to the Compensation Committee by the Chief Executive Officer, based on individual performance and the size and scope of the position held. AutoZone's practice is to limit the total option shares granted to its employees during the annual grant process to approximately one percent of common shares outstanding. The annual grant is typically made near the beginning of the fiscal year and does not include a limited number of promotional or new hire grants that may be made during the fiscal year. The Committee reserves the right to deviate from this policy as it deems appropriate.

Newly promoted or hired officers may receive an option grant shortly after their hire or promotion. New hire or promotional stock options are individually approved at a regularly scheduled meeting of the Compensation Committee, or by unanimous written consent of the Compensation Committee. The grants are recommended to the Compensation Committee by the Chief Executive Officer based on individual circumstances (e.g., what may be required in order to attract a new executive). Internal promotional grants are prorated based on the time elapsed since the officer received a regular annual grant of stock options.

On October 7, 2015, the Committee authorized a one-time award of 50,000 nonqualified stock options to Mr. Rhodes. The options, which have an expiration date of October 8, 2025, vest in one-half increments on the fourth and fifth anniversaries of the grant. The purpose of this one-time award is to solidify Mr. Rhodes' commitment to AutoZone as well as to motivate continued high performance in a way that is aligned with both stockholder results as well as AutoZone's leadership team incentives. In association with this one-time grant, the Committee intends to continue authorizing annual stock option grants to Mr. Rhodes at a reduced level compared to prior years.

Stock purchase plans. AutoZone maintains the Sixth Amended and Restated AutoZone, Inc. Employee Stock Purchase Plan ("Employee Stock Purchase Plan") which enables all employees to purchase AutoZone common stock at a discount, subject to IRS-determined limitations. Based on IRS rules, we limit the annual purchases in the Employee Stock Purchase Plan to no more than $15,000, and no more than 10% of eligible compensation. To support and encourage stock ownership by our executives, AutoZone also established a non-qualified stock purchase plan. The AutoZone, Inc. Sixth Amended and Restated Executive Stock Purchase Plan ("Executive Stock Purchase Plan") permits participants to acquire AutoZone common stock in excess of the purchase limits contained in AutoZone's Employee Stock Purchase Plan. Because the Executive Stock Purchase Plan is not required to comply with the requirements of Section 423 of the Internal Revenue Code, it has a higher limit on the percentage of a participant's compensation that may be used to purchase shares (25%) and places no dollar limit on the amount of a participant's compensation that may be used to purchase shares under the plan.

The Executive Stock Purchase Plan operates in a similar manner to the tax-qualified Employee Stock Purchase Plan, in that it allows executives to contribute after-tax compensation for use in making quarterly purchases of AutoZone common stock. Options are granted under the Executive Stock Purchase Plan each calendar quarter and consist of two parts: a restricted share option and an unvested share option. Shares are purchased under the restricted share option at 100% of the closing price of AutoZone stock at the end of the calendar quarter (i.e., not at a discount), and a number of shares are issued under the unvested share option at no cost to the executive, so that the total number of shares acquired upon exercise of both options is equivalent to the number of shares that could have been purchased with the contributions at a price equal to 85% of the stock price at the end of the quarter. The unvested shares are subject to forfeiture if the executive does not remain with the company for one year after the grant date. After one year, the shares vest, and the executive owes taxes based on the share price on the vesting date (unless a so-called 83(b) election was made on the date of grant).

The table below can be used to compare and contrast the stock purchase plans. For more information about our stock-based plans, including the Executive Stock Purchase Plan, see Discussion of Plan-Based Awards Table on page 36.

	Employee Stock Purchase Plan	Executive Stock Purchase Plan
Contributions	After tax, limited to lower of 10% of eligible compensation or $15,000	After tax, limited to 25% of eligible compensation
Discount	15% discount based on lowest price at beginning or end of the quarter	15% discount based on quarter-end price
Vesting	None (one-year holding period only)	Shares granted to represent 15% discount vest after one year; one-year holding period for shares purchased at fair market value
Taxes — Individual	Ordinary income in amount of spread; capital gains for appreciation; taxed when shares sold	Ordinary income when restrictions lapse (83(b) election optional)
Taxes — Company	No deduction unless "disqualifying disposition"	Deduction when included in employee's income

How does the Compensation Committee consider and determine executive and director compensation?

Chief Executive Officer. The Compensation Committee establishes the compensation level for the Chief Executive Officer, including base salary, annual cash incentive compensation, and stock-based awards. The Chief Executive Officer's compensation is reviewed annually by the Compensation Committee in conjunction with a review of his individual performance by the non-management directors, taking into account all forms of compensation, including base salary, annual cash incentive, stock options and other stock-based awards, and the value of other benefits received.

Other Executive Officers. The Compensation Committee reviews and establishes base salaries for AutoZone's executive officers (other than the Chief Executive Officer) based on each executive officer's individual performance during the past fiscal year and on the recommendations of the Chief Executive Officer. The Compensation Committee approves the annual cash incentive amounts for the executive officers, which are determined by objectives established by the Compensation Committee at the beginning of each fiscal year as discussed above. The actual incentive amount paid depends on performance relative to the target objectives.

The Compensation Committee approves awards of stock options to many levels of management, including executive officers. Stock options are granted to executive officers upon initial hire or promotion, and thereafter are typically granted annually in accordance with guidelines established by the Compensation Committee as discussed above. The actual grant is determined by the Compensation Committee based on the guidelines and the performance of the individual in the position. The Compensation Committee considers the recommendations of the Chief Executive Officer. Other than grants of stock made pursuant to the stock purchase plans discussed above, from time to time the Compensation Committee has sole authority to approve any other individual awards of stock-based compensation.

Management Stock Ownership Requirement. To further reinforce AutoZone's objective of driving long-term stockholder results, AutoZone maintains a stock ownership requirement for all Executive Committee members (a total of 14 individuals at the end of fiscal 2017). Covered executives must attain a specified minimum level of stock ownership, based on a multiple of their base salary, within 5 years of the executive's placement into a covered position. Executives who are promoted into a position with a higher multiple will have an additional 3 years to attain the increased required ownership level. In order to calculate whether each executive meets the ownership requirement, we total the value of each executive's holdings of whole shares of stock and the intrinsic (or "in-the-money") value of vested stock options, based on the fiscal year-end closing price of AutoZone stock, and compare that value to the appropriate multiple of fiscal year-end base salary.

To encourage full participation in our equity plans, all AutoZone stock acquired under those plans is included in the executive's holdings for purposes of calculating his or her ownership. This includes vested stock options and vested shares which have restrictions on sale.

Key features of the stock ownership requirement are summarized in the table below:

Ownership Requirement	• Chief Executive Officer — 5 times base salary • Executive Vice President — 3 times base salary • Senior Vice President — 2 times base salary
Holding Requirements	• Individuals who have not achieved the ownership requirement within the specified period will be required to hold 50% of net after-tax shares upon exercise of any stock option, and may not sell any shares of AZO. • Guidelines will no longer apply after an executive reaches age 62, in order to facilitate appropriate financial planning as retirement approaches. The Compensation Committee may waive the guidelines for any other executive at its discretion.
Ownership Definition	• Shares of stock directly owned; • Unvested Shares acquired via the Executive Stock Purchase Plan; and • Vested stock options acquired via the AutoZone Stock Option Plan (based on the "in-the-money" value).

Under AutoZone's insider trading policy, all transactions involving put or call options on the stock of AutoZone are prohibited at all times. Officers and directors and their respective family members may not directly or indirectly participate in transactions involving trading activities which by their aggressive or speculative nature may give rise to an appearance of impropriety.

What roles do the Chief Executive Officer and other executive officers play in the determination of executive compensation?

The Chief Executive Officer attends most meetings of the Compensation Committee and participates in the process by answering Compensation Committee questions about pay philosophy and by ensuring that the Compensation Committee's requests for information are fulfilled. He also assists the Compensation Committee in determining the compensation of the executive officers by providing recommendations and input about such matters as individual performance, tenure, and size, scope and complexity of their positions. The Chief Executive Officer makes specific recommendations to the Compensation Committee concerning the compensation of his direct reports and other senior executives, including the executive officers. These recommendations usually relate to base salary increases, changes to annual incentive targets and stock option grants. The Chief Executive Officer also recommends pay packages for newly hired executives. Management provides the Compensation Committee with data, analyses and perspectives on market trends and annually prepares information to assist the Compensation Committee in its consideration of such recommendations. Annual incentive awards are based on achievement of business objectives set by the Compensation Committee, but the Compensation Committee may exercise negative discretion, and if it does so, it is typically in reliance on the Chief Executive Officer's assessment of an individual's performance.

The Chief Executive Officer does not make recommendations to the Compensation Committee regarding his own compensation. The Senior Vice President, Human Resources has direct discussions with the

Compensation Committee Chair regarding the Compensation Committee's recommendations on the Chief Executive Officer's compensation; however, Compensation Committee discussions of specific pay actions related to the Chief Executive Officer are held outside his presence.

Does AutoZone use compensation consultants?

The Compensation Committee has authority, pursuant to its charter, to hire consultants of its selection to advise it with respect to AutoZone's compensation programs, and it may also limit the use of the Compensation Committee's compensation consultants by AutoZone's management as it deems appropriate. Although historically AutoZone has hired consultants to provide services from time to time, it is not AutoZone's usual practice, and, neither the Compensation Committee nor AutoZone's management regularly engages consultants as part of the annual review and determination of executive compensation.

What are AutoZone's peer group and compensation benchmarking practices?

AutoZone reviews publicly-available data from a peer group of companies to help us ensure that our overall compensation remains competitive. The peer group data we use is from proxy filings and other published sources – it is not prepared or compiled especially for AutoZone.

We periodically review the appropriateness of this peer group. It typically has changed when such events as acquisitions and spin-offs have occurred, and in the event a member company experiences significant performance challenges.

During fiscal 2017, management recommended the addition of two companies to our peer group (*italicized* in the list below) and the removal of Barnes & Noble. The criteria used to select the peer group companies include:

- Direct competitors;
- Companies with which we compete for talent, customers and capital; and
- Companies with key financial measures within a reasonable range compared to those same measures for AutoZone (e.g., revenues between 50% and 200% of AutoZone's).

AutoZone Peer Group

Advance Auto Parts	Gamestop	Ross Stores
Bed Bath & Beyond	Gap Stores	Sherwin Williams
Darden Restaurants	Genuine Parts	Starbucks
Dick's Sporting Goods	L Brands	Tractor Supply Company
Dollar General	*LKQ Corporation*	*W.W. Grainger*
Dollar Tree	O'Reilly Automotive	Yum! Brands
Foot Locker		

We do not use information from the peer group or other published sources to set precise compensation targets or make individual compensation decisions. AutoZone does not engage in "benchmarking," such as targeting base salary at peer group median for a given position. Rather we use such data as context in reviewing AutoZone's overall compensation levels and approving recommended compensation actions. Broad survey data and peer group information are just two elements that we find useful in maintaining a reasonable and competitive compensation program. Other elements that we consider are individual performance, Company performance, individual tenure, position tenure, and succession planning.

What is AutoZone's policy concerning the taxation of compensation?

The Compensation Committee considers the provisions of Section 162(m) of the Internal Revenue Code which allows the Company to take an income tax deduction for compensation up to $1 million and for certain compensation exceeding $1 million paid in any taxable year to a “covered employee” as that term is defined in the Code. There is an exception for qualified performance-based compensation, and AutoZone’s compensation program is designed to maximize the tax deductibility of compensation paid to executive officers, where possible. However, the Compensation Committee may authorize payments which are not deductible where it is in the best interests of AutoZone and its stockholders.

Payments made pursuant to AutoZone’s Executive Incentive Compensation Plan, as well as the stock options granted under the Amended 2011 Equity Plan, qualify as performance-based compensation. Base salaries (less deferred compensation), restricted stock awards, Executive Stock Purchase Plan vested shares, and certain benefits and perquisites do not qualify as performance-based under 162(m). For fiscal 2017, the sum of this compensation for each of AutoZone’s “covered employees” did not exceed $1 million; therefore, the compensation of the Chief Executive Officer and the other “covered employees” was fully deductible.

Section 409A of the Internal Revenue Code was created with the passage of the American Jobs Creation Act of 2004. These tax regulations create strict rules related to non-qualified deferred compensation earned and vested on or after January 1, 2005. The Internal Revenue Service periodically releases Notices and other guidance related to Section 409A, and AutoZone continues to take actions necessary to comply with the Section’s requirements by the deadlines established by the Internal Revenue Service.

Compensation Committee Report

The Compensation Committee of the Board of Directors (the “Committee”) has reviewed and discussed with management the Compensation Discussion and Analysis (“CD&A”). Based on the review and discussions, the Committee recommended to the Board of Directors that the CD&A be included in this proxy statement.

Members of the Compensation Committee:
Earl G. Graves, Jr., Chair
Douglas H. Brooks
Linda A. Goodspeed
W. Andrew McKenna
George R. Mrkonic, Jr.

Compensation Committee Interlocks and Insider Participation

The Compensation Committee is composed solely of independent, non-employee directors. The members of the Compensation Committee of the Board during the 2017 fiscal year are listed above.

Compensation Program Risk Assessment

AutoZone’s management conducts periodic assessments of the compensation plans and programs that apply throughout the Company, including those plans and programs in which our executives participate. The assessments are performed by key members of AutoZone’s human resources, finance, operations, and legal teams, and entails thorough discussions of each plan’s or program’s design and operation. Significant findings are reviewed by senior management prior to being reviewed and discussed with the Compensation Committee.

Plan elements which are reviewed include participants, performance measures, performance and payout curves or formulas, how target level performance is determined (including whether any thresholds and caps exist), how frequently payouts occur, and the mix of fixed and variable compensation which the plan delivers. The plans and programs are also reviewed from the standpoint of reasonableness (e.g., how target and above-target pay levels compare to similar plans for similar populations at other companies, and how payout amounts relate to the results which generate the payment), how well the plans and programs are aligned with AutoZone’s goals and objectives, and from an overall standpoint, whether these plans and programs represent an appropriate mix of short- and long-term compensation.

The purpose of these reviews is to determine whether the risks related to the design and operation of these plans and programs, if present, are reasonably likely to have a material adverse effect on the Company. We

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believe that our compensation plans, policies and practices do not encourage excessive risk-taking and are not reasonably likely to have a material adverse effect on the Company. The various mitigating factors which support this conclusion include:

- Oversight of the management incentive plan and all stock-based compensation by the Compensation Committee of the Board;
- Senior management oversight of key plans and programs, including approving target level payouts, setting financial and operating goals, and approving payouts;
- Administration and oversight of plans and programs by multiple functions within the Company (e.g., finance, operations, legal and human resources);
- Implementation during fiscal 2017 of an incentive compensation recovery ("clawback") policy;
- Interrelationship between measures (e.g., correlation between economic profit performance and appreciation in the per-share price of AutoZone's stock);
- Vesting and stock ownership requirements for executive officers which encourage long-term perspectives among participants; and
- A preference for performance measures which result in payments only upon achievement of ultimate financial results.

SUMMARY COMPENSATION TABLE

This table shows the compensation paid to the Named Executive Officers during the 2017 fiscal year.

Name and Principal Position	Year	Salary ($)	Bonus ($)(1)	Stock Awards ($)(2)(3)	Option Awards ($)(3)	Non-Equity Incentive Plan Compensation ($)(4)	Change In Pension Value & Non-qualified Deferred Compensation Earnings ($)(5)	All Other Compensation ($)(6)	Total ($)
William C. Rhodes III	2017	1,000,000	—	89,920	1,054,789	1,018,750	—	171,779	3,335,238
Chairman, President &	2016	1,000,000	—	90,300	12,490,176	1,543,750	39,196	186,549	15,349,971
Chief Executive Officer	2015	1,000,000	—	90,628	2,563,220	1,507,500	9,089	181,256	5,351,693
William T. Giles	2017	622,387	—	27,507	1,425,138	380,435	—	104,553	2,560,020
CFO/Executive Vice President,	2016	601,090	—	27,452	1,737,659	556,761	—	104,348	3,027,310
Finance & Information Technology	2015	560,539	—	27,530	1,561,502	507,008	—	107,845	2,764,424
William W. Graves	2017	512,692	—	17,550	1,209,492	313,383	1,179	96,955	2,151,251
Executive Vice President,	2016	492,154	—	18,637	1,475,371	446,624	28,313	97,232	2,558,331
Mexico, Brazil, IMC & Store Development	2015	430,154	—	17,275	1,163,761	311,260	7,685	89,883	2,020,018
Mark A. Finestone	2017	512,692	—	18,997	1,209,492	313,383	—	92,991	2,147,555
Executive Vice President,	2016	492,154	—	26,373	1,803,231	446,624	—	94,412	2,862,794
Merchandising, Supply Chain & Marketing	2015	430,154	—	13,274	1,163,761	311,260	—	87,423	2,005,872
Thomas B. Newbern	2017	512,692	—	—	1,209,492	313,383	1,425	67,425	2,104,417
Executive Vice President,	2016	492,154	—	—	1,803,231	446,624	66,149	57,519	2,865,677
Store Operations, Commercial, Loss Prevention & ALLDATA	2015	430,154	—	—	1,163,761	311,260	16,344	43,611	1,965,130

(1) Annual incentive awards were paid pursuant to the EICP and therefore appear in the "non-equity incentive plan compensation" column of the table.

(2) Represents shares acquired pursuant to the Executive Stock Purchase Plan. See "Compensation Discussion and Analysis" on page 21 for more information about the Executive Stock Purchase Plan. See Note B, Share-Based Payments, to our consolidated financial statements in our 2017 Annual Report for a description of the Executive Stock Purchase Plan and the accounting and assumptions used in calculating expenses in accordance with FASB ASC Topic 718.

(3) The value of stock awards and option awards was determined as required by FASB ASC Topic 718. There is no assurance that these values will be realized. See Note B, Share-Based Payments, to our consolidated financial statements in our 2017 Annual Report for details on assumptions used in the valuation.

(4) Incentive amounts were earned for the 2017 fiscal year pursuant to the EICP and were paid in October 2017. See "Compensation Discussion and Analysis" on page 21 for more information about this plan.

(5) Our defined benefit pension plans were frozen as of December 31, 2002, and accordingly, benefits do not increase or decrease, and there is no service cost. Annual changes in actuarial assumptions result in year-over-year changes in the present values of the benefits provided. Therefore, the values shown in the column represent the change in value from one year to the next, with negative changes reflected as zero change. See the Pension Benefits table on page 40 for more information. We did not provide above-market or preferential earnings on deferred compensation in 2015, 2016 or 2017.

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(6) All Other Compensation includes the following:

Name		Perquisites and Personal Benefits ($)(A)	Tax Gross-ups ($)(C)	Company Contributions to Defined Contribution Plans ($)(D)	Life Insurance Premiums ($)
William C. Rhodes III	2017	61,516(B)	3,113	101,750	5,400
	2016	64,728(B)	5,641	100,300	15,880
	2015	63,016(B)	3,010	99,350	15,880
William T. Giles	2017	55,127(B)	—	46,969	2,457
	2016	45,943(B)	2,431	42,973	13,001
	2015	54,565(B)	—	41,660	11,620
William W. Graves	2017	57,733(B)	131	38,011	1,080
	2016	59,833(B)	2,431	30,235	4,733
	2015	56,107(B)	—	29,043	4,733
Mark A. Finestone	2017	53,806(B)	—	37,782	1,403
	2016	58,319(B)	2,431	30,245	3,417
	2015	54,941(B)	—	29,065	3,417
Thomas B. Newbern	2017	25,549	3,014	37,782	1,080
	2016	18,216	5,641	30,245	3,417
	2015	9,561	1,568	29,065	3,417

(A) Perquisites and personal benefits for all Named Executive Officers include Company-provided home security system and/or monitoring services, airline club memberships and status upgrades, Company-paid spouse business-related travel, Company-paid long-term disability insurance premiums, and matching charitable contributions under the AutoZone Matching Gift Program.

(B) The perquisites or personal benefits which exceeded the greater of $25,000 or 10% of the total amount of perquisites and personal benefits for an executive officer, which consisted of matching charitable contributions made under the AutoZone Matching Gift program, under which executives may contribute to qualified charitable organizations and AutoZone provides a matching contribution to the charities in an equal amount, up to $50,000 in the aggregate for each executive officer annually, are as follows:

Name	2017 ($)	2016 ($)	2015 ($)
William C. Rhodes III	50,000	50,000	50,000
William T. Giles	50,000	38,000	50,000
William W. Graves	50,000	50,000	50,000
Mark A. Finestone	48,024	50,000	50,000

(C) Represents amounts related to Company-paid spouse business-related travel.

(D) Represents employer contributions to the AutoZone, Inc. 401(k) Plan and the AutoZone, Inc. Executive Deferred Compensation Plan.

GRANTS OF PLAN-BASED AWARDS

The following table sets forth information regarding plan-based awards granted to the Company's Named Executive Officers during the 2017 fiscal year.

Name	Equity Plans Grant Date	Estimated Future Payments Under Nonequity Incentive Plans(1) Threshold ($)	Target ($)	Maximum ($)	All other Stock Awards: Number of shares of Stock or Units (#) (2)	All other Option Awards: Number of securities underlying options (#) (3)	Exercise or base price of option awards ($)	Grant date fair value of stock and option awards ($)
William C. Rhodes III		625,000	1,250,000	N/A				
	9/23/2016					6,750	744.85	1,054,789
	9/30/2016				16			12,293
	12/31/2016				69			54,496
	3/31/2017				17			12,292
	6/30/2017				19			10,839
								1,144,709
William T. Giles		234,375	468,750	N/A				
	9/23/2016					9,120	744.85	1,425,138
	9/30/2016				10			7,683
	12/31/2016				8			6,318
	3/31/2017				10			7,231
	6/30/2017				11			6,275
								1,452,645
William W. Graves		193,125	386,250	N/A				
	9/23/2016					7,740	744.85	1,209,492
	9/30/2016				2			1,537
	12/31/2016				17			13,426
	3/31/2017				2			1,446
	6/30/2017				2			1,141
								1,227,042
Mark A. Finestone		193,125	386,250	N/A				
	9/23/2016					7,740	744.85	1,209,492
	9/30/2016				5			3,842
	12/31/2016				11			8,688
	3/31/2017				5			3,615
	6/30/2017				5			2,852
								1,228,489
Thomas B. Newbern		193,125	386,250	N/A				
	9/23/2016					7,740	744.85	1,209,492
								1,209,492

(1) Represents potential threshold, target and maximum incentive compensation for the 2017 fiscal year under the EICP based on each officer's salary on the date the 2017 fiscal year targets were approved. The amounts actually paid for the 2017 fiscal year are described in the "Non-Equity Incentive Plan Compensation" column in the Summary Compensation Table. The "threshold" is the minimum payment level under the EICP which is 50% of the target amount. There is no overall percentage maximum; however, awards paid to any individual pursuant to the EICP may not exceed $4 million. See "Compensation Discussion and Analysis" at page 21 and the discussion following this table for more information on the EICP.

(2) Represents shares awarded pursuant to the Executive Stock Purchase Plan. See "Compensation Discussion and Analysis" at page 21 and the discussion following this table for more information on the Executive Stock Purchase Plan.

(3) Represents options awarded pursuant to the Amended 2011 Equity Plan. See "Compensation Discussion and Analysis" at page 21 and the discussion following this table for more information on equity plans.

Discussion of Plan-Based Awards Table

Executive Incentive Compensation Plan. The EICP is intended to be a performance-based compensation plan under Section 162(m) of the Internal Revenue Code. The Company's executive officers, as determined by the Compensation Committee of the Board, are eligible to participate in the EICP. At the beginning of each fiscal year, the Compensation Committee establishes a goal, which may be a range from a minimum to a maximum attainable bonus, based on one or more of the following measures:

- Earnings
- Earnings per share
- Sales
- Market share
- Operating or net cash flows
- Pre-tax profits
- Earnings before interest and taxes (EBIT)
- Return on invested capital
- Economic value added
- Return on inventory
- EBIT margin
- Sales per square foot
- Comparable store sales

The EICP provides that the goal may be different for different executives. The goals can change annually to support our business objectives. After the end of each fiscal year, the Compensation Committee must certify the attainment of goals under the EICP and direct the amount to be paid to each participant in cash. See "Compensation Discussion and Analysis" on page 21 for more information about the EICP.

Executive Stock Purchase Plan. The Executive Stock Purchase Plan permits participants to acquire AutoZone common stock in excess of the purchase limits contained in AutoZone's Employee Stock Purchase Plan. Because the Executive Stock Purchase Plan is not required to comply with the requirements of Section 423 of the Internal Revenue Code, it has a higher limit on the percentage of a participant's compensation that may be used to purchase shares (25%) and places no dollar limit on the amount of a participant's compensation that may be used to purchase shares under the plan. For more information about the Executive Stock Purchase Plan, see "Compensation Discussion and Analysis" on page 21.

Stock Options. Stock options are awarded to many levels of management, including executive officers, to align the long-term interests of AutoZone's management and our stockholders. During the 2017 fiscal year, 778 AutoZone employees received stock options. The stock options shown in the table were granted pursuant to the Amended 2011 Equity Plan.

Both incentive stock options and non-qualified stock options, or a combination of both, can be granted under the Amended 2011 Equity Plan. Incentive stock options have a maximum term of ten years, and non-qualified stock options have a maximum term of ten years and one day. The stock options subject to Mr. Rhodes' one-time grant in 2015 vest in equal increments on the fourth and fifth anniversaries of the grant date. All options granted during the 2017 fiscal year vest in one-fourth increments over a four-year period. All options granted under the Amended 2011 Equity Plan have an exercise price equal to the fair market value of AutoZone common stock on the date of grant, which is defined as the closing price on the grant date. Option repricing is expressly prohibited by the terms of the Amended 2011 Equity Plan.

Each grant of stock options is governed by the terms of a Stock Option Agreement entered into between the Company and the executive officer at the time of the grant. The Stock Option Agreements provide vesting schedules and other terms of the grants in accordance with the Amended 2011 Equity Plan.

Under the Amended 2011 Equity Plan, participants may receive equity-based compensation in the form of stock appreciation rights, restricted shares, restricted share units, dividend equivalents, deferred stock, stock payments, performance share awards and other incentive awards structured by the Compensation Committee and the Board within parameters set forth in the Amended 2011 Equity Plan.

The aggregate number of shares of AutoZone common stock available for equity grants pursuant to the Amended 2011 Equity Plan will be reduced by two shares for every share delivered in settlement of an award other than (i) a stock option, (ii) a stock appreciation right or (iii) any other award for which the holder pays the intrinsic value existing as of the date of grant (such awards, "Full Value Awards"). To the extent that any award other than a Full Value Award is forfeited, expires or is settled in cash without the delivery of shares to the holder, then any shares subject to the award will again be available for the grant of an award pursuant to the Amended 2011 Equity Plan; if such forfeited, expired or cash-settled award is a Full Value Award, then the number of shares available under the Amended 2011 Equity Plan will be increased by two shares for each share subject to the award that is forfeited, expired or cash-settled. However, shares tendered or withheld in payment of the exercise price of an option or in satisfaction of any tax withholding obligations with respect to an award, shares subject to a stock appreciation right that are not issued in connection with the stock settlement of the stock appreciation right on exercise thereof, and shares purchased on the open market with the cash proceeds from the exercise of options, will not again be available for the grant of an award pursuant to the Amended 2011 Equity Plan. Any shares of restricted stock repurchased by AutoZone at the same price paid by the participant, so that such shares are returned to AutoZone, will again be available for awards granted pursuant to the Amended 2011 Equity Plan. The payment of dividend equivalents in cash in conjunction with any outstanding awards will not be counted against the shares available for issuance under the Amended 2011 Equity Plan.

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OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

The following table sets forth information regarding outstanding stock option awards under the Amended 2011 Equity Plan, the 2011 Equity Plan, the AutoZone, Inc. 2006 Stock Option Plan the ("2006 Stock Option Plan"), other outstanding equity awards under the Amended 2011 Equity Plan and the 2011 Equity Plan, and unvested shares under the Executive Stock Purchase Plan for the Company's Named Executive Officers as of August 26, 2017:

		Option Awards				Stock Awards	
		Number of securities underlying unexercised options(1)					
Name	**Grant Date**	**Exercisable**	**Unexercisable**	**Option Exercise Price**	**Option Expiration Date**	**Number of shares of stock that have not vested(2)**	**Market value of shares of stock that have not vested(3)**
William C. Rhodes III	9/29/2009	26,500	—	$142.77	9/30/2019		
	9/29/2009	500	—	$142.77	9/29/2019		
	9/29/2010	23,700	—	$228.20	9/30/2020		
	9/29/2010	700	—	$228.20	9/29/2020		
	9/27/2011	400	—	$326.00	9/27/2021		
	9/27/2011	20,800	—	$326.00	9/28/2021		
	9/27/2012	22,500	—	$371.47	9/28/2022		
	10/1/2013	14,400	4,800	$425.11	10/2/2023		
	9/23/2014	8,700	8,700	$507.79	9/24/2024		
	10/6/2015	1,962	5,888	$744.62	10/7/2025		
	10/7/2015	—	50,000(4)	$736.00	10/8/2025		
	9/23/2016	—	6,750	$744.85	9/24/2026		
	9/30/2016					16	$ 8,463
	12/31/2016					69	$36,498
	3/31/2017					17	$ 8,992
	6/30/2017					19	$10,050
Totals		**120,162**	**76,138**			**121**	**$64,003**
William T. Giles	9/22/2008	8,400	—	$130.79	9/23/2018		
	9/29/2009	15,800	—	$142.77	9/30/2019		
	9/28/2010	13,500	—	$225.74	9/29/2020		
	9/27/2011	125	—	$326.00	9/27/2021		
	9/27/2011	12,000	—	$326.00	9/28/2021		
	9/27/2012	13,600	—	$371.47	9/28/2022		
	10/1/2013	8,700	2,900	$425.11	10/2/2023		
	9/23/2014	5,300	5,300	$507.79	9/24/2024		
	10/6/2015	2,650	7,950	$744.62	10/7/2025		
	9/23/2016	—	9,120	$744.85	9/24/2026		
	9/30/2016					10	$ 5,290
	12/31/2016					8	$ 4,232
	3/31/2017					10	$ 5,290
	6/30/2017					11	$ 5,818
Totals		**80,075**	**25,270**			**39**	**$20,630**
William W. Graves	9/28/2010	10,500	—	$225.74	9/29/2020		
	9/28/2010	900	—	$225.74	9/28/2020		
	9/27/2011	500	—	$326.00	9/27/2021		
	9/27/2011	9,500	—	$326.00	9/28/2021		
	9/27/2012	9,400	—	$371.47	9/28/2022		
	10/1/2013	6,525	2,175	$425.11	10/2/2023		
	9/23/2014	3,950	3,950	$507.79	9/24/2024		
	10/6/2015	2,250	6,750	$744.62	10/7/2025		
	9/23/2016	—	7,740	$744.85	9/24/2026		
	9/30/2016					2	$ 1,058
	12/31/2016					17	$ 8,992
	3/31/2017					2	$ 1,058
	6/30/2017					2	$ 1,058
Totals		**43,525**	**20,615**			**23**	**$12,166**

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		Option Awards				Stock Awards	
		Number of securities underlying unexercised options(1)					
Name	Grant Date	Exercisable	Unexercisable	Option Exercise Price	Option Expiration Date	Number of shares of stock that have not vested(2)	Market value of shares of stock that have not vested(3)
Mark Finestone	9/28/2010	13,500	—	$225.74	9/29/2020		
	9/27/2011	11,800	—	$326.00	9/28/2021		
	9/27/2012	9,400	—	$371.47	9/28/2022		
	10/1/2013	6,525	2,175	$425.11	10/2/2023		
	9/23/2014	3,950	3,950	$507.79	9/24/2024		
	10/6/2015	2,750	8,250	$744.62	10/7/2025		
	9/23/2016	—	7,740	$744.85	9/24/2026		
	9/30/2016					5	$ 2,645
	12/31/2016					11	$ 5,818
	3/31/2017					5	$ 2,645
	6/30/2017					5	$ 2,645
Totals		**47,925**	**22,115**			**26**	**$13,753**
Thomas B. Newbern	9/27/2012	2,350	—	$371.47	9/28/2022		
	10/1/2013	2,175	2,175	$425.11	10/2/2023		
	9/23/2014	1,975	3,950	$507.79	9/24/2024		
	10/6/2015	2,750	8,250	$744.62	10/7/2025		
	9/23/2016	—	7,740	$744.85	9/24/2026		
Totals		**9,250**	**22,115**				

(1) Unless indicated otherwise, stock options vest annually in one-fourth increments over a four-year period. Both incentive stock options and non-qualified stock options have been awarded.

(2) Represents shares acquired pursuant to unvested shares granted under the Executive Stock Purchase Plan. Such shares vest on the first anniversary of the date the option was exercised under the plan, and will vest immediately upon a participant's termination of employment without cause or the participant's death, disability or retirement.

(3) Based on the closing price of AutoZone common stock on August 26, 2017 ($528.95 per share).

(4) Represents a one-time grant of non-qualified stock options pursuant to the 2011 Equity Plan. Fifty percent (50%) of the shares vest on the fourth anniversary of the grant, and the other fifty percent (50%) vest on the fifth anniversary of the grant.

OPTION EXERCISES AND STOCK VESTED

The following table sets forth information regarding stock option exercises and vested stock awards for the Company's Named Executive Officers during the fiscal year ended August 26, 2017:

	Option Awards		Stock Awards	
Name	Number of shares acquired on exercise (#)	Value realized on exercise ($)(1)	Number of shares acquired on vesting (#)(2)	Value realized on vesting ($)(3)
William C. Rhodes III	32,000	21,192,013	120	90,076
William T. Giles	10,000	4,503,087	36	25,732
William W. Graves	12,000	7,128,142	25	19,437
Mark A. Finestone	—	—	35	26,193
Thomas B. Newbern	—	—	—	—

(1) If the shares were sold immediately upon exercise, the value realized on exercise of the option is the difference between the actual sales price and the exercise price of the option. Otherwise, the value realized is the difference between the closing price of AutoZone common stock on the New York Stock Exchange on the date of exercise and the exercise price of the option.

(2) Represents shares acquired pursuant to the Executive Stock Purchase Plan. See "Compensation Discussion and Analysis" on page 21 for more information about this plan.

(3) Based on the closing price of AutoZone common stock on the vesting date.

PENSION BENEFITS

The following table sets forth information regarding pension benefits for the Company's Named Executive Officers as of August 26, 2017:

Name	Plan Name	Number of Years of Credited Service	Present Value of Accumulated Benefit ($)(1)	Payments During Last Fiscal Year ($)
William C. Rhodes III	AutoZone, Inc. Associates Pension Plan	7	116,775	—
	AutoZone, Inc. Executive Deferred Compensation Plan		72,890	—
William T. Giles	N/A			
William W. Graves	AutoZone, Inc. Associates Pension Plan	9	142,299	—
	AutoZone, Inc. Executive Deferred Compensation Plan		22,562	—
Mark A. Finestone	N/A			
Thomas B. Newbern	AutoZone, Inc. Associates Pension Plan	17	289,664	—
	AutoZone, Inc. Executive Deferred Compensation Plan		66,049	—

(1) As the plan benefits were frozen as of December 31, 2002, there is no service cost and increases in future compensation levels no longer impact the calculations. The benefit of each participant is accrued based on a funding formula computed by our independent actuaries, Mercer. See Note L, Pension and Savings Plans, to our consolidated financial statements in our 2017 Annual Report for a discussion of our assumptions used in determining the present value of the accumulated pension benefits.

Prior to January 1, 2003, substantially all full-time AutoZone employees were covered by a defined benefit pension plan, the AutoZone, Inc. Associates Pension Plan (the "Pension Plan"). The Pension Plan is a traditional defined benefit pension plan which covered full-time AutoZone employees who were at least 21 years old and had completed one year of service with the Company. The benefits under the Pension Plan were based on years of service and the employee's highest consecutive five-year average compensation. Compensation included total annual earnings shown on Form W-2 plus any amounts directed on a tax-deferred basis into Company-sponsored benefit plans, but did not include reimbursements or other expense allowances, cash or non-cash fringe benefits, moving expenses, non-cash compensation (regardless of whether it resulted in imputed income), long-term cash incentive payments, gain on exercise of stock options, payments under any insurance plan, payments under any weekly-paid indemnity plan, payments under any long term disability plan, nonqualified deferred compensation, or welfare benefits.

AutoZone also maintained a supplemental defined benefit pension plan for certain highly compensated employees to supplement the benefits under the Pension Plan as part of our Executive Deferred Compensation Plan (the "Supplemental Pension Plan"). The purpose of the Supplemental Pension Plan was to provide any benefit that could not be provided under the qualified plan due to IRS limitations on the amount of salary that could be recognized in the qualified plan. The benefit under the Supplemental Pension Plan is the difference between (a) the amount of benefit determined under the Pension Plan formula but using the participant's total compensation without regard to any IRS limitations on salary that can be recognized under the qualified plan, less (b) the amount of benefit determined under the Pension Plan formula reflecting the IRS limitations on compensation that can be reflected under a qualified plan.

In December 2002, both the Pension Plan and the Supplemental Pension Plan were frozen. Accordingly, all benefits to all participants in the Pension Plan were fixed and could not increase, and no new participants could join the plans.

Annual benefits to the Named Executive Officers are payable upon retirement at age 65. Sixty monthly payments are guaranteed after retirement. The benefits will not be reduced by Social Security or other amounts received by a participant. The basic monthly retirement benefit is calculated as 1% of average monthly compensation multiplied by a participant's years of credited service. Benefits under the Pension Plan may be taken in one of several different annuity forms. The actual amount a participant would receive depends upon the payment method chosen.

A participant in the Pension Plan is eligible for early retirement under the plan if he or she is at least 55 years old AND was either (a) a participant in the original plan as of June 19, 1976; or (b) has completed at least ten (10) years of service for vesting (i.e. years in which the participant worked at least 1,000 hours after becoming a Pension Plan participant). The early retirement date will be the first of any month after the participant meets these requirements and chooses to retire. Benefits may begin immediately, or the participant may elect to begin receiving them on the first of any month between the date he or she actually retires and the normal retirement date. If a participant elects to begin receiving an early retirement benefit before the normal retirement date, the amount of the accrued benefit will be reduced according to the number of years by which the start of benefits precedes the normal retirement date.

Messrs. Rhodes, Graves and Newbern are participants in the Pension Plan and the Supplemental Pension Plan. No Named Executive Officers received payment of a retirement benefit in fiscal 2017.

Proxy

NONQUALIFIED DEFERRED COMPENSATION

The following table sets forth information regarding nonqualified deferred compensation for the Company's Named Executive Officers as of and for the year ended August 26, 2017.

Name	Plan	Executive Contributions in Last FY ($)(1)	Registrant Contributions in Last FY ($)(2)	Aggregate Earnings in Last FY ($)(3)	Aggregate withdrawals / distributions ($)	Aggregate Balance at Last FYE ($)
William C. Rhodes III	Executive Deferred Compensation Plan	613,125	91,150	1,668,059	—	12,045,041
William T. Giles	Executive Deferred Compensation Plan	101,146	36,096	125,917	—	1,127,433
William W. Graves	Executive Deferred Compensation Plan	259,160	27,357	111,458	—	1,567,571
Mark A. Finestone	Executive Deferred Compensation Plan	95,874	27,357	125,205	(16,519)	1,019,244
Thomas B. Newbern	Executive Deferred Compensation Plan	191,748	27,357	31,859	(541,496)	1,318,172

(1) Represents contributions by the Named Executive Officers under the AutoZone, Inc. Executive Deferred Compensation Plan (the "EDCP"). Such contributions are included under the appropriate "Salary" and "Non-Equity Incentive Plan Compensation" columns for the Named Executive Officers in the Summary Compensation Table.

(2) Represents matching contributions by the Company under the EDCP. Such contributions are included under the "All Other Compensation" column for the Named Executive Officers in the Summary Compensation Table.

(3) Represents the difference between the aggregate balance at end of fiscal 2017 and the end of fiscal 2016, excluding (i) contributions made by the executive officer and the Company during fiscal 2017 and (ii) any withdrawals or distributions during fiscal 2017. None of the earnings in this column were included in the Summary Compensation Table because they were not preferential or above market.

Officers of the Company with the title of vice president or higher based in the United States are eligible to participate in the EDCP after their first year of employment with the Company. As of August 26, 2017, there were 49 such officers of the Company. The EDCP is a nonqualified plan that allows officers to make a pretax deferral of base salary and bonus compensation. Officers may defer up to 25% of base salary and up to 75% of bonus compensation. The Company match is calculated based on 100% of the first 3% of deferred compensation and 50% of the next 2% deferred, less the maximum value of the Company match available generally to participants in AutoZone's 401(k) Plan. Participants may select among various mutual funds in which to invest their deferral accounts. Participants may elect to receive distribution of their deferral accounts at retirement or starting in a specific future year of choice before or after anticipated retirement (but not later than the year in which the participant reaches age 75). If a participant's employment with AutoZone terminates other than by retirement or death, the account balance will be paid in a lump sum payment six months after termination of employment. There are provisions in the EDCP for withdrawal of all or part of the deferral account balance in the event of an extreme and unforeseen financial hardship.

POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL

Our Named Executive Officers may receive certain benefits if their employment terminates under specified circumstances. These benefits derive from Company policies, plans, agreements and arrangements described below.

Agreement with Mr. Rhodes

In 2008, Mr. Rhodes and AutoZone entered into an agreement (the "Agreement") providing that if Mr. Rhodes' employment is terminated by the Company without cause, he will receive severance benefits consisting of an amount equal to 2.99 times his then-current base salary, a lump sum prorated share of any unpaid annual bonus incentive for periods during which he was employed, and AutoZone will pay the cost of COBRA premiums to continue his medical, dental and vision insurance benefits for up to 18 months to the extent such premiums exceed the amount Mr. Rhodes had been paying for such coverage during his employment. The Agreement further provides that Mr. Rhodes will not compete with AutoZone or solicit its employees for a three-year period after his employment with AutoZone terminates.

Executive Officer Agreements (Messrs. Giles, Finestone, Graves and Newbern)

AutoZone's executive officers who do not have written employment agreements, including Messrs. Giles, Finestone, Graves and Newbern, have entered into agreements ("Severance and Non-Compete Agreements") with the Company providing that if their employment is involuntarily terminated without cause, and if they sign an agreement waiving certain legal rights, they will receive severance benefits in the form of salary continuation for a period of time ranging from 12 months to 24 months, depending on their length of service at the time of termination. Mr. Giles presently has 11 years of service, Mr. Finestone has 15 years of service, Mr. Graves has 24 years of service and Mr. Newbern has 32 years of service.

Years of Service	Severance Period
Less than 2	12 months
2 – less than 5	18 months
5 or more	24 months

The executives will also receive a lump sum prorated share of their annual bonus incentive when such incentives are paid to similarly-situated executives. Medical, dental and vision insurance benefits generally continue through the severance period up to a maximum of 18 months, with the Company paying the cost of COBRA premiums to the extent such premiums exceed the amount the executive had been paying for such coverage. An appropriate level of outplacement services may be provided based on individual circumstances.

The Severance and Non-Compete Agreement further provides that the executive will not compete with AutoZone or solicit its employees for a two-year period after his or her employment with AutoZone terminates.

Equity Plans

All outstanding, unvested stock options, including those held by the Named Executive Officers, will vest immediately upon the option holder's death pursuant to the terms of the stock option agreements.

Unvested shares under our Executive Stock Purchase Plan, which normally are subject to forfeiture if a participant's employment terminates prior to the first anniversary of their acquisition, will vest immediately if the termination is by reason of the participant's death, disability, termination by the Company without cause, or retirement on or after the participant's normal retirement date. The plan defines "disability," "cause," and "normal retirement date."

Proxy

Life Insurance

AutoZone provides all salaried employees in active full-time employment in the United States a company-paid life insurance benefit in the amount of two times annual earnings. “Annual earnings” exclude stock compensation and gains realized from stock option exercises, but include salary and incentive compensation received. Additionally, salaried employees are eligible to purchase additional life insurance subject to insurability above certain amounts. The maximum benefit of the company-paid and the additional coverage combined is $5,000,000. All of the Named Executive Officers are eligible for this benefit.

Disability Insurance

All full-time officers at the level of vice president and above are eligible to participate in two executive long-term disability plans. Accordingly, AutoZone purchases individual disability policies for its executive officers that pay 70% of the first $7,143 of insurable monthly earnings in the event of disability. Additionally, the executive officers are eligible to receive an executive long-term disability plan benefit in the amount of 70% of the next $35,714 of insurable monthly earnings to a maximum benefit of $25,000 per month. AutoZone purchases insurance to cover this plan benefit. These two benefits combined provide a maximum benefit of $30,000 per month. The benefit payment for these plans may be reduced by deductible sources of income and disability earnings.

The following table shows the amounts that the Named Executive Officers would have received if their employment had been terminated under specified circumstances on August 26, 2017. This table does not include amounts related to the Named Executive Officers' vested benefits under our deferred compensation and pension plans or pursuant to stock option awards, all of which are described in the tables above.

Name	Voluntary or For Cause Termination ($)	Involuntary Termination Not For Cause ($)	Change in Control ($)	Disability ($)	Death ($)	Normal Retirement ($)
William C. Rhodes, III(1)						
Severance Pay	—	2,990,000	—	—	—	—
Annual Incentive	—	1,018,750	—	1,018,750	1,018,750	1,018,750
Benefits Continuation	—	22,905	—	—	2,995	—
Unvested Stock Options	—	—	—	—	682,524	—
Unvested Stock Awards	—	64,003	—	64,003	64,003	—
Disability Benefits	—	—	—	4,560,000	—	—
Life Insurance Benefits	—	—	—	—	5,000,000	—
Total	**—**	**4,095,658**	**—**	**5,642,753**	**6,768,272**	**1,018,750**
William T. Giles(2)						
Severance Pay	—	1,250,000	—	—	—	—
Annual Incentive	—	380,435	—	380,435	380,435	380,435
Benefits Continuation	—	25,728	—	—	2,816	—
Unvested Stock Options	—	—	—	—	413,284	—
Unvested Stock Awards	—	20,630	—	20,630	20,630	—
Disability Benefits	—	—	—	2,520,000	—	—
Life Insurance Benefits	—	—	—	—	2,154,000	—
Total	**—**	**1,676,793**	**—**	**2,921,065**	**2,971,165**	**380,435**
William W. Graves(2)						
Severance Pay	—	1,030,000	—	—	—	—
Annual Incentive	—	313,383	—	313,383	313,383	313,383
Benefits Continuation	—	22,500	—	—	2,816	—
Unvested Stock Options	—	—	—	—	309,434	—
Unvested Stock Awards	—	12,166	—	12,166	12,166	—
Disability Benefits	—	—	—	2,520,000	—	—
Life Insurance Benefits	—	—	—	—	1,000,000	—
Total	**—**	**1,378,049**	**—**	**2,845,549**	**1,637,799**	**313,383**
Mark A. Finestone(2)						
Severance Pay	—	1,030,000	—	—	—	—
Annual Incentive	—	313,383	—	313,383	313,383	313,383
Benefits Continuation	—	22,500	—	—	2,816	—
Unvested Stock Options	—	—	—	—	309,434	—
Unvested Stock Awards	—	13,753	—	13,753	13,753	—
Disability Benefits	—	—	—	2,670,000	—	—
Life Insurance Benefits	—	—	—	—	1,898,000	—
Total	**—**	**1,379,636**	**—**	**2,997,136**	**2,537,386**	**313,383**
Thomas B. Newbern(2)						
Severance Pay	—	1,030,000	—	—	—	—
Annual Incentive	—	313,383	—	313,383	313,383	313,383
Benefits Continuation	—	25,728	—	—	2,816	—
Unvested Stock Options	—	—	—	—	309,434	—
Disability Benefits	—	—	—	3,240,000	—	—
Life Insurance Benefits	—	—	—	—	1,000,000	—
Total	**—**	**1,369,111**	**—**	**3,553,383**	**1,625,633**	**313,383**

(1) Severance Pay, Bonus and Benefits Continuation amounts shown under the "Involuntary Termination Not for Cause" column reflect the terms of Mr. Rhodes' Agreement described above. Unvested stock options are

those outstanding, unvested stock options which will vest immediately upon the option holder's death. Unvested stock awards are shares under the Executive Stock Purchase Plan, which vest upon involuntary termination not for cause, disability, or death. Annual Incentive is shown at actual annual incentive amount for the 2017 fiscal year; it would be prorated if the triggering event occurred other than on the last day of the fiscal year. Disability Benefits are benefits under Company-paid individual long-term disability insurance policy. Life Insurance Benefits are benefits under a Company-paid life insurance policy.

(2) Severance Pay, Bonus and Benefits Continuation amounts shown under the "Involuntary Termination Not for Cause" column reflect payments to Mr. Giles, Mr. Finestone, Mr. Graves, and Mr. Newbern under the Severance and Non-Compete Agreements described above. Annual Incentive is shown at actual annual incentive amount for the 2017 fiscal year; it would be prorated if the triggering event occurred other than on the last day of the fiscal year. Benefits Continuation refers to medical, dental and vision benefits. Unvested stock options are those outstanding, unvested stock options which will vest immediately upon the option holder's death. Unvested stock awards are share options under the Executive Stock Purchase Plan, which vest upon involuntary termination not for cause, disability, or death. Disability Benefits are benefits under Company-paid individual long-term disability insurance policy. Life Insurance Benefits are benefits under a Company-paid life insurance policy.

Related Party Transactions

Our Board has adopted a Related Person Transaction Policy (the "Policy") which requires the Audit Committee of the Board to review and approve or ratify all Related Person Transactions. The Audit Committee is to consider all of the available relevant facts and circumstances of each transaction, including but not limited to the benefits to the Company; the impact on a director's independence in the event the Related Person is a director, an immediate family member of a director or an entity in which a director is a partner, shareholder or executive officer; the availability of other sources for comparable products or services; the terms of the transaction; and the terms available to unrelated third parties generally. Related Person Transactions must also comply with the policies and procedures specified in our Code of Conduct and Corporate Governance Principles, as described below.

The Policy also requires disclosure of all Related Person Transactions that are required to be disclosed in AutoZone's filings with the Securities and Exchange Commission, in accordance with all applicable legal and regulatory requirements.

A "Related Person Transaction" is defined in the Policy as a transaction, arrangement or relationship (or any series of similar transactions, arrangements or relationships) that occurred since the beginning of the Company's most recent fiscal year in which the Company (including any of its subsidiaries) was, is or will be a participant and the amount involved exceeds $120,000 and in which any Related Person had, has or will have a direct or indirect material interest. "Related Persons" include a director or executive officer of the Company, a nominee to become a director of the Company, any person known to be the beneficial owner of more than 5% of any class of the Company's voting securities, any immediate family member of any of the foregoing persons, and any firm, corporation or other entity in which any of the foregoing persons is employed or is a partner or principal or in a similar position or in which such person has a 5% or greater beneficial ownership interest.

Our Board has adopted a Code of Conduct (the "Code of Conduct") that applies to the Company's directors, officers and employees. The Code of Conduct prohibits directors and executive officers from engaging in activities that create conflicts of interest, taking corporate opportunities for personal use or competing with the Company, among other things. Our Board has also adopted a Code of Ethical Conduct for Financial Executives (the "Financial Code of Conduct") that applies to the Company's officers and employees who hold the position of principal executive officer, principal financial officer, principal accounting officer or controller as well as to the Company's officers and employees who perform similar functions ("Financial Executives"). The Financial Code of Conduct requires the Financial Executives to, among other things, report any actual or apparent conflicts of interest between personal or professional relationships involving the Company's management or any other Company employee with a role in financial reporting disclosures or internal controls.

Proxy

Additionally, our Corporate Governance Principles require each director who is faced with an issue that presents, or may give the appearance of presenting, a conflict of interest to disclose that fact to the Chairman of the Board and the Secretary, and to refrain from participating in discussions or votes on such issue unless a majority of the Board determines, after consultation with counsel, that no conflict of interest exists as to such matter.

We have concluded there are no material Related Party Transactions or agreements that were entered into during the fiscal year ended August 26, 2017, and through the date of this proxy statement requiring disclosure under these policies.

Equity Compensation Plans

Equity Compensation Plans Approved by Stockholders

Our stockholders have approved the Amended and Restated AutoZone, Inc. 2011 Equity Incentive Award Plan, the AutoZone, Inc. 2011 Equity Incentive Award Plan, the 2006 Stock Option Plan, the Employee Stock Purchase Plan, the Executive Stock Purchase Plan, the 2003 Director Compensation Plan and the 2003 Director Stock Option Plan.

Equity Compensation Plans Not Approved by Stockholders

The AutoZone, Inc. Second Amended and Restated Director Compensation Plan was approved by the Board, but was not submitted for approval by the stockholders as then permitted under the rules of the New York Stock Exchange. This plan was terminated in December 2002 and was replaced by the 2003 Director Compensation Plan, after the stockholders approved it. No further grants can be made under the terminated plan. However, any grants made under this plan will continue under the terms of the grant made. Only treasury shares are issued under the terminated plans.

Under the Second Amended and Restated Director Compensation Plan, a non-employee director could receive no more than one-half of the annual retainer and meeting fees immediately in cash, and the remainder of the fees were taken in common stock or deferred in stock appreciation rights.

Summary Table

The following table sets forth certain information as of August 26, 2017, with respect to compensation plans under which shares of AutoZone common stock may be issued.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the first column)
Equity compensation plans approved by security holders . .	1,835,899	$490.72	1,316,693
Equity compensation plans not approved by security holders . .	7,284	38.18	—
Total	1,843,183	$488.93	1,316,693

Section 16(a) Beneficial Ownership Reporting Compliance

Securities laws require our executive officers, directors, and beneficial owners of more than ten percent of our common stock to file insider trading reports (Forms 3, 4, and 5) with the Securities and Exchange Commission and the New York Stock Exchange relating to the number of shares of common stock that they own, and any changes in their ownership. To our knowledge, all persons related to AutoZone that are required to file these insider trading reports have filed them in a timely manner. Copies of the insider trading reports can be found on the AutoZone corporate website at www.autozoneinc.com.

On September 29, 2017, the Company became aware of a transaction by a director of the Company in violation of Section 16(b) of the Securities Act of 1934. On October 16, 2017, the director voluntarily disgorged $23,993 to the Company representing full disgorgement of the short-swing profit realized on the transaction.

STOCKHOLDER PROPOSALS FOR 2018 ANNUAL MEETING

Stockholder proposals for inclusion in the Proxy Statement for the Annual Meeting in 2018 must be received by June 29, 2018. In accordance with our By-Laws, stockholder proposals received after August 22, 2018, but by September 21, 2018, may be presented at the Annual Meeting, but will not be included in the Proxy Statement. Any stockholder proposal received after September 21, 2018, will not be eligible to be presented for a vote to the stockholders in accordance with our By-Laws. Any proposals must be mailed to AutoZone, Inc., Attention: Secretary, Post Office Box 2198, Dept. 8074, Memphis, Tennessee 38101-2198.

ANNUAL REPORT

A copy of our Annual Report is being mailed with this Proxy Statement to all stockholders of record.

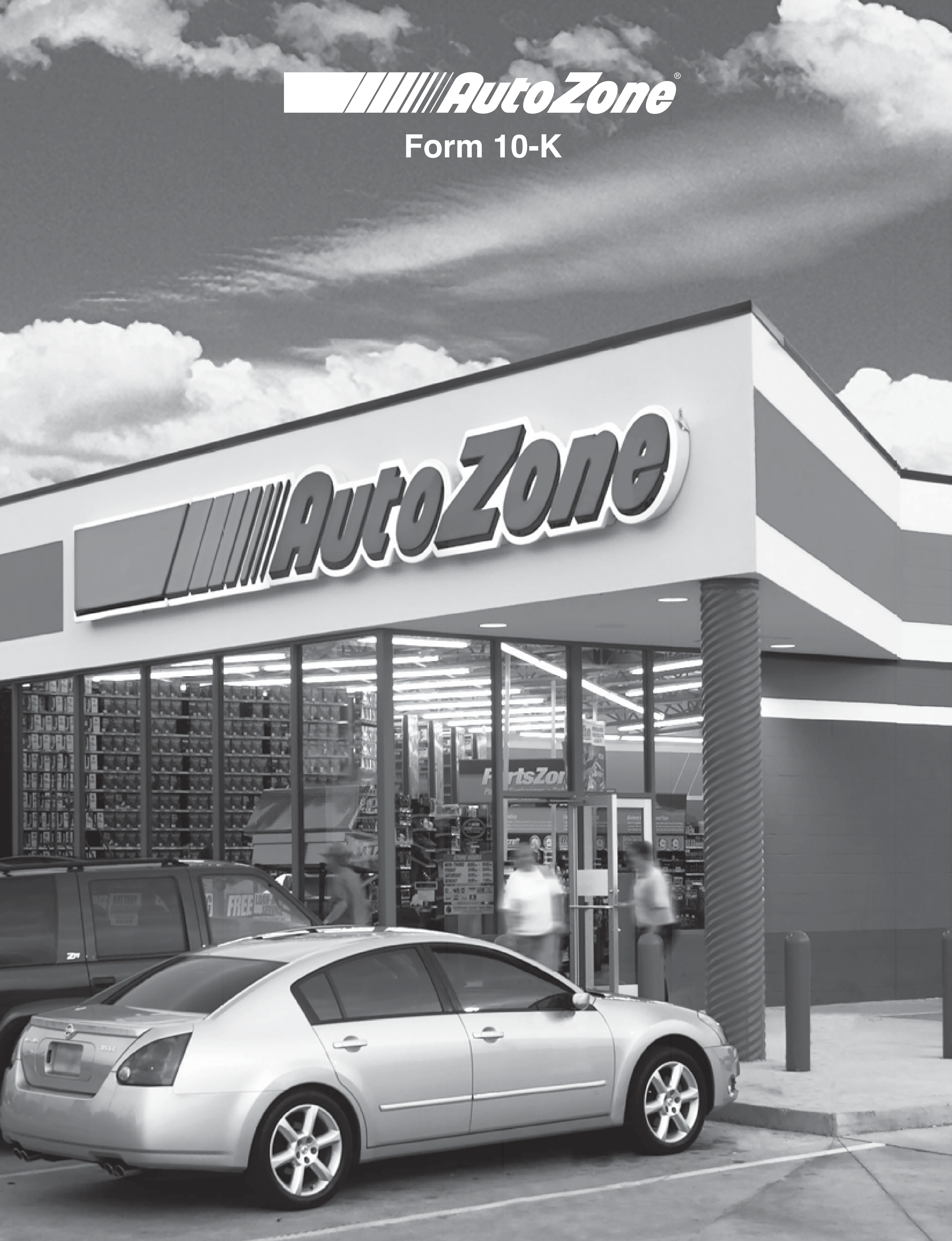
By order of the Board of Directors,

Kristen C. Wright
Secretary

Memphis, Tennessee
October 27, 2017

AutoZone

Form 10-K



UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

☒ Annual Report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended August 26, 2017, 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	**62-1482048**
(State or other jurisdiction of incorporation or organization)	(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)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Name of each exchange on which registered**
Common Stock ($.01 par value)	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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 period 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 ☐

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒	Accelerated filer ☐
Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐
Emerging growth company ☐	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter was $20,972,678,680.

The number of shares of Common Stock outstanding as of October 23, 2017, was 27,492,520.

Documents Incorporated By Reference

Portions of the definitive Proxy Statement to be filed within 120 days of August 26, 2017, pursuant to Regulation 14A under the Securities Exchange Act of 1934 for the Annual Meeting of Stockholders to be held December 20, 2017, are incorporated by reference into Part III.

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Forward-Looking Statements

Certain statements contained in this annual report 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: product demand; energy prices; weather; competition; credit market conditions; access to available and feasible financing; the impact of recessionary conditions; consumer debt levels; changes in laws or regulations; war and the prospect of war, including terrorist activity; inflation; the ability to hire and retain qualified employees; construction delays; the compromising of confidentiality, availability or integrity of information, including cyber attacks; and raw material costs of suppliers. 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 26, 2017, 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.

PART I

Item 1. Business

Introduction

AutoZone, Inc. (“AutoZone,” the “Company,” “we,” “our” or “us”) is the nation’s leading retailer, and a leading distributor, of automotive replacement parts and accessories in the United States. We began operations in 1979 and at August 26, 2017, operated 5,465 AutoZone stores in the United States, including Puerto Rico; 524 stores in Mexico; 14 stores in Brazil; and 26 Interamerican Motor Corporation (“IMC”) branches. Each AutoZone store carries an extensive product line for cars, sport utility vehicles, vans and light trucks, including new and remanufactured automotive hard parts, maintenance items, accessories and non-automotive products. At August 26, 2017, in 4,592 of our domestic AutoZone stores, we also had a commercial sales program that provides commercial credit and prompt delivery of parts and other products to local, regional and national repair garages, dealers, service stations and public sector accounts. We also have commercial programs in AutoZone stores in Mexico and Brazil. IMC branches carry an extensive line of original equipment quality import replacement parts. We also sell the ALLDATA brand automotive diagnostic and repair software through www.alldata.com and www.alldatadiy.com. Additionally, we sell automotive hard parts, maintenance items, accessories and non-automotive products through www.autozone.com, and accessories, performance and replacement parts through www.autoanything.com, and our commercial customers can make purchases through www.autozonepro.com and www.imcparts.net. We do not derive revenue from automotive repair or installation services.

At August 26, 2017, our AutoZone stores and IMC branches were in the following locations:

	Location Count
Alabama	110
Alaska	8
Arizona	136
Arkansas	64
California	585
Colorado	87
Connecticut	47
Delaware	16
Florida	318
Georgia	200
Hawaii	4
Idaho	28
Illinois	238
Indiana	155
Iowa	29
Kansas	50
Kentucky	95
Louisiana	123
Maine	13
Maryland	75
Massachusetts	81
Michigan	188
Minnesota	54
Mississippi	94
Missouri	112
Montana	13
Nebraska	20
Nevada	64
New Hampshire	23
New Jersey	96

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New Mexico	62
New York	189
North Carolina	219
North Dakota	3
Ohio	259
Oklahoma	74
Oregon	43
Pennsylvania	177
Puerto Rico	43
Rhode Island	17
South Carolina	88
South Dakota	7
Tennessee	165
Texas	597
Utah	58
Vermont	2
Virginia	123
Washington	88
Washington, DC	5
West Virginia	44
Wisconsin	67
Wyoming	9
Total Domestic AutoZone stores	5,465
Mexico	524
Brazil	14
Total AutoZone stores	6,003
IMC branches	26
Total locations	6,029

Marketing and Merchandising Strategy

We are dedicated to providing customers with superior service and trustworthy advice as well as quality automotive parts and products at a great value in conveniently located, well-designed stores. Key elements of this strategy are:

Customer Service

Customer service is the most important element in our marketing and merchandising strategy, which is based upon consumer marketing research. We emphasize that our AutoZoners (employees) should always put customers first by providing prompt, courteous service and trustworthy advice. Our electronic parts catalog assists in the selection of parts as well as identifying any associated warranties that are offered by us or our vendors. We sell automotive hard parts, maintenance items, accessories and non-automotive parts through www.autozone.com for pick-up in store or to be shipped directly to a customer's home or business. Additionally, we offer smartphone apps that provide customers with store locations, driving directions, operating hours, ability to purchase products and product availability.

Our stores generally open at 7:30 or 8 a.m. and close between 8 and 10 p.m. Monday through Saturday and typically open at 9 a.m. and close between 6 and 9 p.m. on Sunday. However, some stores are open 24 hours, and some have extended hours of 6 or 7 a.m. until midnight seven days a week.

We also provide specialty tools through our Loan-A-Tool program. Customers can borrow a specialty tool, such as a steering wheel puller, for which a do-it-yourself ("DIY") customer or a repair shop would have little or no use other than for a single job. AutoZoners also provide other free services, including check engine light readings where allowed by law, battery charging, the collection of used oil for recycling, and the testing of starters, alternators and batteries.

Merchandising
The following tables show some of the types of products that we sell by major category of items:

Failure	Maintenance	Discretionary
A/C Compressors	Antifreeze & Windshield Washer Fluid	Air Fresheners
Batteries & Accessories	Brake Drums, Rotors, Shoes & Pads	Cell Phone Accessories
Bearings	Chemicals, including Brake & Power Steering Fluid, Oil & Fuel Additives	Drinks & Snacks
Belts & Hoses	Oil & Transmission Fluid	Floor Mats & Seat Covers
Calipers	Oil, Air, Fuel & Transmission Filters	Interior & Exterior Accessories
Carburetors	Oxygen Sensors	Mirrors
Chassis	Paint & Accessories	Performance Products
Clutches	Refrigerant & Accessories	Protectants & Cleaners
CV Axles	Shock Absorbers & Struts	Sealants & Adhesives
Engines	Spark Plugs & Wires	Steering Wheel Covers
Fuel Pumps	Windshield Wipers	Stereos & Radios
Fuses		Tools
Ignition		Wash & Wax
Lighting		
Mufflers		
Radiators		
Tire Repair		
Thermostats		
Starters & Alternators		
Water Pumps		

We believe that the satisfaction of our customers is often impacted by our ability to provide specific automotive products as requested. Each store carries the same basic products, but we tailor our hard parts inventory to the makes and models of the vehicles in each store's trade area, and our sales floor products are tailored to the local store's demographics. Our hub stores (including mega hubs, which carry an even broader assortment) carry a larger assortment of products that are delivered to local satellite stores. We are constantly updating the products we offer to ensure that our inventory matches the products our customers need or desire.

Pricing
We want to be the value leader in our industry, by consistently providing quality merchandise at the right price, backed by a satisfactory warranty and outstanding customer service. For many of our products, we offer multiple value choices in a good/better/best assortment, with appropriate price and quality differences from the "good" products to the "better" and "best" products. A key differentiating component versus our competitors is our exclusive line of in-house brands, which includes the Valucraft, AutoZone, SureBilt, ProElite, Duralast, Duralast Max, Duralast Gold, Duralast Platinum, Duralast ProPower and Duralast GT brands. We believe that our overall value compares favorably to that of our competitors.

Brand Marketing: Advertising and Promotions
We believe that targeted advertising and promotions play important roles in succeeding in today's environment. We are constantly working to understand our customers' wants and needs so that we can build long-lasting, loyal relationships. We utilize promotions, advertising and loyalty programs primarily to highlight our great value and the availability of high quality parts. Broadcast and internet media are our primary advertising methods of driving retail traffic to our stores, while we leverage a dedicated sales force and our ProVantage loyalty program to drive commercial sales. In the stores, we utilize in-store signage, in-store circulars, and creative product placement and promotions to help educate customers about products that they need.

Store Design and Visual Merchandising
We design and build stores for high visual impact. The typical AutoZone store utilizes colorful exterior and interior signage, exposed beams and ductwork and brightly lit interiors. Maintenance products, accessories and non-automotive items are attractively displayed for easy browsing by customers. In-store signage and special displays promote products on floor displays, end caps and shelves.

Commercial

Our commercial sales program operates in a highly fragmented market, and we are one of the leading distributors of automotive parts and other products to local, regional and national repair garages, dealers, service stations and public sector accounts in the United States, Puerto Rico and Mexico. As a part of the domestic store program, we offer credit and delivery to our customers, as well as online ordering through www.autozonepro.com and www.imcparts.net. Through our hub stores, we offer a greater range of parts and products desired by professional technicians. We have dedicated sales teams focused on independent repair shops as well as national, regional and public sector commercial accounts.

Store Operations

Store Formats
Substantially all AutoZone stores are based on standard store formats, resulting in generally consistent appearance, merchandising and product mix. Approximately 85% to 90% of each store's square footage is selling space. In our satellite stores, approximately 40% to 45% of our space is dedicated to hard parts inventory, while our hub stores and mega hubs have 75% to 85% of their space utilized for hard parts. The hard parts inventory area is generally fronted by counters or pods that run the depth or length of the store, dividing the hard parts area from the remainder of the store. The remaining selling space contains displays of maintenance, accessories and non-automotive items.

We believe that our stores are "destination stores," generating their own traffic rather than relying on traffic created by adjacent stores. Therefore, we situate most stores on major thoroughfares with easy access and good parking.

Store Personnel and Training
We provide on-the-job training as well as formal training programs, including an annual national sales meeting, store meetings on specific sales and product topics, standardized training manuals and computer based modules and a specialist program that provides training to AutoZoners in several areas of technical expertise from the Company, our vendors and independent certification agencies. All domestic AutoZoners are encouraged to complete tests resulting in certifications by the National Institute for Automotive Service Excellence ("ASE"), which is broadly recognized for training certification in the automotive industry. Training is supplemented with frequent store visits by management.

Store managers, sales representatives, commercial sales managers, and managers at various levels across the organization receive financial incentives through performance-based bonuses. In addition, our growth has provided opportunities for the promotion of qualified AutoZoners. We believe these opportunities are important to attract, motivate and retain high quality AutoZoners.

All store and branch support functions are centralized in our store support centers located in Memphis, Tennessee; Monterrey, Mexico; Chihuahua, Mexico and Sao Paulo, Brazil, and our branch support center located in Canoga Park, California. We believe that this centralization enhances consistent execution of our merchandising and marketing strategies at the store level, while reducing expenses and cost of sales.

Store Automation
All of our AutoZone stores have Z-net, our proprietary electronic catalog that enables our AutoZoners to efficiently look up the parts that our customers need and to provide complete job solutions, advice and information for customer vehicles. Z-net provides parts information based on the year, make, model and engine type of a vehicle and also tracks inventory availability at the store, at other nearby stores and through special order. The Z-net display screens are placed on the hard parts counter or pods, where both the AutoZoner and customer can view the screen.

Our AutoZone stores utilize our computerized proprietary Store Management System, which includes bar code scanning and point-of-sale data collection terminals. The Store Management System provides administrative assistance and improved personnel scheduling at the store level, as well as enhanced merchandising information and improved inventory control. We believe the Store Management System also enhances customer service through faster processing of transactions and simplified warranty and product return procedures.

Store Development

The following table reflects our location development during the past five fiscal years:

	Fiscal Year				
	2017	2016	2015	2014	2013
Locations:					
Beginning	5,814	5,609	5,391	5,201	5,006
Acquired[(1)]	–	–	17	–	–
New	215	205	202	190	197
Closed	–	–	1	–	2
Net new	215	205	201	190	195
Relocated	5	6	5	8	11
Ending	6,029	5,814	5,609	5,391	5,201

(1) 17 IMC branches acquired on September 27, 2014.

We believe that expansion opportunities exist in markets that we do not currently serve, as well as in markets where we can achieve a larger presence. We undertake substantial research prior to entering new markets. The most important criteria for opening a new AutoZone store or IMC branch are the projected future profitability and the ability to achieve our required investment hurdle rate. Key factors in selecting new site and market locations for AutoZone stores and IMC branches include population, demographics, vehicle profile, customer buying trends, commercial businesses, number and strength of competitors' stores and the cost of real estate. In reviewing the vehicle profile, we also consider the number of vehicles that are seven years old and older, or "our kind of vehicles"; these vehicles are generally no longer under the original manufacturers' warranties and require more maintenance and repair than newer vehicles. We seek to open new AutoZone stores in high visibility sites in high traffic locations within or contiguous to existing market areas and attempt to cluster development in markets in a relatively short period of time. When selecting future sites and market locations for our IMC branches, we look for locations close to major highways to support IMC's delivery schedule and also consider the population of AutoZone stores in the market. In addition to continuing to lease or develop our own locations, we evaluate and may make strategic acquisitions.

Purchasing and Supply Chain

Merchandise is selected and purchased for all AutoZone stores through our store support centers located in Memphis, Tennessee; Monterrey, Mexico and Sao Paulo, Brazil. Additionally, we have an office in Shanghai, China to support our sourcing efforts in Asia. Merchandise is selected and purchased for all IMC branches through our branch support center located in Canoga Park, California. In fiscal 2017, one class of similar products accounted for approximately 11 percent of our total sales, and one vendor supplied approximately 11 percent of our purchases. No other class of similar products accounted for 10 percent or more of our total sales, and no other individual vendor provided more than 10 percent of our total purchases. We believe that alternative sources of supply exist, at similar costs, for most types of product sold. Most of our merchandise flows through our distribution centers to our stores by our fleet of tractors and trailers or by third-party trucking firms.

We ended fiscal 2017 with 186 domestic hub stores, which have a larger assortment of products as well as regular replenishment items that can be delivered to a store in its network within 24 hours. Hub stores are generally replenished from distribution centers multiple times per week. Hub stores have increased our ability to distribute products on a timely basis to many of our stores and to expand our product assortment.

During fiscal 2014 and 2015, we tested two new concepts of our domestic supply chain strategy, increased delivery frequency to our stores utilizing our distribution centers and significantly expanded parts assortments in select stores we call mega hubs. Our tests were concluded during fiscal 2015, and both initiatives were expanded to additional locations in fiscal 2016 and 2017.

Increased delivery frequency focuses on improving our in-stock position of our core store-stocked product by providing deliveries to certain stores multiple times per week. We are continuing to test our new frequency of delivery for certain volume stores to ensure the model is producing sufficient benefit to justify the costs. We had roughly 2,300 stores receiving more deliveries multiple times per week at the end of the third quarter of fiscal 2017. As the results have not been conclusive to date, we are continuing to test different scenarios to determine the optimal approach.

A mega hub store carries inventory of 80,000 to 100,000 unique SKUs, approximately twice what a hub store carries. Mega hubs provide coverage to both surrounding stores and other hub stores multiple times a day or on an overnight basis. Currently, we have over 4,000 stores with access to mega hub inventory. A majority of these 4,000 stores receive their service on an overnight basis today, but as we expand our mega hubs, more of them will receive this service same day and many will receive it multiple times per day. We ended fiscal 2017 with 16 mega hubs, an increase of five since fiscal 2016.

Competition

The sale of automotive parts, accessories and maintenance items is highly competitive in many areas, including name recognition, product availability, customer service, store location and price. AutoZone competes in the aftermarket auto parts industry, which includes both the retail DIY and commercial do-it-for-me (“DIFM”) auto parts and products markets.

Competitors include national, regional and local auto parts chains, independently owned parts stores, online parts stores, wholesale distributors, jobbers, repair shops, car washes and auto dealers, in addition to discount and mass merchandise stores, department stores, hardware stores, supermarkets, drugstores, convenience stores, home stores, and other online retailers that sell aftermarket vehicle parts and supplies, chemicals, accessories, tools and maintenance parts. AutoZone competes on the basis of customer service, including the trustworthy advice of our AutoZoners; merchandise quality, selection and availability; price; product warranty; store layouts, location and convenience; and the strength of our AutoZone brand name, trademarks and service marks.

Trademarks and Patents

We have registered several service marks and trademarks in the United States Patent and Trademark office as well as in certain other countries, including our service marks, “AutoZone” and “Get in the Zone,” and trademarks, “AutoZone,” “Duralast,” “Duralast Gold,” “Duralast Platinum,” “Duralast ProPower,” “Duralast ProPower Plus,” “Duralast ProPower Ultra,” “Duralast ProPower AGM,” “Valucraft,” “ProElite,” “SureBilt,” “ALLDATA,” “AutoAnything,” “IMC,” “Loan-A-Tool” and “Z-net.” We believe that these service marks and trademarks are important components of our marketing and merchandising strategies.

Employees

As of August 26, 2017, we employed over 87,000 persons, approximately 61 percent of whom were employed full-time. About 90 percent of our AutoZoners were employed in stores or in direct field supervision, approximately 6 percent in distribution centers and approximately 4 percent in store support and other functions. Included in the above numbers are approximately 8,200 persons employed in our Mexico and Brazil operations.

We have never experienced any material labor disruption and believe that relations with our AutoZoners are good.

AutoZone Websites

AutoZone’s primary website is at http://www.autozone.com. We make available, free of charge, at our investor relations website, http://www.autozoneinc.com, our Annual Reports on Form 10-K,Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, proxy statements, registration statements and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities and Exchange Act of 1934, as amended, as soon as reasonably feasible after we electronically file such material with, or furnish it to, the Securities and Exchange Commission. Our website and the information contained therein or linked thereto are not intended to be incorporated into this Annual Report or Form 10-K.

Executive Officers of the Registrant

The following list describes our executive officers. The title of each executive officer includes the words "Customer Satisfaction" which reflects our commitment to customer service. Officers are elected by and serve at the discretion of the Board of Directors.

William C. Rhodes, III, 52—Chairman, President and Chief Executive Officer, Customer Satisfaction
William C. Rhodes, III, was named Chairman of AutoZone during fiscal 2007 and has been President, Chief Executive Officer and a director since March 2005. Prior to his appointment as President and Chief Executive Officer, Mr. Rhodes was Executive Vice President – Store Operations and Commercial. Previously, he held several key management positions with the Company. Prior to 1994, Mr. Rhodes was a manager with Ernst & Young LLP. Mr. Rhodes is a member of the Board of Directors for Dollar General Corporation.

William T. Giles, 58—Chief Financial Officer and Executive Vice President – Finance and Information Technology, Customer Satisfaction
William T. Giles was named Chief Financial Officer during May 2006. He has also held other responsibilities at various times including Executive Vice President of Finance, Information Technology, ALLDATA and Store Development. From 1991 to May 2006, he held several positions with Linens N' Things, Inc., most recently as the Executive Vice President and Chief Financial Officer. Prior to 1991, he was with Melville, Inc. and PricewaterhouseCoopers. Mr. Giles is a member of the Board of Directors for Brinker International.

Mark A. Finestone, *56—Executive Vice President – Merchandising, Supply Chain and Marketing, Customer Satisfaction*
Mark A. Finestone was named Executive Vice President – Merchandising, Supply Chain and Marketing during October 2015. Previously, he was Senior Vice President – Merchandising and Store Development since 2014, Senior Vice President – Merchandising from 2008 to 2014, and Vice President – Merchandising from 2002 to 2008. Prior to joining AutoZone in 2002, Mr. Finestone worked for May Department Stores for 19 years where he held a variety of leadership roles which included Divisional Vice President, Merchandising.

William W. Graves, *57—Executive Vice President – Mexico, Brazil, IMC and Store Development, Customer Satisfaction*
William W. Graves was named Executive Vice President – Mexico, Brazil, IMC and Store Development during October 2015. Previously, he was Senior Vice President – Supply Chain and International since 2012. Prior thereto, he was Senior Vice President – Supply Chain from 2006 to 2012 and Vice President – Supply Chain from 2000 to 2006. From 1992 to 2000, Mr. Graves served in various capacities within the Company.

Thomas B. Newbern, 55—Executive Vice President – Store Operations, Commercial, Loss Prevention and ALLDATA, Customer Satisfaction
Thomas B. Newbern was named Executive Vice President – Store Operations, Commercial, Loss Prevention and ALLDATA during February 2017. Prior to that, he was Executive Vice President – Store Operations, Commercial and Loss Prevention since October 2015. Previously, he held the titles Senior Vice President – Store Operations and Loss Prevention from 2014 to 2015, Senior Vice President – Store Operations and Store Development from 2012 to 2014, Senior Vice President – Store Operations from 2007 to 2012 and Vice President – Store Operations from 1998 to 2007. Prior thereto, he served in various capacities within the Company.

Philip B. Daniele, 48—Senior Vice President – Commercial, Customer Satisfaction
Philip B. Daniele was elected Senior Vice President – Commercial during November 2015. Prior to that, he was Vice President – Commercial since 2013 and Vice President – Merchandising from 2008 to 2013. Previously, he was Vice President – Store Operations from 2005 to 2008. From 1993 until 2008, Mr. Daniele served in various capacities within the Company.

Ronald B. Griffin, 63—Senior Vice President and Chief Information Officer, Customer Satisfaction
Ronald B. Griffin was elected Senior Vice President and Chief Information Officer during June 2012. Prior to that, he was Senior Vice President, Global Information Technology at Hewlett-Packard Company. During his tenure at Hewlett-Packard Company, he also served as the Chief Information Officer for the Enterprise Business Division. Prior to that, Mr. Griffin was Executive Vice President and Chief Information Officer for Fleming Companies, Inc. He also spent over 12 years with The Home Depot, Inc., with the last eight years in the role of Chief Information Officer. Mr. Griffin also served at Deloitte & Touche LLP and Delta Air Lines, Inc.

James C. Griffith, 52—Senior Vice President – Store Operations, Customer Satisfaction
James C. Griffith was named Senior Vice President – Store Operations in November 2015. Prior to that, he was Vice President – Store Development since October 2010 and Vice President – Store Operations since 2007. Prior thereto, he held several management positions within the Company.

William R. Hackney, 52—Senior Vice President – Merchandising, Customer Satisfaction
William R. Hackney was named Senior Vice President, Merchandising in October 2015. His career with AutoZone began in 1983, and he has held several key management roles within the Company, including Vice President – Store Operations Support and Vice President – Merchandising.

Rodney C. Halsell, 49—Senior Vice President – Supply Chain, Customer Satisfaction
Rodney C. Halsell was named Senior Vice President – Supply Chain during October 2015. Prior to that, he was Vice President – Distribution since 2005. From 1985 to 2005, he held several management positions and served in various capacities within the Company.

Charlie Pleas, III, 52—Senior Vice President and Controller, Customer Satisfaction
Charlie Pleas, III, was elected Senior Vice President and Controller during 2007. Prior to that, he was Vice President and Controller since 2003. Previously, he was Vice President – Accounting since 2000, and Director of General Accounting since 1996. Prior to joining AutoZone, Mr. Pleas was a Division Controller with Fleming Companies, Inc. where he served in various capacities since 1988. Mr. Pleas is a member of the Board of Directors for Kirkland's Inc.

Albert Saltiel, 53—Senior Vice President – Marketing and E-Commerce, Customer Satisfaction
Albert Saltiel was named Senior Vice President – Marketing and E-Commerce during October 2014. Previously, he was elected Senior Vice President – Marketing since 2013. Prior to that, he was Chief Marketing Officer and a key member of the leadership team at Navistar International Corporation. Mr. Saltiel has also been with Sony Electronics as General Manager, Marketing, and Ford Motor Company where he held multiple marketing roles.

Richard C. Smith, 53—Senior Vice President – Human Resources, Customer Satisfaction
Richard C. Smith was elected Senior Vice President – Human Resources in December 2015. He has been an AutoZoner since 1985, previously holding the position of Vice President of Stores since 1997. Prior thereto, he served in various capacities within the Company.

Kristen C. Wright, 41—Senior Vice President – General Counsel & Secretary, Customer Satisfaction
Kristen C. Wright was named Senior Vice President – General Counsel & Secretary effective January 2014. She previously held the title of Vice President – Assistant General Counsel & Assistant Secretary since January 2012. Before joining AutoZone, she was a partner with the law firm of Bass, Berry & Sims PLC.

Item 1A. Risk Factors

Our business is subject to a variety of risks. Set forth below are certain of the important risks that we face, the occurrence of which could have a material adverse effect on our business. These risks are not the only ones we face. Our business could also be affected by additional factors that are presently unknown to us or that we currently believe to be immaterial to our business.

If demand for our products slows, then our business may be materially adversely affected.

Demand for the products we sell may be affected by a number of factors we cannot control, including:

- the number of older vehicles in service. Vehicles seven years old or older are generally no longer under the original vehicle manufacturers' warranties and tend to need more maintenance and repair than newer vehicles.

- rising energy prices. Increases in energy prices may cause our customers to defer purchases of certain of our products as they use a higher percentage of their income to pay for gasoline and other energy costs and may drive their vehicles less, resulting in less wear and tear and lower demand for repairs and maintenance.

- the economy. In periods of declining economic conditions, consumers may defer vehicle maintenance or repair and discretionary spending. Additionally, such conditions may affect our customers' ability to obtain credit. During periods of expansionary economic conditions, more of our DIY customers may pay others to repair and maintain their vehicles instead of working on their own vehicles, or they may purchase new vehicles.

- the weather. Mild weather conditions may lower the failure rates of automotive parts, while wet conditions may cause our customers to defer maintenance and repair on their vehicles. Extremely hot or cold conditions may enhance demand for our products due to increased failure rates of our customers' automotive parts.

- technological advances. Advances in automotive technology and parts design can result in cars needing maintenance less frequently and parts lasting longer.

For the long term, demand for our products may be affected by:

- the number of miles vehicles are driven annually. Higher vehicle mileage increases the need for maintenance and repair. Mileage levels may be affected by gas prices and other factors.

- the quality of the vehicles manufactured by the original vehicle manufacturers and the length of the warranties or maintenance offered on new vehicles.

- restrictions on access to telematics and diagnostic tools and repair information imposed by the original vehicle manufacturers or by governmental regulation, which may cause vehicle owners to rely on dealers to perform maintenance and repairs.

All of these factors could result in immediate and longer term declines in the demand for our products, which could adversely affect our sales, cash flows and overall financial condition.

If we are unable to compete successfully against other businesses that sell the products that we sell, we could lose customers and our sales and profits may decline.

The sale of automotive parts, accessories and maintenance items is highly competitive, and sales volumes are dependent on many factors, including name recognition, product availability, customer service, store location and price. Competitors are opening locations near our existing locations. AutoZone competes as a provider in both the DIY and DIFM auto parts and accessories markets.

Our competitors include national, regional and local auto parts chains, independently owned parts stores, online automotive parts stores or marketplaces, wholesale distributors, jobbers, repair shops, car washes and auto dealers, in addition to discount and mass merchandise stores, hardware stores, supermarkets, drugstores, convenience stores, home stores, and other retailers that sell aftermarket vehicle parts and supplies, chemicals, accessories, tools and maintenance parts. Although we believe we compete effectively on the basis of customer service, including the knowledge and expertise of our AutoZoners; merchandise quality, selection and availability; product warranty; store layout, location and convenience; price; and the strength of our AutoZone brand name, trademarks and service marks, some of our competitors may gain competitive advantages, such as greater financial and marketing resources allowing them to sell automotive products at lower prices, larger stores with more merchandise, longer operating histories, more frequent customer visits and more effective advertising. Online and multi-channel retailers often focus on delivery services, offering customers faster, guaranteed delivery times and low-price or free shipping. Some online businesses have lower operating costs than we do and may not be required to collect and remit sales taxes in all U.S. states, which may negatively impact our ability to be price-competitive on a tax-included basis. In addition, because our business strategy is based on offering superior levels of customer service to complement the products we offer, our cost structure is higher than some of our competitors, which also puts pressure on our margins.

Consumers are embracing shopping online and through mobile commerce applications. With the increasing use of digital tools and social media, and our competitors' increased focus on optimizing customers' online experience, our customers are quickly able to compare prices, product assortment, and feedback from other customers before purchasing our products either online, in the physical stores, or through a combination of both offerings. We believe that we compete effectively on the basis of merchandise availability as a result of investments in inventory available for immediate sale, the development of a robust hub and mega hub distribution network providing efficient access to obtain products required on-demand, options to order products online or by telephone and pick them up in stores and options for special orders directly from our vendors. We also offer hassle-free returns to our customers. In addition, we believe that customers value the personal interaction with a salesperson that is qualified to offer trustworthy advice and provide other free services such as parts testing.

We also utilize promotions, advertising and our loyalty programs to drive customer traffic and compete more effectively, and we must regularly assess and adjust our efforts to address changes in the competitive marketplace. If we are unable to continue to manage readily-available inventory demand and competitive delivery options as well as develop successful competitive strategies, including the maintenance of effective promotions, advertising and loyalty card programs, or if our competitors develop more effective strategies, we could lose customers and our sales and profits may decline.

We may not be able to sustain our historic rate of sales growth.

We have increased our location count in the past five fiscal years, growing from 5,006 locations at August 25, 2012, to 6,029 locations at August 26, 2017, an average location increase per year of 4%. Additionally, we have increased annual revenues in the past five fiscal years from $8.604 billion in fiscal 2012 to $10.889 billion in fiscal 2017, an average increase per year of 5%. Annual revenue growth is driven by the opening of new locations, the development of new commercial programs and increases in same store sales. We open new locations only after evaluating customer buying trends and market demand/needs, all of which could be adversely affected by persistent unemployment, wage cuts, small business failures and microeconomic conditions unique to the automotive industry. Same store sales are impacted both by customer demand levels and by the prices we are able to charge for our products, which can also be negatively impacted by the economic pressures mentioned above. We cannot provide any assurance that we will continue to open locations at historical rates or continue to achieve increases in same store sales.

Consolidation among our competitors may negatively impact our business.

Historically some of our competitors have merged. Consolidation among our competitors could enhance their market share and financial position, provide them with the ability to achieve better purchasing terms and provide more competitive prices to customers for whom we compete, and allow them to utilize merger synergies and cost savings to increase advertising and marketing budgets to more effectively compete for customers. Consolidation by our competitors could also increase their access to local market parts assortment.

These consolidated competitors could take sales volume away from us in certain markets, could achieve greater market penetration, could cause us to change our pricing with a negative impact on our margins or could cause us to spend more money to maintain customers or seek new customers, all of which could negatively impact our business.

If we cannot profitably increase our market share in the commercial auto parts business, our sales growth may be limited.

Although we are one of the largest sellers of auto parts in the commercial market, we must effectively compete against national and regional auto parts chains, independently owned parts stores, wholesalers and jobbers in order to increase our commercial market share. Although we believe we compete effectively in the commercial market on the basis of customer service, merchandise quality, selection and availability, price, product warranty, distribution locations, and the strength of our AutoZone brand name, trademarks and service marks, some automotive aftermarket participants have been in business for substantially longer periods of time than we have, and as a result have developed long-term customer relationships and have large available inventories. If we are unable to profitably develop new commercial customers, our sales growth may be limited.

A downgrade in our credit ratings or a general disruption in the credit markets could make it more difficult for us to access funds, refinance our debt, obtain new funding or issue securities.

Our short-term and long-term debt is rated investment grade by the major rating agencies. These investment-grade credit ratings have historically allowed us to take advantage of lower interest rates and other favorable terms on our short-term credit lines, in our senior debt offerings and in the commercial paper markets. To maintain our investment-grade ratings, we are required to meet certain financial performance ratios. A change by the rating agencies in these ratios, an increase in our debt, and/or a decline in our earnings could result in downgrades in our credit ratings. A downgrade in our credit ratings could limit our access to public debt markets, limit the institutions willing to provide credit facilities to us, result in more restrictive financial and other covenants in our public and private debt and would likely significantly increase our overall borrowing costs and adversely affect our earnings.

Moreover, significant deterioration in the financial condition of large financial institutions during the Great Recession resulted in a severe loss of liquidity and availability of credit in global credit markets and in more stringent borrowing terms. During brief time intervals, there was limited liquidity in the commercial paper markets, resulting in an absence of commercial paper buyers and extraordinarily high interest rates. We can provide no assurance that such similar events that occurred during the Great Recession will not occur again in the foreseeable future. Conditions and events in the global credit markets could have a material adverse effect on our access to short-term and long-term debt and the terms and cost of that debt.

Significant changes in macroeconomic and geo-political factors could adversely affect our financial condition and results of operations.

Macroeconomic conditions impact both our customers and our suppliers. Job growth in the U.S. was stagnated and unemployment was at historically high levels during the Great Recession; however, in recent years, the unemployment rate has improved to pre-recession levels. Moreover, the United States government continues to operate under historically large deficits and debt burden. Continued distress in global credit markets, business failures, inflation, foreign exchange rate fluctuations, significant geo-political conflicts, continued volatility in energy prices and other factors continue to affect the global economy. Moreover, rising energy prices could impact our merchandise distribution, commercial delivery, utility and product costs. Over the short term, such factors could positively impact our business. Over a longer period of time, all of these macroeconomic and geo-political conditions could adversely affect our sales growth, margins and overhead, which could adversely affect our financial condition and operations.

Our business depends upon hiring and retaining qualified employees.

We believe that much of our brand value lies in the quality of the more than 87,000 AutoZoners employed in our stores, distribution centers, store support centers, ALLDATA, AutoAnything and IMC. Our workforce costs represent our largest operating expense, and our business is subject to employment laws and regulations, including requirements related to minimum wage and benefits. In addition, the implementation of potential regulatory changes relating to overtime exemptions and benefits for certain employees under federal and state laws could result in increased labor costs to our business and negatively impact our operating results. We cannot be assured that we can continue to hire and retain qualified employees at current wage rates since we operate in a competitive labor market and there is a risk of market increases in compensation.

If we are unable to hire, properly train and/or retain qualified employees, we could experience higher employment costs, reduced sales, losses of customers and diminution of our brand, which could adversely affect our earnings. If we do not maintain competitive wages, our customer service could suffer due to a declining quality of our workforce or, alternatively, our earnings could decrease if we increase our wage rates. A violation or change in employment laws and/or regulations could have a material adverse effect on our results of operations, financial condition and cash flows.

Inability to acquire and provide quality merchandise at competitive prices could adversely affect our sales and results of operations.

We are dependent upon our domestic and international vendors continuing to supply us with quality merchandise at favorable prices and payment terms. If our merchandise offerings do not meet our customers' expectations regarding quality and safety, we could experience lost sales, increased costs and exposure to legal and reputational risk. All of our vendors must comply with applicable product safety laws, and we are dependent on them to ensure that the products we buy comply with all safety and quality standards. Events that give rise to actual, potential or perceived product safety concerns could expose us to government enforcement action or private litigation and result in costly product recalls and other liabilities. To the extent our suppliers are subject to added government regulation of their product design and/or manufacturing processes, the cost of the merchandise we purchase may rise. In addition, negative customer perceptions regarding the safety or quality of the products we sell could cause our customers to seek alternative sources for their needs, resulting in lost sales. In those circumstances, it may be difficult and costly for us to rebuild our reputation and regain the confidence of our customers. Moreover, our vendors are impacted by global economic conditions. Credit market and other macroeconomic conditions could have a material adverse effect on the ability of our suppliers to finance and operate their businesses, resulting in increased product costs and difficulties in meeting our inventory demands. If any of our significant vendors experience financial difficulties or otherwise are unable to deliver merchandise to us on a timely basis, or at all, we could have product shortages in our stores that could adversely affect customers' perceptions of us and cause us to lose customers and sales.

We directly imported approximately 10% of our purchases in fiscal 2017, but many of our domestic vendors directly import their products or components of their products. Disruptions in the price or flow of these goods for any reason, such as political unrest or acts of war, currency fluctuations, disruptions in maritime lanes, port labor disputes and economic conditions and instability in the countries in which foreign suppliers are located, the financial instability of suppliers, suppliers' failure to meet our standards, issues with labor practices of our suppliers or labor problems they may experience (such as strikes, stoppages or slowdowns, which could also increase labor costs during and following the disruption), the availability and cost of raw materials to suppliers, increased import duties, merchandise quality or safety issues, transport availability and cost, increases in wage rates and taxes, transport security, inflation and other factors relating to the suppliers and the countries in which they are located or from which they import, are beyond our control and could adversely affect our operations and profitability. In addition, the United States' foreign trade policies, tariffs and other impositions on imported goods, trade sanctions imposed on certain countries, the limitation on the importation of certain types of goods or of goods containing certain materials from other countries and other factors relating to foreign trade and port labor agreements are beyond our control. These and other factors affecting our suppliers and our access to products could adversely affect our business and financial performance. As we increase our imports of merchandise from foreign vendors, the risks associated with these imports will also increase.

Our ability to grow depends in part on new location openings, existing location remodels and expansions and effective utilization of our existing supply chain and hub network.

Our continued growth and success will depend in part on our ability to open and operate new locations and expand and remodel existing locations to meet customers' needs on a timely and profitable basis. Accomplishing our new and existing location expansion goals will depend upon a number of factors, including the ability to partner with developers and landlords to obtain suitable sites for new and expanded locations at acceptable costs, the hiring and training of qualified personnel and the integration of new locations into existing operations. There can be no assurance we will be able to achieve our location expansion goals, manage our growth effectively, successfully integrate the planned new locations into our operations or operate our new, remodeled and expanded locations profitably.

In addition, we extensively utilize our hub network, our supply chain and logistics management techniques to efficiently stock our locations. We have made, and plan to continue to make, significant investments in our supply chain to improve our ability to provide the best parts at the right price and to meet consumer product needs. If we fail to effectively utilize our existing hubs and/or supply chains or if our investments in our supply chain initiatives, including directly sourcing some products from outside the United States, do not provide the anticipated benefits, we could experience sub-optimal inventory levels in our locations or increases in our operating costs, which could adversely affect our sales volume and/or our margins.

Our failure to protect our reputation could have a material adverse effect on our brand name and profitability.

We believe our continued strong sales growth is driven in significant part by our brand name. The value in our brand name and its continued effectiveness in driving our sales growth are dependent to a significant degree on our ability to maintain our reputation for safety, high product quality, friendliness, service, trustworthy advice, integrity and business ethics. Any negative publicity about these areas could damage our reputation and may result in reduced demand for our merchandise. The increasing use of technology also poses a risk as customers are able to quickly compare products and prices and use social media to provide feedback in a manner that is rapidly and broadly dispersed. Our reputation could be impacted if customers have a bad experience and share it over social media.

Failure to comply with ethical, social, product, labor, environmental, and anti-corruption standards could also jeopardize our reputation and potentially lead to various adverse actions by consumer or environmental groups, employees or regulatory bodies. Failure to comply with applicable laws and regulations, to maintain an effective system of internal controls or to provide accurate and timely financial statement information could also hurt our reputation. If we fail to comply with existing or future laws or regulations, we may be subject to governmental or judicial fines or sanctions, while incurring substantial legal fees and costs. In addition, our capital and operating expenses could increase due to implementation of and compliance with existing and future laws and regulations or remediation measures that may be required if we are found to be noncompliant with any existing or future laws or regulations. The inability to pass through any increased expenses through higher prices would have an adverse effect on our results of operations.

Damage to our reputation or loss of consumer confidence for any of these or other reasons could have a material adverse effect on our results of operations and financial condition, as well as require additional resources to rebuild our reputation.

Our success in international operations is dependent on our ability to manage the unique challenges presented by international markets.

The various risks we face in our U.S. operations generally also exist when conducting operations in and sourcing products and materials from outside of the U.S., in addition to the unique costs, risks and difficulties of managing international operations. Our expansion into international markets may be adversely affected by local laws and customs, U.S. laws applicable to foreign operations, and political and socio-economic conditions.

Risks inherent in international operations also include potential adverse tax consequences, potential changes to trade policies and trade agreements, compliance with the Foreign Corrupt Practices Act and local anti-bribery and anti-corruption laws, greater difficulty in enforcing intellectual property rights, challenges to identify and gain access to local suppliers, and possibly misjudging the response of consumers in foreign countries to our product assortment and marketing strategy.

In addition, our operations in international markets are conducted primarily in the local currency of those countries. Since our consolidated financial statements are denominated in U.S. dollars, amounts of assets, liabilities, net sales, and other revenues and expenses denominated in local currencies must be translated into U.S. dollars using exchange rates for the current period. As a result, foreign currency exchange rates and fluctuations in those rates may adversely impact our financial performance.

Failure to protect or effectively respond to a breach of the privacy and security of customers', suppliers', AutoZoners' or Company information could damage our reputation, subject us to litigation, and cause us to incur substantial costs.

Our business, like that of most retailers and distributors, involves the receipt, storage and transmission of personal information about our customers, suppliers and AutoZoners, some of which is entrusted to third-party service providers and vendors. Failure to protect the security of our customers', suppliers', employees' and company information could subject us to costly regulatory enforcement actions, expose us to litigation and impair our reputation, which may have a negative impact on our sales. While we and our third-party service providers and vendors take significant steps to protect customer, supplier, employee and other confidential information, including maintaining compliance with payment card industry standards, these security measures may be breached in the future due to cyber-attack, employee error, system compromises, fraud, trickery, hacking or other intentional or unintentional acts, and unauthorized parties may obtain access to this data. Failure to effectively respond to system compromises may undermine our security measures. The methods used to obtain unauthorized access are constantly evolving, and may be difficult to anticipate or detect for long periods of time. As the regulatory environment related to information security, data collection and use, and privacy becomes increasingly rigorous, compliance with these requirements could also result in significant additional costs.

We accept payments using a variety of methods, including cash, checks, credit, debit and gift cards, and we may offer new payment options over time, which may have information security risk implications. As a retailer accepting debit and credit cards for payment, we are subject to various industry data protection standards and protocols, such as the American National Standards Institute encryption standards and payment network security operating guidelines and Payment Card Industry Data Security Standard. Even though we comply with these standards and protocols and other information security measures, we cannot be certain that the security measures we maintain to protect all of our information technology systems are able to prevent, contain or detect any cyber-attacks, cyber terrorism, or security breaches from known cyber-attacks or malware that may be developed in the future. To the extent that any cyber-attack or incursion in our or one of our third-party service provider's information systems results in the loss, damage or misappropriation of information, we may be materially adversely affected by claims from customers, financial institutions, regulatory authorities, payment card networks and others. In certain circumstances, payment card association rules and obligations to which we are subject under our contracts with payment card processors make us liable to payment card issuers if information in connection with payment cards and payment card transactions that we hold is compromised, which liabilities could be substantial. In addition, the cost of complying with stricter and more complex data privacy, data collection and information security laws and standards could be significant to us.

We rely heavily on our information technology systems for our key business processes. Any failure or interruption in these systems could have a material adverse impact on our business.

We rely extensively on our information technology systems, some of which are managed or provided by third-party service providers, to manage inventory, communicate with customers, process transactions and summarize results. Our systems and the third-party systems we rely on are subject to damage or interruption from power outages, telecommunications failures, computer viruses, security breaches, malicious cyber-attacks, catastrophic events, and design or usage errors by our AutoZoners, contractors or third-party service providers. Although we and our third-party service providers work diligently to maintain our respective systems, we may not be successful in doing so.

If our systems are damaged or fail to function properly, we may incur substantial costs to repair or replace them, and may experience loss of critical data and interruptions or delays in our ability to manage inventories or process transactions, which could result in lost sales, inability to process purchase orders and/or a potential loss of customer loyalty, which could adversely affect our results of operations.

Business interruptions may negatively impact our location hours, operability of our computer and other systems, availability of merchandise and otherwise have a material negative effect on our sales and our business.

War or acts of terrorism, political unrest, unusual weather conditions, hurricanes, tornadoes, windstorms, fires, earthquakes, floods and other natural or other disasters or the threat of any of them, may result in certain of our locations being closed for a period of time or permanently or have a negative impact on our ability to obtain merchandise available for sale in our locations. Some of our merchandise is imported from other countries. If imported goods become difficult or impossible to bring into the United States, and if we cannot obtain such merchandise from other sources at similar costs, our sales and profit margins may be negatively affected.

In the event that commercial transportation is curtailed or substantially delayed, our business may be adversely impacted, as we may have difficulty shipping merchandise to our distribution centers and locations resulting in lost sales and/or a potential loss of customer loyalty. Transportation issues could also cause us to cancel purchase orders if we are unable to receive merchandise in our distribution centers.

Item 1B. Unresolved Staff Comments

None**.**

Item 2. Properties

The following table reflects the square footage and number of leased and owned properties for our AutoZone stores as of August 26, 2017:

	No. of AZ Stores	AZ Store Square Footage
Leased	3,115	20,177,795
Owned	2,888	19,506,505
Total	6,003	39,684,300

We have approximately 5.3 million square feet in distribution centers servicing our AutoZone stores, of which approximately 1.8 million square feet is leased and the remainder is owned. Our 11 AutoZone distribution centers are located in Arizona, California, Georgia, Illinois, Ohio, Pennsylvania, Tennessee, Texas, Washington and two in Mexico. We currently have one additional domestic distribution center under development. Of our 26 IMC branches, 25 branches, consisting of 854,804 square feet, are leased, and one branch, consisting of approximately 23 thousand square feet, is owned. Our primary store support center is located in Memphis, Tennessee, and consists of approximately 260,000 square feet. We also have three additional AutoZone store support centers located in Monterrey, Mexico; Chihuahua, Mexico and Sao Paulo, Brazil, and an IMC branch support center located in Canoga Park, California. The ALLDATA headquarters in Elk Grove, California and the AutoAnything headquarters space in San Diego, California are leased, and we also own or lease other properties that are not material in the aggregate.

Item 3. Legal Proceedings

In 2004, we acquired a store site in Mount Ephraim, New Jersey that had previously been the site of a gasoline service station and contained evidence of groundwater contamination. Upon acquisition, we voluntarily reported the groundwater contamination issue to the New Jersey Department of Environmental Protection (“NJDEP”) and entered into a Voluntary Remediation Agreement providing for the remediation of the contamination associated with the property. We have conducted and paid for (at an immaterial cost to us) remediation of contamination on the property.

We have also voluntarily investigated and addressed potential vapor intrusion impacts in downgradient residences and businesses. The NJDEP has asserted, in a Directive and Notice to Insurers dated February 19, 2013 and again in an Amended Directive and Notice to Insurers dated January 13, 2014 (collectively the "Directives"), that we are liable for the downgradient impacts under a joint and severable liability theory. By letter dated April 23, 2015, NJDEP has demanded payment from us, and other parties, in the amount of approximately $296 thousand for costs incurred by NJDEP in connection with contamination downgradient of the property. By letter dated January 29, 2016, we were informed that NJDEP has filed a lien against the property in connection with approximately $355 thousand in costs incurred by NJDEP in connection with contamination downgradient of the property. We have contested, and will continue to contest, any such assertions due to the existence of other entities/sources of contamination, some of which are named in the Directives and the April 23, 2015 demand, in the area of the property. Pursuant to the Voluntary Remediation Agreement, upon completion of all remediation required by the agreement, we believe we should be eligible to be reimbursed up to 75 percent of qualified remediation costs by the State of New Jersey. We have asked the state for clarification that the agreement applies to off-site work, and the state is considering the request. Although the aggregate amount of additional costs that we may incur pursuant to the remediation cannot currently be ascertained, we do not currently believe that fulfillment of our obligations under the agreement or otherwise will result in costs that are material to our financial condition, results of operations or cash flow.

In July 2014, we received a subpoena from the District Attorney of the County of Alameda, along with other environmental prosecutorial offices in the state of California, seeking documents and information related to the handling, storage and disposal of hazardous waste. We received notice that the District Attorney will seek injunctive and monetary relief. We are cooperating fully with the request and cannot predict the ultimate outcome of these efforts, although we have accrued all amounts we believe to be probable and reasonably estimable. We do not believe the ultimate resolution of this matter will have a material adverse effect on our consolidated financial position, results of operations or cash flows.

In April 2016, we received a letter from the California Air Resources Board seeking payment for alleged violations of the California Health and Safety Code related to the sale of certain aftermarket emission parts in the State of California. We do not believe that any resolution of the matter will have a material adverse effect on our consolidated financial position, results of operations or cash flows.

We are involved in various other legal proceedings incidental to the conduct of our business, including several lawsuits containing class-action allegations in which the plaintiffs are current and former hourly and salaried employees who allege various wage and hour violations and unlawful termination practices. We do not currently believe that, either individually or in the aggregate, these matters will result in liabilities material to our financial condition, results of operations or cash flows.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock is listed on the New York Stock Exchange under the symbol "AZO." On October 23, 2017, there were 2,347 stockholders of record, which does not include the number of beneficial owners whose shares were represented by security position listings.

We currently do not pay a dividend on our common stock. Our ability to pay dividends is subject to limitations imposed by Nevada law. Any future payment of dividends would be dependent upon our financial condition, capital requirements, earnings and cash flow.

The following table sets forth the high and low sales prices per share of common stock, as reported by the New York Stock Exchange, for the periods indicated:

	Price Range of Common Stock	
Fiscal Year ended August 26, 2017:	High	Low
Fourth quarter	$ 709.98	$ 493.15
Third quarter	$ 741.05	$ 682.99
Second quarter	$ 809.87	$ 714.99
First quarter	$ 779.61	$ 722.44
Fiscal Year Ended August 27, 2016:		
Fourth quarter	$ 815.98	$ 742.08
Third quarter	$ 805.40	$ 748.51
Second quarter	$ 796.09	$ 695.46
First quarter	$ 797.29	$ 714.37

During 1998, the Company announced a program permitting the Company to repurchase a portion of its outstanding shares not to exceed a dollar maximum established by the Company's Board of Directors. The program was most recently amended on March 21, 2017, to increase the repurchase authorization by $750 million bringing total value of authorized share repurchases to $18.65 billion.

Shares of common stock repurchased by the Company during the quarter ended August 26, 2017, were as follows:

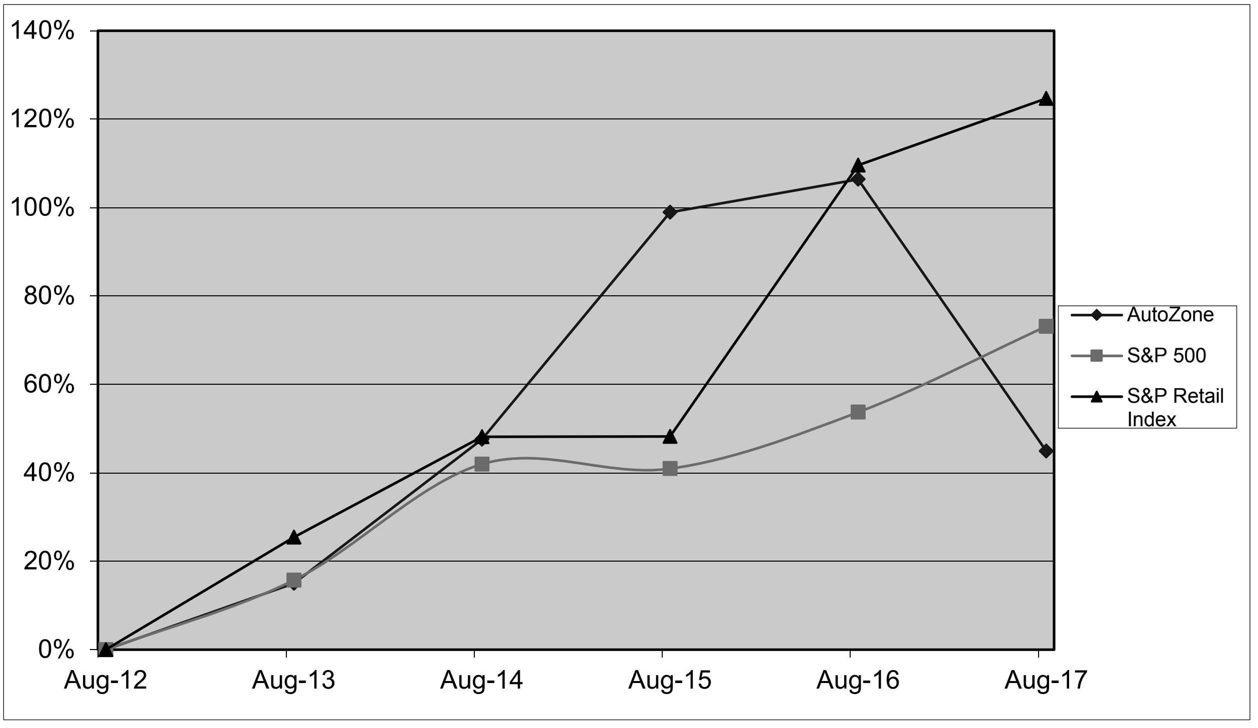
Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Dollar Value that May Yet Be Purchased Under the Plans or Programs
May 7, 2017, to June 3, 2017	131,400	$ 689.21	131,400	$ 960,606,233
June 4, 2017, to July 1, 2017	187,136	597.99	187,136	848,701,210
July 2, 2017, to July 29, 2017	-	-	-	848,701,210
July 30, 2017, to August 26, 2017	47,118	530.57	47,118	823,701,893
Total	365,654	$ 622.08	365,654	$ 823,701,893

The Company also repurchased, at market value, an additional 12,455 shares in fiscal 2017, 12,460 shares in fiscal 2016, and 15,594 shares in fiscal 2015 from employees electing to sell their stock under the Company's Sixth Amended and Restated Employee Stock Purchase Plan (the "Employee Plan"), qualified under Section 423 of the Internal Revenue Code, under which all eligible employees may purchase AutoZone's common stock at 85% of the lower of the market price of the common stock on the first day or last day of each calendar quarter through payroll deductions. Maximum permitted annual purchases are $15,000 per employee or 10 percent of compensation, whichever is less. Under the Employee Plan, 14,205 shares were sold to employees in fiscal 2017, 12,662 shares in fiscal 2016, and 14,222 shares were sold to employees in fiscal 2015. At August 26, 2017, 178,300 shares of common stock were reserved for future issuance under the Employee Plan.

Once executives have reached the maximum purchases under the Employee Plan, the Fifth Amended and Restated Executive Stock Purchase Plan (the “Executive Plan”) permits all eligible executives to purchase AutoZone’s common stock up to 25 percent of his or her annual salary and bonus. Purchases by executives under the Executive Plan were 1,865 shares in fiscal 2017, 1,943 shares in fiscal 2016, and 2,229 shares in fiscal 2015. At August 26, 2017, 239,888 shares of common stock were reserved for future issuance under the Executive Plan.

Stock Performance Graph

The graph below presents changes in the value of AutoZone’s stock as compared to Standard & Poor’s 500 Composite Index (“S&P 500”) and to Standard & Poor’s Retail Index (“S&P Retail Index”) for the five-year period beginning August 25, 2012 and ending August 26, 2017.



Item 6. Selected Financial Data

(in thousands, except per share data, same store sales and selected operating data)	Fiscal Year Ended August 2017	2016	2015	2014	2013[(1)]
Income Statement Data					
Net sales	$ 10,888,676	$ 10,635,676	$ 10,187,340	$ 9,475,313	$ 9,147,530
Cost of sales, including warehouse and delivery expenses	5,149,056	5,026,940	4,860,309	4,540,406	4,406,595
Gross profit	5,739,620	5,608,736	5,327,031	4,934,907	4,740,935
Operating, selling, general and administrative expenses	3,659,551	3,548,341	3,373,980	3,104,684	2,967,837
Operating profit	2,080,069	2,060,395	1,953,051	1,830,223	1,773,098
Interest expense, net	154,580	147,681	150,439	167,509	185,415
Income before income taxes	1,925,489	1,912,714	1,802,612	1,662,714	1,587,683
Income tax expense[(2)]	644,620	671,707	642,371	592,970	571,203
Net income[(2)]	$ 1,280,869	$ 1,241,007	$ 1,160,241	$ 1,069,744	$ 1,016,480
Diluted earnings per share[(2)]	$ 44.07	$ 40.70	$ 36.03	$ 31.57	$ 27.79
Weighted average shares for diluted earnings per share[(2)]	29,065	30,488	32,206	33,882	36,581
Adjusted diluted earnings per share[(2)]	$ 43.26	$ 40.70	$ 36.03	$ 31.57	$ 27.79
Same Store Sales					
Increase in domestic comparable store net sales[(3)]	0.5%	2.4%	3.8%	2.8%	0.0%
Balance Sheet Data					
Current assets	$ 4,611,255	$ 4,239,573	$ 3,970,294	$ 3,580,612	$ 3,278,013
Working capital (deficit)	(155,046)	(450,747)	(742,579)	(960,482)	(891,137)
Total assets	9,259,781	8,599,787	8,102,349	7,497,163	6,869,167
Current liabilities	4,766,301	4,690,320	4,712,873	4,541,094	4,169,150
Debt	5,081,238	4,924,119	4,624,876	4,323,106	4,164,078
Long-term capital leases	102,322	102,451	87,639	83,098	73,925
Stockholders' (deficit)	(1,428,377)	(1,787,538)	(1,701,390)	(1,621,857)	(1,687,319)
Selected Operating Data					
Number of locations at beginning of year	5,814	5,609	5,391	5,201	5,006
Acquired locations[(4)]	–	–	17	–	–
New locations	215	205	202	190	197
Closed locations	–	–	1	–	2
Net new locations	215	205	201	190	195
Relocated locations	5	6	5	8	11
Number of locations at end of year	6,029	5,814	5,609	5,391	5,201
AutoZone domestic commercial programs	4,592	4,390	4,141	3,845	3,421
Inventory per location (in thousands)	$ 644	$ 625	$ 610	$ 582	$ 550
Total AutoZone store square footage (in thousands)	39,684	38,198	36,815	35,424	34,076
Average square footage per AutoZone store	6,611	6,600	6,587	6,571	6,552
Increase in AutoZone store square footage	3.9%	3.8%	3.9%	4.0%	4.2%
Average net sales per AutoZone store (in thousands)	$ 1,756	$ 1,773	$ 1,761	$ 1,724	$ 1,736
Net sales per AutoZone store square foot	$ 266	$ 269	$ 268	$ 263	$ 265
Total employees at end of year (in thousands)	87	84	81	76	71
Inventory turnover[(5)]	1.4x	1.4x	1.4x	1.5x	1.6x
Accounts payable to inventory ratio	107.4%	112.8%	112.9%	114.9%	115.6%
After-tax return on invested capital[(6)]	29.9%	31.3%	31.2%	32.1%	32.9%
Adjusted debt to EBITDAR[(7)]	2.6	2.5	2.5	2.5	2.5
Net cash provided by operating activities (in thousands)[(2)]	$ 1,570,612	$ 1,641,060	$ 1,573,018	$ 1,365,005	$ 1,481,763
Cash flow before share repurchases and changes in debt (in thousands)[(8)]	$ 1,017,585	$ 1,166,987	$ 1,018,440	$ 924,706	$ 1,007,761
Share repurchases (in thousands)	$ 1,071,649	$ 1,452,462	$ 1,271,416	$ 1,099,212	$ 1,387,315
Number of shares repurchased (in thousands)	1,495	1,903	2,010	2,232	3,511

(1) The fiscal year ended August 31, 2013 consisted of 53 weeks.

(2) As described in the consolidated financial statements and notes, thereto, we have adopted the provisions of ASU 2016-09, Compensation – Stock Compensation (Topic 718): Improvement to Employee Share-based Payment Accounting, as of August 28, 2016. The ASU simplifies several aspects of accounting for share-based payments transactions, including income tax consequences, classification of awards as either equity or liabilities and classification on the statement of cash flows. We have applied the amendment requiring recognition of excess tax deficiencies and tax benefits in the income statement, prospectively. Prior period income tax expense, net income and diluted earnings per share amounts were not restated. The adoption of

the new standard increased diluted earnings per share for fiscal 2017 by $0.81, driven by a lower effective tax rate of 162 basis points, partially offset by a change to the dilutive outstanding shares calculation. Excluding the impact of excess tax benefits from option exercises, adjusted diluted earnings per share was $43.26. See Reconciliation of Non-GAAP Financial Measures in Management's Discussion and Analysis of Financial Condition and Results of Operations. We have applied the amendment relating to the presentation of the excess tax benefits on the Consolidated Statements of Cash Flows retrospectively. Prior period amounts for net cash provided by operating activities for all years presented above were restated to conform to the current period presentation.

(3) *The domestic comparable sales increases are based on sales for all AutoZone domestic stores open at least one year. Relocated stores are included in the same store sales computation based on the year the original store was opened. Closed store sales are included in the same store sales computation up to the week it closes, and excluded from the computation for all periods subsequent to closing. All sales through our* www.autozone.com *website, including consumer direct ship-to-home sales, are also included in the computation.*

(4) *17 IMC branches acquired on September 27, 2014.*

(5) *Inventory turnover is calculated as cost of sales divided by the average merchandise inventory balance over the trailing 5 quarters.*

(6) *After-tax return on invested capital is defined as after-tax operating profit (excluding rent charges) divided by invested capital (which includes a factor to capitalize operating leases). See Reconciliation of Non-GAAP Financial Measures in Management's Discussion and Analysis of Financial Condition and Results of Operations.*

(7) *Adjusted debt to EBITDAR is defined as the sum of total debt, capital lease obligations and annual rents times six; divided by net income plus interest, taxes, depreciation, amortization, rent and share-based compensation expense. See Reconciliation of Non-GAAP Financial Measures in Management's Discussion and Analysis of Financial Condition and Results of Operations.*

(8) *Cash flow before share repurchases and changes in debt is defined as the change in cash and cash equivalents less the change in debt plus treasury stock purchases. See Reconciliation of Non-GAAP Financial Measures in Management's Discussion and Analysis of Financial Condition and Results of Operations.*

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

We are the nation's leading retailer, and a leading distributor, of automotive replacement parts and accessories in the United States. We began operations in 1979 and at August 26, 2017, operated 5,465 AutoZone stores in the United States, including Puerto Rico; 524 stores in Mexico; 14 stores in Brazil; and 26 IMC branches. Each AutoZone store carries an extensive product line for cars, sport utility vehicles, vans and light trucks, including new and remanufactured automotive hard parts, maintenance items, accessories and non-automotive products. At August 26, 2017, in 4,592 of our domestic AutoZone stores, we also had a commercial sales program that provides commercial credit and prompt delivery of parts and other products to local, regional and national repair garages, dealers, service stations and public sector accounts. We also have commercial programs in AutoZone stores in Mexico and Brazil. IMC branches carry an extensive line of original equipment quality import replacement parts. We also sell the ALLDATA brand automotive diagnostic and repair software through www.alldata.com and www.alldatadiy.com. Additionally, we sell automotive hard parts, maintenance items, accessories and non-automotive products through www.autozone.com, and accessories, performance and replacement parts through www.autoanything.com, and our commercial customers can make purchases through www.autozonepro.com and www.imcparts.net. We do not derive revenue from automotive repair or installation services.

Executive Summary

For fiscal 2017, we achieved record net income of $1.281 billion, a 3.2% increase over the prior year, and sales growth of $253.0 million, a 2.4% increase over the prior year. Both our retail sales and commercial sales grew this past year, as we continue to make progress on our initiatives that are aimed at improving our ability to say yes to our customers more frequently, drive traffic to our stores and accelerate our commercial growth.

Our business is impacted by various factors within the economy that affect both our consumer and our industry, including but not limited to fuel costs, wage rates, and other economic conditions. Given the nature of these macroeconomic factors, we cannot predict whether or for how long certain trends will continue, nor can we predict to what degree these trends will impact us in the future.

One macroeconomic factor affecting our customers and our industry during fiscal 2017 was gas prices. During fiscal 2017, the average price per gallon of unleaded gasoline in the United States was $2.31 per gallon, compared to $2.14 per gallon during fiscal 2016. We believe fluctuations in gas prices impact our customers' level of disposable income. With approximately 12 billion gallons of unleaded gas consumption each month across the U.S., each $1 increase at the pump reduces approximately $12 billion of additional spending capacity to consumers each month. Given the unpredictability of gas prices, we cannot predict whether gas prices will increase or decrease, nor can we predict how any future changes in gas prices will impact our sales in future periods.

We have also experienced accelerated pressure on wages in the United States during fiscal 2017. Some of this is attributed to regulatory changes in certain states and municipalities, while the larger portion is being driven by general market pressures with lower unemployment rates and some specific actions taken in recent years by other retailers. The regulatory changes are going to continue, as evidenced by the areas that have passed legislation to increase their wages substantially over the next few years, but we are still assessing to what degree these changes will impact our earnings growth in future periods.

During fiscal 2017, failure and maintenance related categories represented the largest portion of our sales mix, at approximately 84% of total sales, with failure related categories continuing to be our largest set of categories. While we have not experienced any fundamental shifts in our category sales mix as compared to previous years, in our domestic stores we did experience a slight increase in mix of sales of the failure category as compared to last year. We believe the improvement in this sales category was driven by differences in regional weather patterns and improved merchandise assortments due to the products we have added over the last year. Our sales mix can be impacted by severe or unusual weather over a short term period. Over the long term, we believe the impact of the weather on our sales mix is not significant.

Our primary response to fluctuations in the demand for the products we sell is to adjust our advertising message, store staffing, and product assortment. In recent years, we initiated a variety of strategic tests focused on increasing inventory availability in our domestic stores. As part of those tests, we closely studied our hub distribution model, store inventory levels and product assortment, which led to strategic tests on increased frequency of delivery to our domestic stores and significantly expanding parts and assortment in select domestic stores we call mega hubs. During fiscal 2015, we concluded our tests on these specific new concepts. During fiscal 2016 and most of fiscal 2017, we continued the implementation of more frequent deliveries from our distribution centers to additional domestic stores and the execution of our mega hub strategy. In the fourth quarter of fiscal 2017, however, we made substantial changes to test different scenarios to determine the optimal approach around increased delivery frequency. We expect to conclude this test in fiscal 2018.

The two statistics we believe have the closest correlation to our market growth over the long-term are miles driven and the number of seven year old or older vehicles on the road.

Miles Driven
We believe that as the number of miles driven increases, consumers' vehicles are more likely to need service and maintenance, resulting in an increase in the need for automotive hard parts and maintenance items. While over the long-term we have seen a close correlation between our net sales and the number of miles driven, we have also seen certain time frames of minimal correlation in sales performance and miles driven. During the periods of minimal correlation between net sales and miles driven, we believe net sales have been positively impacted by other factors, including the number of seven year old or older vehicles on the road. Since the beginning of the fiscal year and through June 2017 (latest publicly available information), miles driven in the U.S. increased by 1.2% compared to the same period in the prior year.

Seven Year Old or Older Vehicles
Between 2008 and 2012, new vehicle sales were significantly lower than historical levels, which we believe contributed to an increasing number of seven year old or older vehicles on the road. We estimate vehicles are driven an average of approximately 12,500 miles each year. In seven years, the average miles driven equates to

approximately 87,500 miles. Our experience is that at this point in a vehicle's life, most vehicles are not covered by warranties and increased maintenance is needed to keep the vehicle operating.

According to the latest data provided by the Auto Care Association, as of January 1, 2017, the average age of vehicles on the road is 11.7 years as compared to 11.6 years as of January 1, 2016. Although the average age of vehicles continues to increase, it is increasing at a decelerated rate primarily driven by the improvement in new car sales in recent years. However, in the near term, we expect the aging vehicle population to continue to increase as consumers keep their cars longer in an effort to save money. As the number of seven year old or older vehicles on the road increases, we expect an increase in demand for the products we sell.

Results of Operations

Fiscal 2017 Compared with Fiscal 2016
For the fiscal year ended August 26, 2017, we reported net sales of $10.889 billion compared with $10.636 billion for the year ended August 27, 2016, a 2.4% increase from fiscal 2016. This growth was driven primarily by net sales of $172.5 million from new domestic AutoZone stores and domestic same store sales increase of 0.5%. Domestic commercial sales increased $110.9 million, or 5.7%, over domestic commercial sales for fiscal 2016.

At August 26, 2017, we operated 5,465 domestic AutoZone stores, 524 in Mexico, 14 in Brazil, and 26 IMC branches compared with 5,297 domestic AutoZone stores, 483 in Mexico, eight in Brazil, and 26 IMC branches at August 27, 2016. We reported a total auto parts (domestic, Mexico, Brazil, and IMC) sales increase of 2.6% for fiscal 2017.

Gross profit for fiscal 2017 was $5.740 billion, or 52.7% of net sales, a 2 basis point decrease compared with $5.609 billion, or 52.7% of net sales for fiscal 2016. The slight decline in gross margin was attributable to higher supply chain costs (-20 basis points) associated with current year inventory initiatives, partially offset by higher merchandise margins.

Operating, selling, general and administrative expenses for fiscal 2017 increased to $3.660 billion, or 33.6% of net sales, from $3.548 billion, or 33.4% of net sales for fiscal 2016. The increase in operating expenses, as a percentage of sales, was primarily due to deleverage on occupancy costs (-23 basis points) and domestic store payroll driven by higher wage pressure.

Interest expense, net for fiscal 2017 was $154.6 million compared with $147.7 million during fiscal 2016. This increase was primarily due to higher borrowing levels and borrowing rates. Average borrowings for fiscal 2017 were $5.070 billion, compared with $4.860 billion for fiscal 2016, and weighted average borrowing rates were 2.8% for fiscal 2017, compared to 2.7% for fiscal 2016.

Our effective income tax rate was 33.5% of pre-tax income for fiscal 2017 compared to 35.1% for fiscal 2016. The decrease in the tax rate was primarily due to the Company's adoption of the new accounting guidance for share-based payments, which lowered the effective tax rate by 162 basis points.

Net income for fiscal 2017 increased by 3.2% to $1.281 billion, and diluted earnings per share increased 8.3% to $44.07 from $40.70 in fiscal 2016. The Company's adoption of the new accounting guidance for share-based payments increased earnings per share by $0.81, driven by a lower effective tax rate of 162 basis points, (a $1.08 benefit to earnings per share), partially offset by a change to the dilutive outstanding shares calculations (a $0.27 reduction to earnings per share). Excluding the $0.81 net benefit for the year from the adoption of this new standard, adjusted diluted earnings per share increased 6.3% to $43.26. We believe that adjusted diluted earnings per share provides us with an understanding of the results from the primary operations of our business by excluding the tax effects of option exercise activity. We use adjusted diluted earnings per share to evaluate period-over-period operating performance because we believe it provides a more comparable measure of our continuing business by adjusting for items that are not reflective of the normal earnings of our business. This measure may be useful to an investor in evaluating the underlying operating performance of our business. Refer to the "Reconciliation of Non-GAAP Financial Measures" section for further details of our calculation.

The impact of the fiscal 2017 stock repurchases on diluted earnings per share in fiscal 2017 was an increase of approximately $1.03.

Fiscal 2016 Compared with Fiscal 2015
For the fiscal year ended August 27, 2016, we reported net sales of $10.636 billion compared with $10.187 billion for the year ended August 29, 2015, a 4.4% increase from fiscal 2015. This growth was driven primarily by domestic same store sales increase of 2.4% and net sales of $177.0 million from new domestic AutoZone stores. Domestic commercial sales for fiscal 2016 increased $129.8 million, or 7.1%, over domestic commercial sales for fiscal 2015.

At August 27, 2016, we operated 5,297 domestic AutoZone stores, 483 in Mexico, eight in Brazil and 26 IMC branches compared with 5,141 domestic AutoZone stores, 441 in Mexico, seven in Brazil and 20 IMC branches at August 29, 2015. We reported a total auto parts (domestic, Mexico, Brazil and IMC) sales increase of 4.4% for fiscal 2016.

Gross profit for fiscal 2016 was $5.609 billion, or 52.7% of net sales, compared with $5.327 billion, or 52.3% of net sales for fiscal 2015. The improvement in gross margin was attributable to lower acquisition costs, partially offset by higher supply chain costs associated with current year inventory initiatives (–18 basis points).

Operating, selling, general and administrative expenses for fiscal 2016 increased to $3.548 billion, or 33.4% of net sales, from $3.374 billion, or 33.1% of net sales for fiscal 2015. The increase in operating expenses, as a percentage of sales, was primarily due to higher store payroll.

Interest expense, net for fiscal 2016 was $147.7 million compared with $150.4 million during fiscal 2015. This decrease was primarily due to a decline in borrowing rates, partially offset by higher borrowing levels over the comparable year period. Average borrowings for fiscal 2016 were $4.860 billion, compared with $4.520 billion for fiscal 2015 and weighted average borrowing rates were 2.7% for fiscal 2016, compared to 3.0% for fiscal 2015.

Our effective income tax rate was 35.1% of pre-tax income for fiscal 2016 compared to 35.6% for fiscal 2015. The decrease in the effective income tax rate was driven by a discrete tax item during fiscal 2016.

Net income for fiscal 2016 increased by 7.0% to $1.241 billion, and diluted earnings per share increased 13.0% to $40.70 from $36.03 in fiscal 2015. The impact of the fiscal 2016 stock repurchases on diluted earnings per share in fiscal 2016 was an increase of approximately $1.17.

Seasonality and Quarterly Periods

Our business is somewhat seasonal in nature, with the highest sales typically occurring in the spring and summer months of February through September, in which average weekly per-store sales historically have been about 15% to 20% higher than in the slower months of December and January. During short periods of time, a store’s sales can be affected by weather conditions. Extremely hot or extremely cold weather may enhance sales by causing parts to fail; thereby increasing sales of seasonal products. Mild or rainy weather tends to soften sales, as parts failure rates are lower in mild weather and elective maintenance is deferred during periods of rainy weather. Over the longer term, the effects of weather balance out, as we have locations throughout the United States, Puerto Rico, Mexico and Brazil.

Each of the first three quarters of our fiscal year consists of 12 weeks, and the fourth quarter consisted of 16 weeks in 2017, 2016 and 2015. Because the fourth quarter contains seasonally high sales volume and consists of 16 weeks, compared with 12 weeks for each of the first three quarters, our fourth quarter represents a disproportionate share of the annual net sales and net income. The fourth quarter of fiscal year 2017 represented 32.3% of annual sales and 33.9% of net income; the fourth quarter of fiscal year 2016 represented 32.0% of annual sales and 34.4% of net income; and the fourth quarter of fiscal 2015 represented 32.3% of annual sales and 34.6% of net income.

Liquidity and Capital Resources

The primary source of our liquidity is our cash flows realized through the sale of automotive parts, products and accessories. Net cash provided by operating activities was $1.571 billion in 2017, $1.641 billion in 2016, and $1.573 billion in fiscal 2015. Cash flows from operations are unfavorable compared to last year primarily due to timing of payment of accounts payable and accrued expenses, partially offset by growth in net income and a decrease in pension contributions.

Our primary capital requirement has been the funding of our continued new-location development program and the building of new distribution centers. From the beginning of fiscal 2015 to August 26, 2017, we have opened 622 new locations. We opened two distribution centers in fiscal 2017 and currently have one additional distribution center under development. Net cash flows used in investing activities were $553.6 million in fiscal 2017, compared to $505.8 million in fiscal 2016 and $567.9 million in fiscal 2015. We invested $553.8 million in capital assets in fiscal 2017, compared to $488.8 million in fiscal 2016 and $480.6 million in fiscal 2015. The increase in capital expenditures during this time was primarily attributable to the building of the new distribution centers and increased investment in our existing locations. We had new location openings of 215 for fiscal 2017, 205 for fiscal 2016, and 202 for fiscal 2015. Cash flows used in the acquisition of IMC were $75.7 million in fiscal 2015. Cash flows were also used in the purchase of other intangibles for $10 million in each of fiscal 2016 and fiscal 2015. We invest a portion of our assets held by our wholly owned insurance captive in marketable securities. We purchased $85.7 million in marketable securities in fiscal 2017, $130.2 million in fiscal 2016 and $49.7 million in fiscal 2015. We had proceeds from the sale of marketable securities of $83.0 million in fiscal 2017, $120.5 million in fiscal 2016 and $46.4 million in fiscal 2015.

Net cash used in financing activities was $914.3 million in 2017, $1.117 billion in 2016 and $944.6 million in fiscal 2015. The net cash used in financing activities reflected purchases of treasury stock which totaled $1.072 billion for fiscal 2017, $1.452 billion for fiscal 2016 and $1.271 billion for fiscal 2015. The treasury stock purchases in fiscal 2017, 2016 and 2015 were primarily funded by cash flows from operations and by increases in debt levels. Proceeds from issuance of debt were $600 million for fiscal 2017 and $650 million for each of fiscal 2016 and 2015. In fiscal 2017, the proceeds from the issuance of debt were used for the repayment of a portion of our outstanding commercial paper borrowings, which were used to repay the $400 million Senior Notes due in January 2017. In fiscal 2016, the proceeds from the issuance of debt were used for general corporate purposes, including for working capital requirements, capital expenditures, store openings and stock repurchases. In fiscal 2015, the proceeds from the issuance of debt were used for the repayment of a portion of our outstanding commercial paper borrowings, which were used to repay the $500 million 5.750% Senior Notes due January 2015 and for the acquisition of IMC. We used commercial paper borrowings to repay the $300 million Senior Notes due in November 2015 and the $200 million Senior Notes due in June 2016. In 2017, we made net repayments of commercial paper and short-term borrowings in the amount of $42.4 million. Net proceeds from the issuance of commercial paper and short-term borrowings for fiscal 2016 and 2015 were $149.9 million and $153.8 million, respectively.

During fiscal 2018, we expect to invest in our business at a decreased rate as compared to fiscal 2017, as fiscal 2017 included significant investment for the building of new distribution centers. Our investments are expected to be directed primarily to new locations, supply chain infrastructure, enhancements to existing locations and investments in technology. The amount of our investments in our new locations is impacted by different factors, including such factors as whether the building and land are purchased (requiring higher investment) or leased (generally lower investment), located in the United States, Mexico or Brazil, or located in urban or rural areas. During fiscal 2017, 2016 and 2015, our capital expenditures have increased by approximately 13%, 2%, and 10%, respectively, as compared to the prior year.

In addition to the building and land costs, our new locations require working capital, predominantly for inventories. Historically, we have negotiated extended payment terms from suppliers, reducing the working capital required and resulting in a high accounts payable to inventory ratio. We plan to continue leveraging our inventory purchases; however, our ability to do so may be limited by our vendors' capacity to factor their receivables from us. Certain vendors participate in financing arrangements with financial institutions whereby they factor their receivables from us, allowing them to receive payment on our invoices at a discounted rate. In recent years, we initiated a variety of strategic tests focused on increasing inventory availability, which increased our inventory per location. Many of our vendors have supported our initiative to update our product assortments by providing extended payment terms. These extended payment terms have allowed us to continue our high accounts payable to inventory ratio. We had an accounts payable to inventory ratio of 107.4% at August 26, 2017, 112.8% at August 27, 2016, and 112.9% at August 29, 2015. The decrease from fiscal 2016 to fiscal 2017 was due to inventory growth and slowing inventory turns.

Depending on the timing and magnitude of our future investments (either in the form of leased or purchased properties or acquisitions), we anticipate that we will rely primarily on internally generated funds and available borrowing capacity to support a majority of our capital expenditures, working capital requirements and stock repurchases. The balance may be funded through new borrowings. We anticipate that we will be able to obtain such financing in view of our credit ratings and favorable experiences in the debt markets in the past.

Our cash balances are held in various locations around the world. As of August 26, 2017, and August 27, 2016, cash and cash equivalents of $148.4 million and $78.1 million, respectively, were held outside of the U.S. and were generally utilized to support liquidity needs in our foreign operations. We intend to continue to permanently reinvest the cash held outside of the U.S. in our foreign operations.

For the fiscal year ended August 26, 2017, our after-tax return on invested capital ("ROIC") was 29.9% as compared to 31.3% for the comparable prior year period. ROIC is calculated as after-tax operating profit (excluding rent charges) divided by invested capital (which includes a factor to capitalize operating leases). The decrease in ROIC is primarily due to the increase in average debt, along with the impact of recent investments in the business. Currently, these investments are diluting our return metrics. We use ROIC to evaluate whether we are effectively using our capital resources and believe it is an important indicator of our overall operating performance. Refer to the "Reconciliation of Non-GAAP Financial Measures" section for further details of our calculation.

Debt Facilities

On November 18, 2016, we amended and restated our existing Multi-Year revolving credit facility (the "New Multi-Year Revolving Credit Agreement") by increasing the committed credit amount from $1.25 billion to $1.6 billion, extending the expiration date by two years and renegotiating other terms and conditions. This credit facility is available to primarily support commercial paper borrowings, letters of credit and other short-term unsecured bank loans. The capacity of the credit facility may be increased to $2.1 billion prior to the maturity date at our election and subject to bank credit capacity and approval, and may include up to $200 million in letters of credit. Under the revolving credit facility, we may borrow funds consisting of Eurodollar loans, base rate loans or a combination of both. Interest accrues on Eurodollar loans at a defined Eurodollar rate, defined as LIBOR plus the applicable percentage, as defined in the revolving credit facility, depending upon our senior, unsecured, (non-credit enhanced) long-term debt rating. Interest accrues on base rate loans as defined in the credit facility. We also have the option to borrow funds under the terms of a swingline loan subfacility. The revolving credit facility expires on November 18, 2021, but we may, by notice to the administrative agent, make up to two requests to extend the termination date for an additional period of one year. The first such request must be made no earlier than 60 days, and no later than 45 days, prior to November 18, 2017, while the second request must be made no earlier than 60 days, and no later than 45 days, prior to November 18, 2018.

On November 18, 2016, we amended and restated our existing 364-Day revolving credit facility (the "New 364-Day Credit Agreement") by decreasing the committed credit amount from $500 million to $400 million, extending the expiration date by one year and renegotiating other terms and conditions. The credit facility is available to primarily support commercial paper borrowings and other short-term unsecured bank loans. Under the credit facility, we may borrow funds consisting of Eurodollar loans, base rate loans or a combination of both. Interest accrues on Eurodollar loans at a defined Eurodollar rate, defined as LIBOR plus the applicable margin, as defined in the revolving credit facility, depending upon our senior, unsecured, (non-credit enhanced) long-term debt rating. Interest accrues on base rate loans as defined in the credit facility. The New 364-Day Credit Agreement expires on November 17, 2017, but we may request an extension of the term date for 364 days no later than 45 days prior to November 17, 2017, subject to bank approval. In addition, at least 15 days prior to November 17, 2017, we have the right to convert the credit facility to a term loan for up to one year from the termination date, subject to a 1% penalty.

As of August 26, 2017, we had no outstanding borrowings under either of the revolving credit facilities and $3.3 million of outstanding letters of credit under the New Multi-Year Revolving Credit Agreement.

The revolving credit facility agreements require that our consolidated interest coverage ratio as of the last day of each quarter shall be no less than 2.5:1. This ratio is defined as the ratio of (i) consolidated earnings before interest, taxes and rents to (ii) consolidated interest expense plus consolidated rents. Our consolidated interest coverage ratio as of August 26, 2017 was 6.0:1.

As of August 26, 2017, $1.155 billion of commercial paper borrowings and the $250 million 7.125% Senior Notes due August 2018 were classified as long-term in the Consolidated Balance Sheets as we have the ability and intent to refinance on a long-term basis through available capacity in our revolving credit facilities. As of August 26, 2017, we had $1.997 billion of availability under our $2.0 billion revolving credit facilities, which would allow us to replace these short-term obligations with long-term financing facilities.

We also maintain a letter of credit facility that allows us to request the participating bank to issue letters of credit on our behalf up to an aggregate amount of $75 million. The letter of credit facility is in addition to the letters of credit that may be issued under the New Multi-Year Revolving Credit Agreement. As of August 26, 2017 we had $74.9 million in letters of credit outstanding under the letter of credit facility, which expires June 2019.

In addition to the outstanding letters of credit issued under the committed facilities discussed above, we had $10.4 million in letters of credit outstanding as of August 26, 2017. These letters of credit have various maturity dates and were issued on an uncommitted basis.

On April 18, 2017, we issued $600 million in 3.750% Senior Notes due June 2027 under our shelf registration statement filed with the SEC on April 15, 2015 (the “2015 Shelf Registration”). The 2015 Shelf Registration allows us to sell an indeterminate amount of debt securities to fund general corporate purposes, including repaying, redeeming or repurchasing outstanding debt and for working capital, capital expenditures, new location openings, stock repurchases and acquisitions. Proceeds from the debt issuance were used for general corporate purposes.

On April 21, 2016, we issued $400 million in 3.125% Senior Notes due April 2026 and $250 million in 1.625% Senior Notes due April 2019 under the 2015 Shelf Registration. Proceeds from the debt issuances were used for general corporate purposes.

On April 29, 2015, we issued $400 million in 3.250% Senior Notes due April 2025 and $250 million in 2.500% Senior Notes due April 2021 under the 2015 Shelf Registration. Proceeds from the debt issuances were used to repay a portion of the outstanding commercial paper borrowings, which were used to repay the $500 million in 5.750% Senior Notes due in January 2015, and for general corporate purposes.

All senior notes are subject to an interest rate adjustment if the debt ratings assigned to the senior notes are downgraded (as defined in the agreements). Further, the senior notes contain a provision that repayment of the senior notes may be accelerated if we experience a change in control (as defined in the agreements). Our borrowings under our senior notes contain minimal covenants, primarily restrictions on liens. Under our revolving credit facilities, covenants include restrictions on liens, a maximum debt to earnings ratio, a minimum fixed charge coverage ratio and a change of control provision that may require acceleration of the repayment obligations under certain circumstances. All of the repayment obligations under our borrowing arrangements may be accelerated and come due prior to the scheduled payment date if covenants are breached or an event of default occurs.

As of August 26, 2017, we were in compliance with all covenants related to our borrowing arrangements and expect to remain in compliance with those covenants in the future.

For the fiscal year ended August 26, 2017, our adjusted debt to earnings before interest, taxes, depreciation, amortization, rent and share-based compensation expense (“EBITDAR”) ratio was 2.6:1 as compared to 2.5:1 as of the comparable prior year end. We calculate adjusted debt as the sum of total debt, capital lease obligations and rent times six; and we calculate EBITDAR by adding interest, taxes, depreciation, amortization, rent and share-based compensation expense to net income. We target our debt levels to a specified ratio of adjusted debt to

EBITDAR in order to maintain our investment grade credit ratings and believe this is important information for the management of our debt levels. To the extent EBITDAR continues to grow in future years, we expect our debt levels to increase; conversely, if EBITDAR declines, we would expect our debt levels to decrease. Refer to the "Reconciliation of Non-GAAP Financial Measures" section for further details of our calculation.

Stock Repurchases
During 1998, we announced a program permitting us to repurchase a portion of our outstanding shares not to exceed a dollar maximum established by our Board of Directors (the "Board"). On March 21, 2017, the Board voted to increase the authorization by $750 million to raise the cumulative share repurchase authorization from $17.9 billion to $18.65 billion. From January 1998 to August 26, 2017, we have repurchased a total of 142.3 million shares at an aggregate cost of $17.826 billion. We repurchased 1.5 million shares of common stock at an aggregate cost of $1.072 billion during fiscal 2017, 1.9 million shares of common stock at an aggregate cost of $1.452 billion during fiscal 2016, and 2.0 million shares of common stock at an aggregate cost of $1.271 billion during fiscal 2015. Considering cumulative repurchases as of August 26, 2017, we had $823.7 million remaining under the Board's authorization to repurchase our common stock.

For the fiscal year ended August 26, 2017, cash flow before share repurchases and changes in debt was $1.018 billion as compared to $1.167 billion during the comparable prior year period. Cash flow before share repurchases and changes in debt is calculated as the net increase or decrease in cash and cash equivalents less increases in debt plus share repurchases. We use cash flow before share repurchases and changes in debt to calculate the cash flows remaining and available in an effort to increase shareholder value in the form of share repurchases. We believe this is important information regarding our allocation of available capital where we prioritize investments in the business and utilize the remaining funds to repurchase shares, while maintaining debt levels that support our investment grade credit ratings. If we allowed these funds to accumulate on our balance sheet instead of repurchasing our shares, we believe our earnings per share and stock price would be negatively impacted. Refer to the "Reconciliation of Non-GAAP Financial Measures" section for further details of our calculation.

Subsequent to August 26, 2017, we have repurchased 383,165 shares of common stock at an aggregate cost of $225.8 million. Considering the cumulative repurchases subsequent to August 26, 2017, we have $597.9 million remaining under the Board's authorization to repurchase our common stock.

Financial Commitments
The following table shows our significant contractual obligations as of August 26, 2017:

(in thousands)	Total Contractual Obligations	Payment Due by Period Less than 1 year	Between 1-3 years	Between 3-5 years	Over 5 years
Debt[1]	$ 5,105,100	$1,405,100	$ 250,000	$ 1,250,000	$ 2,200,000
Interest payments[2]	796,125	138,875	238,063	197,750	221,437
Operating leases[3]	2,153,180	293,826	547,305	450,640	861,409
Capital leases[4]	159,076	48,134	86,418	24,524	–
Self-insurance reserves[5]	231,079	84,756	75,195	31,320	39,808
Construction commitments	69,914	69,914	–	–	–
	$ 8,514,474	$ 2,040,605	$1,196,981	$ 1,954,234	$ 3,322,654

(1) Debt balances represent principal maturities, excluding interest, discounts, and debt issuance costs.
(2) Represents obligations for interest payments on long-term debt.
(3) Operating lease obligations are inclusive of amounts accrued within deferred rent and closed store obligations reflected in our consolidated balance sheets.
(4) Capital lease obligations include related interest.
(5) Self-insurance reserves reflect estimates based on actuarial calculations. Although these obligations do not have scheduled maturities, the timing of future payments are predictable based upon historical patterns. Accordingly, we reflect the net present value of these obligations in our consolidated balance sheets.

10-K

We have pension obligations reflected in our consolidated balance sheets that are not reflected in the table above due to the absence of scheduled maturities and the nature of the account. During fiscal 2017, we made contributions of $17.8 million to the pension plan. We expect to make contributions of approximately $20.3 million during fiscal 2018; however a change to the expected cash funding may be impacted by a change in interest rates or a change in the actual or expected return on plan assets.

As of August 26, 2017, our defined benefit obligation associated with our pension plans is $314.7 million and our pension assets are valued at $316.3 million, resulting in a net pension asset position of $1.5 million. Amounts recorded in Accumulated other comprehensive loss are $118.9 million at August 26, 2017. The balance in Accumulated other comprehensive loss will be amortized into pension expense in the future, unless the losses are recovered in future periods through actuarial gains.

Additionally, our tax liability for uncertain tax positions, including interest and penalties, was $15.4 million at August 26, 2017. Approximately $2.6 million is classified as current liabilities and $12.8 million is classified as long-term liabilities. We did not reflect these obligations in the table above as we are unable to make an estimate of the timing of payments of the long-term liabilities due to uncertainties in the timing and amounts of the settlement of these tax positions.

Off-Balance Sheet Arrangements
The following table reflects outstanding letters of credit and surety bonds as of August 26, 2017:

(in thousands)	Total Other Commitments
Standby letters of credit	$ 88,633
Surety bonds	28,759
	$ 117,392

A substantial portion of the outstanding standby letters of credit (which are primarily renewed on an annual basis) and surety bonds are used to cover reimbursement obligations to our workers' compensation carriers.

There are no additional contingent liabilities associated with these instruments as the underlying liabilities are already reflected in our consolidated balance sheets. The standby letters of credit and surety bond arrangements expire within one year, but have automatic renewal clauses.

Reconciliation of Non-GAAP Financial Measures

"Selected Financial Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" include certain financial measures not derived in accordance with generally accepted accounting principles ("GAAP"). These non-GAAP financial measures provide additional information for determining our optimum capital structure and are used to assist management in evaluating performance and in making appropriate business decisions to maximize stockholders' value.

Non-GAAP financial measures should not be used as a substitute for GAAP financial measures, or considered in isolation, for the purpose of analyzing our operating performance, financial position or cash flows. However, we have presented the non-GAAP financial measures, as we believe they provide additional information that is useful to investors as it indicates more clearly our comparative year-to-year operating results. Furthermore, our management and Compensation Committee of the Board use the above-mentioned non-GAAP financial measures to analyze and compare our underlying operating results and use select measurements to determine payments of performance-based compensation. We have included a reconciliation of this information to the most comparable GAAP measures in the following reconciliation tables.

Reconciliation of Non-GAAP Financial Measure: Cash Flow Before Share Repurchases and Changes in Debt
The following table reconciles net increase (decrease) in cash and cash equivalents to cash flow before share repurchases and changes in debt, which is presented in "Selected Financial Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations":

	Fiscal Year Ended August				
(in thousands)	**2017**	**2016**	**2015**	**2014**	**2013[1]**
Net cash provided by/(used in):					
Operating activities[2]	$ 1,570,612	$ 1,641,060	$ 1,573,018	$ 1,365,005	$ 1,481,763
Investing activities	(553,599)	(505,835)	(567,911)	(447,968)	(527,295)
Financing activities[2]	(914,329)	(1,116,528)	(944,597)	(935,328)	(913,774)
Effect of exchange rate changes on cash	852	(4,272)	(9,686)	585	(1,596)
Net increase/(decrease) in cash and cash equivalents	$ 103,536	$ 14,425	$ 50,824	$ (17,706)	$ 39,098
Less: Increase in debt, excluding deferred financing costs	157,600	299,900	303,800	156,800	418,652
Plus: Share repurchases	1,071,649	1,452,462	1,271,416	1,099,212	1,387,315
Cash flow before share repurchases and changes in debt	$ 1,017,585	$ 1,166,987	$ 1,018,440	$ 924,706	$ 1,007,761

(1) The fiscal year ended August 31, 2013 consisted of 53 weeks.
(2) As described in the consolidated financial statements and notes, thereto, we have adopted the provisions of ASU 2016-09, Compensation – Stock Compensation (Topic 718): Improvement to Employee Share-based Payment Accounting, as of August 28, 2016. The ASU simplifies several aspects of accounting for share-based payments transactions, including income tax consequences, classification of awards as either equity or liabilities and classification on the statement of cash flows. We have applied the amendment relating to the presentation of the excess tax benefits on the Consolidated Statements of Cash Flows retrospectively. Prior period amounts for net cash provided by operating and financing activities for all years presented above were restated to conform to the current period presentation.

Reconciliation of Non-GAAP Financial Measure: After-tax Return on Invested Capital ("ROIC")
The following table calculates the percentage of ROIC. ROIC is calculated as after-tax operating profit (excluding rent) divided by invested capital (which includes a factor to capitalize operating leases). The ROIC percentages are presented in "Selected Financial Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations":

	Fiscal Year Ended August				
(in thousands, except percentages)	**2017**	**2016**	**2015**	**2014**	**2013(1)**
Net income	$ 1,280,869	$ 1,241,007	$ 1,160,241	$ 1,069,744	$ 1,016,480
Adjustments:					
Interest expense	154,580	147,681	150,439	167,509	185,415
Rent expense	302,928	280,490	269,458	253,813	246,340
Tax effect(2)	(153,265)	(150,288)	(149,483)	(150,412)	(155,432)
After-tax return	$ 1,585,112	$ 1,518,890	$ 1,430,655	$ 1,340,654	$ 1,292,803
Average debt(3)	$ 5,061,502	$ 4,820,402	$ 4,458,114	$ 4,258,796	$ 3,930,975
Average (deficit)(4)	(1,730,559)	(1,774,329)	(1,619,596)	(1,709,778)	(1,581,832)
Rent x 6(5)	1,817,568	1,682,940	1,616,748	1,522,878	1,478,040
Average capital lease obligations(6)	150,066	131,008	126,096	108,475	102,729
Invested capital	$ 5,298,577	$ 4,860,021	$ 4,581,362	$ 4,180,371	$ 3,929,912
ROIC	29.9%	31.3%	31.2%	32.1%	32.9%

(1) The fiscal year ended August 31, 2013 consisted of 53 weeks.
(2) The effective tax rate during fiscal 2017, 2016, 2015, 2014 and 2013 was 33.5%, 35.1%, 35.6%, 35.7% and 36.0%, respectively.
(3) Average debt is equal to the average of our debt measured as of the previous five quarters.
(4) Average equity is equal to the average of our stockholders' (deficit) measured as of the previous five quarters.
(5) Rent is multiplied by a factor of six to capitalize operating leases in the determination of pre-tax invested capital.
(6) Average capital lease obligations is computed as the average of our capital lease obligations over the previous five quarters.

Reconciliation of Non-GAAP Financial Measure: Adjusted Debt to Earnings before Interest, Taxes, Depreciation, Rent and Share-Based Expense "EBITDAR"
The following table calculates the ratio of adjusted debt to EBITDAR. Adjusted debt to EBITDAR is calculated as the sum of total debt, capital lease obligations and annual rents times six; divided by net income plus interest, taxes, depreciation, amortization, rent and share-based compensation expense. The adjusted debt to EBITDAR ratios are presented in "Selected Financial Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations":

	Fiscal Year Ended August				
(in thousands, except ratios)	**2017**	**2016**	**2015**	**2014**	**2013[(1)]**
Net income	$ 1,280,869	$ 1,241,007	$ 1,160,241	$ 1,069,744	$ 1,016,480
Add: Interest expense	154,580	147,681	150,439	167,509	185,415
Income tax expense	644,620	671,707	642,371	592,970	571,203
EBIT	2,080,069	2,060,395	1,953,051	1,830,223	1,773,098
Add: Depreciation and amortization expense	323,051	297,397	269,919	251,267	227,251
Rent expense	302,928	280,490	269,458	253,813	246,340
Share-based expense	38,244	39,825	40,995	39,390	37,307
EBITDAR	$ 2,744,292	$ 2,678,107	$ 2,533,423	$ 2,374,693	$ 2,283,996
Debt	$ 5,081,238	$ 4,924,119	$ 4,624,876	$ 4,323,106	$ 4,164,078
Capital lease obligations	150,456	147,285	128,167	119,603	106,171
Rent x 6	1,817,568	1,682,940	1,616,748	1,522,878	1,478,040
Adjusted debt	$ 7,049,262	$ 6,754,344	$ 6,369,791	$ 5,965,587	$ 5,748,289
Adjusted debt to EBITDAR	2.6	2.5	2.5	2.5	2.5

(1) The fiscal year ended August 31, 2013 consisted of 53 weeks.

Reconciliation of Non-GAAP Financial Measure: Adjusted Diluted Earnings Per Share
The following table calculates the adjusted diluted earnings per share. Adjusted diluted earnings per share is calculated to exclude the impact of excess tax benefits from option exercises under the new accounting guidance for share-based payments. The adjusted diluted earnings per share amounts are presented in "Selected Financial Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations":

	Fiscal Year Ended August				
	2017	**2016**	**2015**	**2014**	**2013[(1)]**
Diluted earnings per share	$ 44.07	$ 40.70	$ 36.03	$ 31.57	$ 27.79
Impact of excess tax benefits from option exercises	(0.81)	–	–	–	–
Adjusted diluted earnings per share	$ 43.26	$ 40.70	$ 36.03	$ 31.57	$ 27.79

(1) The fiscal year ended August 31, 2013 consisted of 53 weeks.

Recent Accounting Pronouncements

See Note A of the Notes to Consolidated Financial Statements for a discussion on recent accounting pronouncements.

Critical Accounting Policies and Estimates

Preparation of our consolidated financial statements requires us to make estimates and assumptions affecting the reported amounts of assets and liabilities at the date of the financial statements, reported amounts of revenues and expenses during the reporting period and related disclosures of contingent liabilities. In the notes to our consolidated financial statements, we describe our significant accounting policies used in preparing the consolidated financial statements. Our policies are evaluated on an ongoing basis and are drawn from historical experience and other assumptions that we believe to be reasonable under the circumstances. Actual results could differ under different assumptions or conditions. Our senior management has identified the critical accounting policies for the areas that are materially impacted by estimates and assumptions and have discussed such policies with the Audit Committee of our Board. The following items in our consolidated financial statements represent our critical accounting policies that require significant estimation or judgment by management:

Inventory Reserves and Cost of Sales
LIFO
We state our inventories at the lower of cost or market. Inventory cost has been determined using the last-in, first-out ("LIFO") method for domestic inventories and the weighted average cost method for Mexico and Brazil inventories. Due to price deflation on our merchandise purchases, we have exhausted our LIFO reserve balance. Our policy is to not write up inventory in excess of replacement cost, which is based on average cost. The difference between LIFO cost and replacement cost, which will be reduced upon experiencing price inflation on our merchandise purchases, was $414.9 million at August 26, 2017.

Inventory Obsolescence and Shrinkage
Our inventory, primarily hard parts, maintenance items, accessories and non-automotive products, is used on vehicles that have rather long lives; and therefore, the risk of obsolescence is minimal and the majority of excess inventory has historically been returned to our vendors for credit. In the isolated instances where less than full credit will be received for such returns and where we anticipate that items will be sold at retail prices that are less than recorded costs, we record a charge (less than $3 million in each of the last three years) through cost of sales for the difference. These charges are based on management's judgment, including estimates and assumptions regarding marketability of products and the market value of inventory to be sold in future periods.

Historically, we have not encountered material exposure to inventory obsolescence or excess inventory, nor have we experienced material changes to our estimates. However, we may be exposed to material losses should our vendors alter their policy with regard to accepting excess inventory returns.

Additionally, we reduce inventory for projected losses related to shrinkage, which is estimated based on historical losses and current inventory loss trends resulting from previous physical inventories. Shrinkage may occur due to theft, loss or inaccurate records for the receipt of goods, among other things. Throughout the year, we take physical inventory counts of our stores and distribution centers to verify these estimates. We make assumptions regarding upcoming physical inventory counts that may differ from actual results.

Each quarter, we evaluate the accrued shrinkage in light of the actual shrink results from physical inventory counts. To the extent our actual physical inventory count results differ from our estimates, we may experience material adjustments to our financial statements. Historically, we have not experienced material adjustments to our shrinkage estimates and do not believe there is a reasonable likelihood that there will be a material change in the future estimates or assumptions we use. Over the last three years, there has been less than a 50 basis point fluctuation in our shrinkage rate (shrink loss as a percent of sales).

A 10% difference in our inventory reserves as of August 26, 2017, would have affected net income by approximately $6.7 million in fiscal 2017.

Vendor Allowances
We receive various payments and allowances from our vendors through a variety of programs and arrangements, including allowances for warranties, advertising and general promotion of vendor products. Vendor allowances are treated as a reduction of inventory, unless they are provided as a reimbursement of specific, incremental, identifiable costs incurred by the Company in selling the vendor's products. Approximately 81% of the vendor funds received are recorded as a reduction of the cost of inventories and recognized as a reduction to cost of sales as these inventories are sold.

Based on our vendor agreements, a significant portion of vendor funding we receive is earned as we purchase inventory. Therefore, we record receivables for funding earned but not yet received as we purchase inventory. During the year, we regularly review the receivables from vendors to ensure vendors are able to meet their obligations. We generally have not recorded a reserve against these receivables as we have not experienced significant losses and typically have legal right of offset with our vendors for payments owed them. Historically, we have had write-offs less than $1 million in each of the last three years.

Goodwill and Intangibles
We evaluate goodwill and indefinite-lived intangibles for impairment annually in the fourth quarter of each fiscal year or whenever events or changes in circumstances indicate the carrying values exceed the current fair values. We evaluate the likelihood of impairment by considering qualitative factors, such as macroeconomic, industry, market, or any other factors that could impact the reporting unit's fair value. If these factors indicate impairment, we perform a quantitative assessment to determine if the carrying value exceeds the fair value. Goodwill is evaluated at the reporting unit level and involves valuation methods including forecasting future financial performance, estimates of discount rates and other factors. If the carrying value of the reporting unit's goodwill exceeds the fair value, we recognize an impairment loss.

Indefinite-lived intangibles are evaluated by comparing the carrying amount of the asset to the future discounted cash flows that the asset is expected to generate. If the carrying value of the indefinite-lived intangible asset exceeds the fair value based on the future discounted cash flows, we recognize an impairment loss. These impairment analyses require a significant amount of subjective judgment by management, and as a result these estimates are uncertain and our actual results may be different from our estimates.

The carrying value of goodwill and indefinite-lived intangibles at August 26, 2017 and August 27, 2016 was $418.8 million with $302.6 million related to our Domestic Auto Parts reporting unit, $89.8 million relating to our AutoAnything reporting unit and $26.4 million relating to our Interamerican Motor Corporation reporting unit. No impairment charges were recognized in fiscal 2017, 2016 and 2015 as the fair value of our reporting units exceeded our carrying values. If profitability trends do not improve as projected during fiscal 2018 for our AutoAnything and Interamerican Motor Corporation reporting units, it is possible that an interim test, or our annual impairment test, may result in an impairment of these assets.

Self-Insurance Reserves
We retain a significant portion of the risks associated with workers' compensation, employee health, general and products liability, property and vehicle liability; and we obtain third party insurance to limit the exposure related to certain of these risks. Our self-insurance reserve estimates totaled $220.5 million at August 26, 2017, and $214.4 million at August 27, 2016. This change is primarily reflective of our growing operations, including inflation, increases in health care costs, the number of vehicles and the number of hours worked, as well as our historical claims experience.

The assumptions made by management in estimating our self-insurance reserves include consideration of historical cost experience, judgments about the present and expected levels of cost per claim and retention levels. We utilize various methods, including analyses of historical trends and actuarial methods, to estimate the cost to settle reported claims and claims incurred but not yet reported. The actuarial methods develop estimates of the future ultimate claim costs based on the claims incurred as of the balance sheet date. When estimating these liabilities, we consider factors, such as the severity, duration and frequency of claims, legal costs associated with claims, healthcare trends, and projected inflation of related factors. In recent history, our methods for determining our exposure have remained consistent, and our historical trends have been appropriately factored into our reserve estimates. As we obtain additional information and refine our methods regarding the assumptions and estimates we use to recognize liabilities incurred, we will adjust our reserves accordingly.

Management believes that the various assumptions developed and actuarial methods used to determine our self-insurance reserves are reasonable and provide meaningful data and information that management uses to make its best estimate of our exposure to these risks. Arriving at these estimates, however, requires a significant amount of subjective judgment by management, and as a result these estimates are uncertain and our actual exposure may be different from our estimates. For example, changes in our assumptions about health care costs, the severity of accidents and the incidence of illness, the average size of claims and other factors could cause actual claim costs to vary materially from our assumptions and estimates, causing our reserves to be overstated or understated. For instance, a 10% change in our self-insurance liability would have affected net income by approximately $14.7 million for fiscal 2017.

Our liabilities for workers' compensation, certain general and product liability, property and vehicle claims do not have scheduled maturities; however, the timing of future payments is predictable based on historical patterns and is relied upon in determining the current portion of these liabilities. Accordingly, we reflect the net present value of the obligations we determine to be long-term using the risk-free interest rate as of the balance sheet date. If the discount rate used to calculate the present value of these reserves changed by 50 basis points, net income would have been affected by approximately $2.1 million for fiscal 2017. Our liability for health benefits is classified as current, as the historical average duration of claims is approximately six weeks.

Income Taxes
Our income tax returns are audited by state, federal and foreign tax authorities, and we are typically engaged in various tax examinations at any given time. Tax contingencies often arise due to uncertainty or differing interpretations of the application of tax rules throughout the various jurisdictions in which we operate. The contingencies are influenced by items such as tax audits, changes in tax laws, litigation, appeals and prior experience with similar tax positions. We regularly review our tax reserves for these items and assess the adequacy of the amount we have recorded. As of August 26, 2017, we had approximately $15.4 million reserved for uncertain tax positions.

We evaluate potential exposures associated with our various tax filings by estimating a liability for uncertain tax positions based on a two-step process. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step requires us to estimate and measure the tax benefit as the largest amount that is more than 50% likely to be realized upon ultimate settlement.

We believe our estimates to be reasonable and have not experienced material adjustments to our reserves in the previous three years; however, actual results could differ from our estimates, and we may be exposed to gains or losses that could be material. Specifically, management has used judgment and made assumptions to estimate the likely outcome of uncertain tax positions. Additionally, to the extent we prevail in matters for which a liability has been established, or must pay in excess of recognized reserves, our effective tax rate in any particular period could be materially affected.

Pension Obligation
Prior to January 1, 2003, substantially all full-time employees were covered by a qualified defined benefit pension plan. The benefits under the plan were based on years of service and the employee’s highest consecutive five-year average compensation. On January 1, 2003, the plan was frozen. Accordingly, pension plan participants will earn no new benefits under the plan formula and no new participants will join the pension plan. On January 1, 2003, our supplemental, unqualified defined benefit pension plan for certain highly compensated employees was also frozen. Accordingly, plan participants will earn no new benefits under the plan formula and no new participants will join the pension plan. As the plan benefits are frozen, the annual pension expense and recorded liabilities are not impacted by increases in future compensation levels or additional years of service, but are impacted by the use of two key assumptions in the calculation of these balances:

Expected long-term rate of return on plan assets: For the fiscal year ended August 26, 2017, we have assumed a 7.0% long-term rate of return on our plan assets. This estimate is a judgmental matter in which management considers the composition of our asset portfolio, our historical long-term investment performance and current market conditions. We review the expected long-term rate of return on an annual basis, and revise it accordingly. Additionally, we monitor the mix of investments in our portfolio to ensure alignment with our long-term strategy to manage pension cost and reduce volatility in our assets. In January 2017, our Investment Committee approved a revised asset allocation target for the investments held by the pension plan. Based on the revised asset allocation target, the expected long-term rate of return on plan assets changed from 7.0% for the year ended August 26, 2017, to 6.0% for the year ending August 25, 2018. At August 26, 2017, our plan assets totaled $316.3 million in our qualified plan. Our assets are generally valued using the net asset values, which are determined by valuing investments at the closing price or last trade reported on such date on the major market on which the individual securities are traded. We have no assets in our nonqualified plan. A 50 basis point change in our expected long term rate of return would impact annual pension expense by approximately $1.6 million for the qualified plan.

Discount rate used to determine benefit obligations: This rate is highly sensitive and is adjusted annually based on the interest rate for long-term, high-quality, corporate bonds as of the measurement date using yields for maturities that are in line with the duration of our pension liabilities. For fiscal 2017, we assumed a discount rate of 3.9%. A decrease in the discount rate increases our projected benefit obligation and pension expense. A 50 basis point change in the discount rate at August 26, 2017 would impact annual pension expense/income by approximately $1.7 million for the qualified plan and $30 thousand for the nonqualified plan.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to market risk from, among other things, changes in interest rates, foreign exchange rates and fuel prices. From time to time, we use various derivative instruments to reduce interest rate and fuel price risks. To date, based upon our current level of foreign operations, no derivative instruments have been utilized to reduce foreign exchange rate risk. All of our hedging activities are governed by guidelines that are authorized by the Board. Further, we do not buy or sell derivative instruments for trading purposes.

Interest Rate Risk
Our financial market risk results primarily from changes in interest rates. At times, we reduce our exposure to changes in interest rates by entering into various interest rate hedge instruments such as interest rate swap contracts, treasury lock agreements and forward-starting interest rate swaps.

We have historically utilized interest rate swaps to convert variable rate debt to fixed rate debt and to lock in fixed rates on future debt issuances. We reflect the current fair value of all interest rate hedge instruments as a component of either other current assets or accrued expenses and other. Our interest rate hedge instruments are designated as cash flow hedges.

Unrealized gains and losses on interest rate hedges are deferred in stockholders' deficit as a component of Accumulated other comprehensive loss. These deferred gains and losses are recognized in income as a decrease or increase to interest expense in the period in which the related cash flows being hedged are recognized in expense. However, to the extent that the change in value of an interest rate hedge instrument does not perfectly offset the change in the value of the cash flow being hedged, that ineffective portion is immediately recognized in earnings.

The fair value of our debt was estimated at $5.171 billion as of August 26, 2017, and $5.117 billion as of August 27, 2016, based on the quoted market prices for the same or similar debt issues or on the current rates available to us for debt having the same remaining maturities. Such fair value is greater than the carrying value of debt by $90.3 million and $192.7 million at August 26, 2017 and August 27, 2016, respectively. We had $1.155 billion of variable rate debt outstanding at August 26, 2017, and $1.198 billion of variable rate debt outstanding at August 27, 2016. In fiscal 2017, at this borrowing level for variable rate debt, a one percentage point increase in interest rates would have had an unfavorable impact on our pre-tax earnings and cash flows of approximately $11.6 million. The primary interest rate exposure on variable rate debt is based on LIBOR. We had outstanding fixed rate debt of $3.926 billion, net of unamortized debt issuance costs of $23.9 million, at August 26, 2017, and $3.727 billion, net of unamortized debt issuance costs of $23.4 million, at August 27, 2016. A one percentage point increase in interest rates would reduce the fair value of our fixed rate debt by approximately $191.3 million at August 26, 2017.

Fuel Price Risk
From time to time, we utilize fuel swap contracts in order to lower fuel cost volatility in our operating results. Historically, the instruments were executed to economically hedge a portion of our diesel and unleaded fuel exposure. However, we have not designated the fuel swap contracts as hedging instruments; and therefore, the contracts have not qualified for hedge accounting treatment. In fiscal 2015, we entered into a fuel swap to economically hedge the commodity cost associated with our unleaded fuel usage. The notional amount of the contract was 2.9 million gallons and terminated March 31, 2015. The swap had no significant impact on the results of operations. We did not enter into any fuel swap contracts during fiscal 2017 or 2016.

Foreign Currency Risk
Foreign currency exposures arising from transactions include firm commitments and anticipated transactions denominated in a currency other than our entities' functional currencies. To minimize our risk, we generally enter into transactions denominated in the respective functional currencies. We are exposed to Brazilian reals, Canadian dollars, euros, Chinese yuan renminbi and British pounds, but our primary foreign currency exposure arises from

Mexican peso-denominated revenues and profits and their translation into U.S. dollars. Foreign currency exposures arising from transactions denominated in currencies other than the functional currency are not material.

We view our investments in Mexican subsidiaries as long-term. As a result, we generally do not hedge these net investments. The net asset exposure in the Mexican subsidiaries translated into U.S. dollars using the year-end exchange rates was $519.3 million at August 26, 2017 and $398.0. million at August 27, 2016. The year-end exchange rates with respect to the Mexican peso increased by approximately 4% with respect to the U.S. dollar during fiscal 2017 and decreased by approximately 9% during fiscal 2016. The potential loss in value of our net assets in the Mexican subsidiaries resulting from a hypothetical 10 percent adverse change in quoted foreign currency exchange rates at August 26, 2017 and August 27, 2016, would be approximately $47.2 million and approximately $36.2 million, respectively. Any changes in our net assets in the Mexican subsidiaries relating to foreign currency exchange rates would be reflected in the foreign currency translation component of Accumulated other comprehensive loss, unless the Mexican subsidiaries are sold or otherwise disposed.

A hypothetical 10 percent adverse change in average exchange rates would not have a material impact on our results of operations.

Item 8. Financial Statements and Supplementary Data

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Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended). Our internal control over financial reporting includes, among other things, defined policies and procedures for conducting and governing our business, sophisticated information systems for processing transactions and properly trained staff. Mechanisms are in place to monitor the effectiveness of our internal control over financial reporting, including regular testing performed by the Company's internal audit team. Actions are taken to correct deficiencies as they are identified. Our procedures for financial reporting include the active involvement of senior management, our Audit Committee and a staff of highly qualified financial and legal professionals.

Management, with the participation of our principal executive and financial officers, assessed our internal control over financial reporting as of August 26, 2017, the end of our fiscal year. Management based its assessment on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission 2013 framework.

Based on this assessment, management has concluded that our internal control over financial reporting was effective as of August 26, 2017.

Our independent registered public accounting firm, Ernst & Young LLP, audited the effectiveness of our internal control over financial reporting. Ernst & Young LLP's attestation report on the Company's internal control over financial reporting as of August 26, 2017 is included in this Annual Report on Form 10-K.

/s/ WILLIAM C. RHODES, III
William C. Rhodes, III
Chairman, President and
Chief Executive Officer
(Principal Executive Officer)

/s/ WILLIAM T. GILES
William T. Giles
Chief Financial Officer and Executive
Vice President – Finance and Information
Technology
(Principal Financial Officer)

Certifications

Compliance with NYSE Corporate Governance Listing Standards
On January 4, 2017, the Company submitted to the New York Stock Exchange the Annual CEO Certification required pursuant to Section 303A.12(a) of the New York Stock Exchange Listed Company Manual.

Rule 13a-14(a) Certifications of Principal Executive Officer and Principal Financial Officer
The Company has filed, as exhibits to its Annual Report on Form 10-K for the fiscal year ended August 26, 2017, the certifications of its Principal Executive Officer and Principal Financial Officer required pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of AutoZone, Inc.

We have audited AutoZone, Inc.'s internal control over financial reporting as of August 26, 2017, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission 2013 framework (the "COSO criteria"). AutoZone, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on AutoZone, Inc.'s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, AutoZone, Inc. maintained, in all material respects, effective internal control over financial reporting as of August 26, 2017, based on the COSO criteria**.**

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of AutoZone, Inc. as of August 26, 2017 and August 27, 2016, and the related consolidated statements of income, comprehensive income, stockholders' deficit, and cash flows for each of the three years in the period ended August 26, 2017 of AutoZone, Inc. and our report dated October 25, 2017 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Memphis, Tennessee
October 25, 2017

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of AutoZone, Inc.

We have audited the accompanying consolidated balance sheets of AutoZone, Inc. as of August 26, 2017 and August 27, 2016, and the related consolidated statements of income, comprehensive income, stockholders' deficit, and cash flows for each of the three years in the period ended August 26, 2017. These financial statements are the responsibility of AutoZone, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of AutoZone, Inc. as of August 26, 2017 and August 27, 2016 and the consolidated results of its operations and its cash flows for each of the three years in the period ended August 26, 2017, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), AutoZone, Inc.'s internal control over financial reporting as of August 26, 2017, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission 2013 framework and our report dated October 25, 2017 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Memphis, Tennessee
October 25, 2017

Consolidated Statements of Income

(in thousands, except per share data)	Year Ended August 26, 2017 (52 weeks)	August 27, 2016 (52 weeks)	August 29, 2015 (52 weeks)
Net sales	$10,888,676	$10,635,676	$10,187,340
Cost of sales, including warehouse and delivery expenses	5,149,056	5,026,940	4,860,309
Gross profit	5,739,620	5,608,736	5,327,031
Operating, selling, general and administrative expenses	3,659,551	3,548,341	3,373,980
Operating profit	2,080,069	2,060,395	1,953,051
Interest expense, net	154,580	147,681	150,439
Income before income taxes	1,925,489	1,912,714	1,802,612
Income tax expense	644,620	671,707	642,371
Net income	$ 1,280,869	$ 1,241,007	$ 1,160,241
Weighted average shares for basic earnings per share	28,430	29,889	31,560
Effect of dilutive stock equivalents	635	599	646
Weighted average shares for diluted earnings per share	29,065	30,488	32,206
Basic earnings per share	$ 45.05	$ 41.52	$ 36.76
Diluted earnings per share	$ 44.07	$ 40.70	$ 36.03

See Notes to Consolidated Financial Statements.

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Consolidated Statements of Comprehensive Income

(in thousands)	Year Ended August 26, 2017 (52 weeks)	August 27, 2016 (52 weeks)	August 29, 2015 (52 weeks)
Net income	$1,280,869	$1,241,007	$1,160,241
Other comprehensive income (loss):			
Pension liability adjustments, net of taxes(1)	16,514	(18,095)	(6,975)
Foreign currency translation adjustments	35,198	(39,524)	(113,652)
Unrealized (losses) gains on marketable securities, net of taxes(2)	(131)	146	(102)
Net derivative activity, net of taxes(3)	1,391	(538)	114
Total other comprehensive income (loss)	52,972	(58,011)	(120,615)
Comprehensive income	$1,333,841	$1,182,996	$1,039,626

(1) Pension liability adjustments are presented net of taxes of $10,542 in 2017, $11,394 in 2016 and $4,638 in 2015
(2) Unrealized (losses) gains on marketable securities are presented net of taxes of $69 in 2017, $79 in 2016 and $55 in 2015
(3) Net derivative activities are presented net of taxes of $814 in 2017, $315 in 2016 and $68 in 2015

See Notes to Consolidated Financial Statements.

Consolidated Balance Sheets

(in thousands)	August 26, 2017	August 27, 2016
Assets		
Current assets:		
Cash and cash equivalents	$ 293,270	$ 189,734
Accounts receivable	280,733	287,680
Merchandise inventories	3,882,086	3,631,916
Other current assets	155,166	130,243
Total current assets	4,611,255	4,239,573
Property and equipment:		
Land	1,056,187	998,460
Buildings and improvements	3,423,056	3,169,575
Equipment	1,704,653	1,550,792
Leasehold improvements	470,998	434,615
Construction in progress	218,299	176,673
	6,873,193	6,330,115
Less: Accumulated depreciation and amortization	2,842,175	2,596,861
	4,031,018	3,733,254
Goodwill	391,887	391,887
Deferred income taxes	35,308	36,855
Other long-term assets	190,313	198,218
	617,508	626,960
	$ 9,259,781	$ 8,599,787
Liabilities and Stockholders' Deficit		
Current liabilities:		
Accounts payable	$ 4,168,940	$4,095,854
Accrued expenses and other	563,350	551,625
Income taxes payable	34,011	42,841
Total current liabilities	4,766,301	4,690,320
Long-term debt	5,081,238	4,924,119
Deferred income taxes	371,111	284,500
Other long-term liabilities	469,508	488,386
Commitments and contingencies	–	–
Stockholders' deficit:		
Preferred stock, authorized 1,000 shares; no shares issued	–	–
Common stock, par value $.01 per share, authorized 200,000 shares; 28,735 shares issued and 27,833 shares outstanding in 2017 and 30,329 shares issued and 29,118 shares outstanding in 2016	287	303
Additional paid-in capital	1,086,671	1,054,647
Retained deficit	(1,642,387)	(1,602,186)
Accumulated other comprehensive loss	(254,557)	(307,529)
Treasury stock, at cost	(618,391)	(932,773)
Total stockholders' deficit	(1,428,377)	(1,787,538)
	$ 9,259,781	$ 8,599,787

See Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

(in thousands)	Year Ended August 26, 2017 (52 weeks)	August 27, 2016 (52 weeks)	August 29, 2015 (52 weeks)
Cash flows from operating activities:			
Net income	$ 1,280,869	$ 1,241,007	$ 1,160,241
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization of property and equipment and intangibles	323,051	297,397	269,919
Amortization of debt origination fees	8,369	7,980	6,230
Deferred income taxes	74,902	45,019	35,971
Share-based compensation expense	38,244	39,825	40,995
Pension plan contributions	(17,761)	(52,721)	–
Changes in operating assets and liabilities:			
Accounts receivable	7,795	(41,447)	(36,466)
Merchandise inventories	(236,807)	(227,518)	(266,776)
Accounts payable and accrued expenses	82,614	271,198	291,520
Income taxes payable	(3,659)	50,122	74,487
Other, net	12,995	10,198	(3,103)
Net cash provided by operating activities	1,570,612	1,641,060	1,573,018
Cash flows from investing activities:			
Capital expenditures	(553,832)	(488,791)	(480,579)
Acquisition of business, net of cash	–	–	(75,744)
Purchase of intangibles	–	(10,000)	(10,000)
Purchase of marketable securities	(85,711)	(130,170)	(49,740)
Proceeds from sale of marketable securities	82,993	120,472	46,411
Proceeds from disposal of capital assets and other, net	2,951	2,654	1,741
Net cash used in investing activities	(553,599)	(505,835)	(567,911)
Cash flows from financing activities:			
Net (payments) proceeds of commercial paper	(42,400)	149,900	153,800
Proceeds from issuance of debt	600,000	650,000	650,000
Repayment of debt	(400,000)	(500,000)	(500,000)
Net proceeds from sale of common stock	54,686	80,289	66,717
Purchase of treasury stock	(1,071,649)	(1,452,462)	(1,271,416)
Payments of capital lease obligations	(47,604)	(36,320)	(34,986)
Other, net	(7,362)	(7,935)	(8,712)
Net cash used in financing activities	(914,329)	(1,116,528)	(944,597)
Effect of exchange rate changes on cash	852	(4,272)	(9,686)
Net increase in cash and cash equivalents	103,536	14,425	50,824
Cash and cash equivalents at beginning of year	189,734	175,309	124,485
Cash and cash equivalents at end of year	$ 293,270	$ 189,734	$ 175,309
Supplemental cash flow information:			
Interest paid, net of interest cost capitalized	$ 135,331	$ 136,731	$ 137,630
Income taxes paid	$ 579,925	$ 582,384	$ 539,152
Assets acquired through capital lease	$ 84,011	$ 94,052	$ 71,047

See Notes to Consolidated Financial Statements.

Consolidated Statements of Stockholders' Deficit

(in thousands)	Common Shares Issued	Common Stock	Additional Paid-in Capital	Retained Deficit	Accumulated Other Comprehensive Loss	Treasury Stock	Total
Balance at August 30, 2014	33,858	$ 339	$ 843,504	$ (1,529,123)	$ (128,903)	$ (807,674)	$ (1,621,857)
Net income				1,160,241			1,160,241
Total other comprehensive loss					(120,615)		(120,615)
Purchase of 2,010 shares of treasury stock						(1,271,416)	(1,271,416)
Retirement of treasury shares	(2,125)	(21)	(57,403)	(1,049,856)		1,107,280	–
Issuance of common stock under stock options and stock purchase plans	365	3	66,714				66,717
Share-based compensation expense			37,645				37,645
Income tax benefit from exercise of stock options			47,895				47,895
Balance at August 29, 2015	32,098	321	938,355	(1,418,738)	(249,518)	(971,810)	(1,701,390)
Net income				1,241,007			1,241,007
Total other comprehensive loss					(58,011)		(58,011)
Purchase of 1,903 shares of treasury stock						(1,452,462)	(1,452,462)
Retirement of treasury shares	(2,132)	(21)	(67,023)	(1,424,455)		1,491,499	–
Issuance of common stock under stock options and stock purchase plans	363	3	80,286				80,289
Share-based compensation expense			39,298				39,298
Income tax benefit from exercise of stock options			63,731				63,731
Balance at August 27, 2016	30,329	303	1,054,647	(1,602,186)	(307,529)	(932,773)	(1,787,538)
Net income				1,280,869			1,280,869
Total other comprehensive income					52,972		52,972
Purchase of 1,495 shares of treasury stock						(1,071,649)	(1,071,649)
Retirement of treasury shares	(1,804)	(18)	(64,943)	(1,321,070)		1,386,031	–
Issuance of common stock under stock options and stock purchase plans	210	2	54,684				54,686
Share-based compensation expense			42,283				42,283
Balance at August 26, 2017	28,735	$ 287	$ 1,086,671	$ (1,642,387)	$ (254,557)	$ (618,391)	$ (1,428,377)

See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

Note A – Significant Accounting Policies

Business: AutoZone, Inc. and its wholly owned subsidiaries ("AutoZone" or the "Company") are principally a retailer and distributor of automotive replacement parts and accessories. At the end of fiscal 2017, the Company operated 5,465 AutoZone stores in the United States, including Puerto Rico; 524 stores in Mexico; 14 stores in Brazil; and 26 Interamerican Motor Corporation ("IMC") branches. Each AutoZone store carries an extensive product line for cars, sport utility vehicles, vans and light trucks, including new and remanufactured automotive hard parts, maintenance items, accessories and non-automotive products. At the end of fiscal 2017, 4,592 of the domestic AutoZone stores had a commercial sales program that provides commercial credit and prompt delivery of parts and other products to local, regional and national repair garages, dealers, service stations and public sector accounts. The company also had commercial programs in AutoZone stores in Mexico and Brazil. IMC branches carry an extensive line of original equipment quality import replacement parts. The Company also sells the ALLDATA brand automotive diagnostic and repair software through www.alldata.com and www.alldatadiy.com. Additionally, the Company sells automotive hard parts, maintenance items, accessories, and non-automotive products through www.autozone.com, and accessories, performance and replacement parts through www.autoanything.com, and its commercial customers can make purchases through www.autozonepro.com and www.imcparts.net. The Company does not derive revenue from automotive repair or installation services.

Fiscal Year: The Company's fiscal year consists of 52 or 53 weeks ending on the last Saturday in August. Fiscal 2017, fiscal 2016 and fiscal 2015 represented 52 weeks.

Basis of Presentation: The consolidated financial statements include the accounts of AutoZone, Inc. and its wholly owned subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation. Certain reclassifications have been made to the prior years' Consolidated Statements of Cash Flows to conform to the current year's presentation due to the adoption of the new accounting guidance for share-based payments.

Use of Estimates: Management of the Company has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent liabilities to prepare these financial statements. Actual results could differ from those estimates.

Cash and Cash Equivalents: Cash equivalents consist of investments with original maturities of 90 days or less at the date of purchase. Cash equivalents include proceeds due from credit and debit card transactions with settlement terms of less than five days. Credit and debit card receivables included within cash and cash equivalents were $48.3 million at August 26, 2017 and $46.8 million at August 27, 2016.

Cash balances are held in various locations around the world. Cash and cash equivalents of $148.4 million and $78.1 million were held outside of the U.S. as of August 26, 2017, and August 27, 2016, respectively, and were generally utilized to support liquidity needs in foreign operations. The Company intends to continue to permanently reinvest the cash held outside of the U.S. in its foreign operations.

Accounts Receivable: Accounts receivable consists of receivables from commercial customers and vendors, and are presented net of an allowance for uncollectible accounts. AutoZone routinely grants credit to certain of its commercial customers. The risk of credit loss in its trade receivables is substantially mitigated by the Company's credit evaluation process, short collection terms and sales to a large number of customers, as well as the low dollar value per transaction for most of its sales. Allowances for potential credit losses are determined based on historical experience and current evaluation of the composition of accounts receivable. Historically, credit losses have been within management's expectations and the balance of the allowance for uncollectible accounts was $5.9 million at August 26, 2017, and $7.4 million at August 27, 2016.

Merchandise Inventories: Inventories are stated at the lower of cost or market. Merchandise inventories include related purchasing, storage and handling costs. Inventory cost has been determined using the last-in, first-out ("LIFO") method for domestic inventories and the weighted average cost method for Mexico and Brazil inventories. Due to price deflation on the Company's merchandise purchases, the Company has exhausted its LIFO reserve balance. The Company's policy is to not write up inventory in excess of replacement cost.

The difference between LIFO cost and replacement cost, which will be reduced upon experiencing price inflation on the Company's merchandise purchases, was $414.9 million at August 26, 2017, and $364.1 million at August 27, 2016.

Marketable Securities: The Company invests a portion of its assets held by the Company's wholly owned insurance captive in marketable debt securities and classifies them as available-for-sale. The Company includes these securities within the Other current assets and Other long-term assets captions in the accompanying Consolidated Balance Sheets and records the amounts at fair market value, which is determined using quoted market prices at the end of the reporting period. A discussion of marketable securities is included in "Note E – Fair Value Measurements" and "Note F – Marketable Securities."

Property and Equipment: Property and equipment is stated at cost. Depreciation and amortization are computed principally using the straight-line method over the following estimated useful lives: buildings, 40 to 50 years; building improvements, 5 to 15 years; equipment, 3 to 10 years; and leasehold improvements, over the shorter of the asset's estimated useful life or the remaining lease term, which includes any reasonably assured renewal periods. Depreciation and amortization include amortization of assets under capital lease.

Impairment of Long-Lived Assets: The Company evaluates the recoverability of its long-lived assets whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When such an event occurs, the Company compares the sum of the undiscounted expected future cash flows of the asset (asset group) with the carrying amounts of the asset. If the undiscounted expected future cash flows are less than the carrying value of the assets, the Company measures the amount of impairment loss as the amount by which the carrying amount of the assets exceeds the fair value of the assets. There were no material impairment losses recorded in the three years ended August 26, 2017.

Goodwill: The cost in excess of fair value of identifiable net assets of businesses acquired is recorded as goodwill. Goodwill has not been amortized since fiscal 2001, but an analysis is performed at least annually to compare the fair value of the reporting unit to the carrying amount to determine if any impairment exists. The Company performs its annual impairment assessment in the fourth quarter of each fiscal year, unless circumstances dictate more frequent assessments. Refer to "Note N – Goodwill and Intangibles" for additional disclosures regarding the Company's goodwill and impairment assessment.

Intangible Assets: Intangible assets consist of assets from the acquisitions of IMC and AutoAnything and assets purchased relating to ALLDATA operations, and include technology, non-compete agreements, customer relationships and trade names. Amortizing intangible assets are amortized over periods ranging from 3 to 10 years. Trade names are non-amortizing intangibles as their lives are indefinite. These non-amortizing assets are reviewed at least annually for impairment by comparing the carrying amount to fair value. The Company performs its annual impairment assessment in the fourth quarter of each fiscal year, unless circumstances dictate more frequent assessments. Refer to "Note N – Goodwill and Intangibles" for additional disclosures regarding the Company's intangible assets and impairment assessment.

Derivative Instruments and Hedging Activities: AutoZone is exposed to market risk from, among other things, changes in interest rates, foreign exchange rates and fuel prices. From time to time, the Company uses various derivative instruments to reduce such risks. To date, based upon the Company's current level of foreign operations, no derivative instruments have been utilized to reduce foreign exchange rate risk. All of the Company's hedging activities are governed by guidelines that are authorized by AutoZone's Board of Directors (the "Board"). Further, the Company does not buy or sell derivative instruments for trading purposes.

AutoZone's financial market risk results primarily from changes in interest rates. At times, AutoZone reduces its exposure to changes in interest rates by entering into various interest rate hedge instruments such as interest rate swap contracts, treasury lock agreements and forward-starting interest rate swaps. All of the Company's interest rate hedge instruments are designated as cash flow hedges. Refer to "Note H – Derivative Financial Instruments" for additional disclosures regarding the Company's derivative instruments and hedging activities. Cash flows related to these instruments designated as qualifying hedges are reflected in the accompanying Consolidated Statements of Cash Flows in the same categories as the cash flows from the items being hedged. Accordingly, cash flows relating to the settlement of interest rate derivatives hedging the forecasted issuance of debt have been reflected upon settlement as a component of financing cash flows. The resulting gain or loss from such settlement is deferred to Accumulated other comprehensive loss and reclassified to interest expense over the term of the underlying debt. This reclassification of the deferred gains and losses impacts the interest expense recognized on the underlying debt that was hedged and is therefore reflected as a component of operating cash flows in periods subsequent to settlement.

Foreign Currency: The Company accounts for its Mexican, Brazilian, Canadian, European, Chinese and British operations using the Mexican peso, Brazilian real, Canadian dollar, euro, Chinese yuan renminbi and British pound as the functional currencies, respectively, and converts its financial statements from these currencies to U.S. dollars. The cumulative loss on currency translation is recorded as a component of Accumulated other comprehensive loss (see "Note G – Accumulated Other Comprehensive Loss").

Self-Insurance Reserves: The Company retains a significant portion of the risks associated with workers' compensation, employee health, general, products liability, property and vehicle insurance. Through various methods, which include analyses of historical trends and utilization of actuaries, the Company estimates the costs of these risks. The costs are accrued based upon the aggregate of the liability for reported claims and an estimated liability for claims incurred but not reported. Estimates are based on calculations that consider historical lag and claim development factors. The long-term portions of these liabilities are recorded at the Company's estimate of their net present value.

Deferred Rent: The Company recognizes rent expense on a straight-line basis over the course of the lease term, which includes any reasonably assured renewal periods, beginning on the date the Company takes physical possession of the property (see "Note O – Leases"). Differences between this calculated expense and cash payments are recorded as a liability within the Accrued expenses and other and Other long-term liabilities captions in the accompanying Consolidated Balance Sheets, based on the terms of the lease. Deferred rent approximated \$130.2 million as of August 26, 2017, and \$121.7 million as of August 27, 2016.

Financial Instruments: The Company has financial instruments, including cash and cash equivalents, accounts receivable, other current assets and accounts payable. The carrying amounts of these financial instruments approximate fair value because of their short maturities. A discussion of the carrying values and fair values of the Company's debt is included in "Note I – Financing," marketable securities is included in "Note F – Marketable Securities," and derivatives is included in "Note H – Derivative Financial Instruments."

Income Taxes: The Company accounts for income taxes under the liability method. Deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. Our effective tax rate is based on income by tax jurisdiction, statutory rates, and tax saving initiatives available to the Company in the various jurisdictions in which we operate.

The Company recognizes liabilities for uncertain income tax positions based on a two-step process. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step requires the Company to estimate and measure the tax benefit as the largest amount that is more than 50% likely to be realized upon ultimate settlement. It is inherently difficult and subjective to estimate such amounts, as the Company must determine the probability of various possible outcomes. The Company reevaluates these uncertain tax positions on a quarterly basis or when new information becomes available to management. These reevaluations are based on factors including, but not limited to, changes in facts or circumstances, changes in tax law, successfully settled issues under audit, expirations due to statutes and new audit activity. Such a change in recognition or measurement could result in the recognition of a tax benefit or an increase to the tax accrual.

The Company classifies interest related to income tax liabilities, and if applicable, penalties, as a component of Income tax expense. The income tax liabilities and accrued interest and penalties that are expected to be payable within one year of the balance sheet date are presented within the Accrued expenses and other caption in the accompanying Consolidated Balance Sheets. The remaining portion of the income tax liabilities and accrued interest and penalties are presented within the Other long-term liabilities caption in the accompanying Consolidated Balance Sheets because payment of cash is not anticipated within one year of the balance sheet date. Refer to "Note D – Income Taxes" for additional disclosures regarding the Company's income taxes.

Sales and Use Taxes: Governmental authorities assess sales and use taxes on the sale of goods and services. The Company excludes taxes collected from customers in its reported sales results; such amounts are included within the Accrued expenses and other caption until remitted to the taxing authorities.

Dividends: The Company currently does not pay a dividend on its common stock. The ability to pay dividends is subject to limitations imposed by Nevada law. Under Nevada law, any future payment of dividends would be dependent upon the Company’s financial condition, capital requirements, earnings and cash flow.

Revenue Recognition: The Company recognizes sales at the time the sale is made and the product is delivered to the customer. Revenue from sales are presented net of allowances for estimated sales returns, which are based on historical return rates.

A portion of the Company's transactions include the sale of auto parts that contain a core component. The core component represents the recyclable portion of the auto part. Customers are not charged for the core component of the new part if a used core is returned at the point of sale of the new part; otherwise the Company charges customers a specified amount for the core component. The Company refunds that same amount upon the customer returning a used core to the store at a later date. The Company does not recognize sales or cost of sales for the core component of these transactions when a used part is returned or expected to be returned from the customer.

Vendor Allowances and Advertising Costs: The Company receives various payments and allowances from its vendors through a variety of programs and arrangements. Monies received from vendors include rebates, allowances and promotional funds. The amounts to be received are subject to the terms of the vendor agreements, which generally do not state an expiration date, but are subject to ongoing negotiations that may be impacted in the future based on changes in market conditions, vendor marketing strategies and changes in the profitability or sell-through of the related merchandise.

Rebates and other miscellaneous incentives are earned based on purchases or product sales and are accrued ratably over the purchase or sale of the related product. These monies are generally recorded as a reduction of merchandise inventories and are recognized as a reduction to cost of sales as the related inventories are sold.

For arrangements that provide for reimbursement of specific, incremental, identifiable costs incurred by the Company in selling the vendors’ products, the vendor funds are recorded as a reduction to Operating, selling, general and administrative expenses in the period in which the specific costs were incurred.

The Company expenses advertising costs as incurred. Advertising expense, net of vendor promotional funds, was $93.1 million in fiscal 2017, $98.3 million in fiscal 2016, and $98.0 million in fiscal 2015. Vendor promotional funds, which reduced advertising expense, amounted to $28.3 million in fiscal 2017, $21.4 million in fiscal 2016, and $22.0 million in fiscal 2015.

Cost of Sales and Operating, Selling, General and Administrative Expenses: The following illustrates the primary costs classified in each major expense category:

Cost of Sales

- Total cost of merchandise sold, including:
    - Freight expenses associated with moving merchandise inventories from the Company's vendors to the distribution centers;
    - Vendor allowances that are not reimbursements for specific, incremental and identifiable costs
- Costs associated with operating the Company's supply chain, including payroll and benefit costs, warehouse occupancy costs, transportation costs and depreciation; and
- Inventory shrinkage

Operating, Selling, General and Administrative Expenses

- Payroll and benefit costs for store, field leadership and store support employees;
- Occupancy costs of store and store support facilities;
- Depreciation and amortization related to store and store support assets;
- Transportation costs associated with field leadership, commercial sales force and hub deliveries;
- Advertising;
- Self insurance costs; and
- Other administrative costs, such as credit card transaction fees, legal costs, supplies, and travel and lodging

Warranty Costs: The Company or the vendors supplying its products provides the Company's customers limited warranties on certain products that range from 30 days to lifetime. In most cases, the Company's vendors are primarily responsible for warranty claims. Warranty costs relating to merchandise sold under warranty not covered by vendors are estimated and recorded as warranty obligations at the time of sale based on each product's historical return rate. These obligations, which are often funded by vendor allowances, are recorded within the Accrued expenses and other caption in the Consolidated Balance Sheets. For vendor allowances that are in excess of the related estimated warranty expense for the vendor's products, the excess is recorded in inventory and recognized as a reduction to cost of sales as the related inventory is sold.

Shipping and Handling Costs: The Company does not generally charge customers separately for shipping and handling. Substantially all the costs the Company incurs to ship products to our stores are included in cost of sales.

Pre-opening Expenses: Pre-opening expenses, which consist primarily of payroll and occupancy costs, are expensed as incurred.

Earnings per Share: Basic earnings per share is based on the weighted average outstanding common shares. Diluted earnings per share is based on the weighted average outstanding common shares adjusted for the effect of common stock equivalents, which are primarily stock options. There were 620,915 stock options excluded from the diluted earnings per share calculation because they would have been anti-dilutive as of August 26, 2017. There were 329,900 stock options excluded for the year ended August 27, 2016, and 778 stock options excluded for the year ended August 29, 2015, because they would have been anti-dilutive.

Share-Based Payments: Share-based payments include stock option grants and certain other transactions under the Company's stock plans. The Company recognizes compensation expense for its share-based payments over the requisite service period based on the fair value of the awards. See "Note B – Share-Based Payments" for further discussion.

Risk and Uncertainties: In fiscal 2017, one class of similar products accounted for approximately 11 percent of the Company's total revenues, and one vendor supplied approximately 11 percent of the Company's total purchases. No other class of similar products accounted for 10 percent or more of total revenues, and no other individual vendor provided more than 10 percent of total purchases.

Recently Adopted Accounting Pronouncements:
In March 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") 2016-09, *Compensation – Stock Compensation (Topic 718): Improvement to Employee Share-based Payment Accounting*. ASU 2016-09 simplifies several aspects of accounting for share-based payments transactions, including income tax consequences, classification of awards as either equity or liabilities and classification on the statement of cash flows. The Company adopted this standard on August 28, 2016. The Company has applied the amendment requiring recognition of excess tax deficiencies and tax benefits in the income statement prospectively. The adoption of the new standard increased earnings per share for the year ended August 26, 2017 by $0.81, driven by a lower effective tax rate of 162 basis points (a $1.08 benefit to earnings per share), partially offset by a change to the dilutive outstanding shares calculation (a $0.27 reduction to earnings per share). The Company has applied the amendment relating to the presentation of the excess tax benefits on the Consolidated Statements of Cash Flows retrospectively, resulting in the reclassification of $63.7 million and $47.9 million of excess tax benefits from cash flows from financing activities to cash flows from operating activities for the years ended August 27, 2016 and August 29, 2015, respectively. The Company will continue to estimate forfeitures of share-based awards.

In January 2017, the FASB issued ASU 2017-04, *Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*. ASU 2017-04 eliminates Step 2 from the goodwill impairment test and instead requires an entity to perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. The entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value, not to exceed the total amount of goodwill allocated to the reporting unit. The updated guidance requires a prospective adoption. Early adoption is permitted. The Company early adopted ASU 2017-04 in the fourth quarter of fiscal 2017, and it had no material impact on the consolidated financial statements.

In August 2014, the FASB issued ASU 2014-15, *Presentation of Financial Statements – Going Concern (Subtopic 2015-40), Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*. ASU 2014-15 requires management to perform two steps. Management must first evaluate whether there are conditions and events that raise substantial doubt about the entity's ability to continue as a going concern (Step 1). If management concludes that substantial doubt is raised, management also is required to consider whether its plans alleviate that doubt (Step 2). Management must perform a going concern evaluation to assess whether it is probable that both management's plans will be effectively implemented and those plans will mitigate the relevant conditions and events within one year after the financial statements are issued (or available to be issued, when applicable). The Company adopted ASU 2014-15 in fiscal 2017, concluding no significant conditions or events are present to raise substantial doubt about the Company's ability to continue as a going concern.

Recently Issued Accounting Pronouncements:
In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers.* Under ASU 2014-09, an entity will recognize revenue to depict the transfer of promised goods or services to customers at an amount that reflects what it expects in exchange for the goods or services. It also requires more detailed disclosures to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. This update will be effective for the Company at the beginning of its fiscal 2019 year. The Company established a cross-functional implementation team to evaluate and identify the impact of ASU 2014-09 on the Company's financial position, results of operations and cash flows. The Company is currently in the process of identifying changes to its business processes, systems and controls to support adoption of the new standard. The Company is considering the possible implications of the new standard on the Company's revenue streams at each of the business units, the application of the Company's loyalty programs and all applicable financial statement disclosures required by the new guidance. At this time, the team has not completed its full analysis or means of adoption for the new guidance; however, the Company does not expect the adoption of the new standard to have a material impact on its consolidated financial condition, results of operations or cash flows.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires an entity to recognize a right-of-use asset and lease liability for all leases with terms of more than 12 months. Recognition, measurement and presentation of expenses will depend on classification as a finance or operating lease. The amendments also require certain quantitative and qualitative disclosures about leasing arrangements. Early adoption is permitted. The updated guidance requires a modified retrospective adoption. This update will be effective for the Company beginning with its fiscal 2020 first quarter. The Company established a cross-functional implementation team to evaluate and identify the impact of ASU 2016-02 on the Company's financial position, results of operations and cash flows. The Company is currently in the process of identifying changes to its business processes, systems and controls to support adoption of the new standard. The Company is considering the possible implications of the new standard on determining the valuation of new and existing leases, procedural and operational changes that may be necessary to comply with the provisions of the accounting update and all applicable financial statement disclosures required by the new guidance. At this time, the team has not completed its full analysis and is unable to quantify the impact; however, the Company believes the adoption of the new guidance will have a material impact on the total assets and total liabilities reported on the Company's consolidated balance sheets.

In May 2016, the FASB issued ASU 2016-11, *Revenue Recognition (Topic 605) and Derivatives Hedging (Topic 815): Rescission of SEC Guidance Because of Accounting Standards Updates 2014-09 and 2014-16 Pursuant to Staff Announcements at the March 3, 2016 EITF Meeting (SEC Update)*. ASU 2016-11 rescinds certain SEC Staff Observer comments under Topic 605, Revenue Recognition and Topic 932, Extractive Activities-Oil and Gas. This guidance clarifies that the registrants should not rely on the rescinded SEC Staff Observer comments upon adoption of ASU 2014-09. The Company does not expect ASU 2016-11 to have a material impact on its consolidated financial statements. This update will be effective for the Company at the beginning of its fiscal 2019 year.

In October 2016, the FASB issued ASU 2016-16, *Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other than Inventory*. ASU 2016-16 requires that an entity recognize the income tax consequences of an intra-entity transfer of assets other than inventory when the transfer occurs. The guidance must be applied using the modified retrospective basis. The Company does not expect the provisions of ASU 2016-16 to have a material impact on its financial statements. This update will be effective for the Company at the beginning of fiscal 2019.

In December 2016, the FASB issued ASU 2016-20, *Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers*. ASU 2016-20 provides correction or improvement to the guidance previously issued in ASU 2014-09, *Revenue from Contracts with Customers*. Under ASU 2014-09, an entity will recognize revenue to depict the transfer of promised goods or services to customers at an amount that reflects what it expects in exchange for the goods or services. It also requires more detailed disclosures to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The Company is in the process of evaluating the impact of the provisions of the ASUs on its consolidated financial statements. This update will be effective for the Company at the beginning of its fiscal 2019 year.

In January 2017, the FASB issued ASU 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business*. ASU 2017-01 provides guidance to assist entities in evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The updated guidance requires a prospective adoption. Early adoption is permitted. The Company does not expect the provisions of ASU 2017-01 to have a material impact on its consolidated financial statements. This update will be effective for the Company beginning with its fiscal 2019 first quarter.

In March 2017, the FASB issued ASU 2017-07, *Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. ASU 2017-07 requires an employer to separate the service cost component from other components of net benefit cost. It also provides specific guidance on the presentation of the service cost component and other components of net benefit in the income statement; only the service cost component of net benefit cost is eligible for capitalization. The Company is in the process of evaluating the effects of the provisions of ASU 2017-07 on its consolidated financial statements. This update will be effective for the Company beginning with its fiscal 2019 first quarter.

Note B – Share-Based Payments

Total share-based compensation expense (a component of Operating, selling, general and administrative expenses) was $38.2 million for fiscal 2017, $39.8 million for fiscal 2016, and $41.0 million for fiscal 2015. As of August 26, 2017, share-based compensation expense for unvested awards not yet recognized in earnings is $37.9 million and will be recognized over a weighted average period of 1.98 years. As a result of the adoption of the new accounting guidance for share-based payments, cash flows related to tax deductions in excess of recognized compensation cost are classified as operating cash flows for each period presented. Retrospective application of the cash flow presentation resulted in increases to both net cash provided by operations and net cash required for financing activities of $63.7 million and $47.9 million for fiscal 2016 and 2015, respectively.

On December 15, 2010, the Company's stockholders approved the 2011 Equity Incentive Award Plan (the "2011 Plan"), allowing the Company to provide equity-based compensation to non-employee directors and employees for their service to AutoZone or its subsidiaries or affiliates. Prior to the Company's adoption of the 2011 Plan, equity-based compensation was provided to employees under the 2006 Stock Option Plan and to non-employee directors under the 2003 Director Compensation Plan (the "2003 Comp Plan") and the 2003 Director Stock Option Plan (the "2003 Option Plan").

During fiscal 2016, the Company's stockholders approved the Amended and Restated AutoZone, Inc. 2011 Equity Incentive Award Plan (the "Amended 2011 Equity Plan"). The Amended 2011 Equity Plan imposes a maximum limit on the compensation, measured as the sum of any cash compensation and the aggregate grant date fair value of awards granted under the Amended 2011 Equity Plan, which may be paid to non-employee directors for such service during any calendar year. The Amended 2011 Equity Plan also applies a ten-year term on the Amended 2011 Equity Plan through December 16, 2025 and extends the Company's ability to grant incentive stock options through October 7, 2025.

The Company grants options to purchase common stock to certain of its employees under its plan at prices equal to the market value of the stock on the date of grant. Options have a term of 10 years or 10 years and one day from grant date. Employee options generally vest in equal annual installments on the first, second, third and fourth anniversaries of the grant date and generally have 30 or 90 days after the service relationship ends, or one year after death, to exercise all vested options. The fair value of each option grant is separately estimated for each vesting date. The fair value of each option is amortized into compensation expense on a straight-line basis between the grant date for the award and each vesting date.

In addition to the 2011 Plan, on December 15, 2010, the Company adopted the 2011 Director Compensation Program (the "2011 Program"), which stated that non-employee directors would receive their compensation in awards of restricted stock units under the 2011 Plan. Under the 2011 Program, restricted stock units are granted the first day of each calendar quarter. The number of restricted stock units granted each quarter is determined by dividing one-fourth of the amount of the annual retainer by the fair market value of the shares of common stock as of the grant date. The restricted stock units are fully vested on the date they are issued and are paid in shares of the Company's common stock subsequent to the non-employee director ceasing to be a member of the Board.

The 2011 Program replaced the 2003 Comp Plan and the 2003 Option Plan. Under the 2003 Comp Plan, non-employee directors could receive no more than one-half of their director fees immediately in cash, and the remainder of the fees was required to be taken in common stock or stock appreciation rights. The director had the option to elect to receive up to 100% of the fees in stock or defer all or part of the fees in units with value equivalent to the value of shares of common stock as of the grant date. At August 26, 2017, the Company had $9.5 million accrued related to 17,990 outstanding units issued under the 2003 Comp Plan and prior plans, and there was $13.6 million accrued related to 17,990 outstanding units issued as of August 27, 2016. No additional shares of stock or units will be issued in future years under the 2003 Comp Plan.

Under the 2003 Option Plan, each non-employee director received an option grant on January 1 of each year, and each new non-employee director received an option to purchase 3,000 shares upon election to the Board, plus a portion of the annual directors' option grant prorated for the portion of the year actually served. These stock option grants were made at the fair market value as of the grant date and generally vested three years from the grant date. There were 19,000 and 24,000 outstanding options under the 2003 Option Plan as of August 26, 2017 and August 27, 2016, respectively. No additional shares of stock will be issued in future years under the 2003 Option Plan.

During the second quarter of fiscal 2014, the Company adopted the 2014 Director Compensation Program (the "Program"), which states that non-employee directors will receive their compensation in awards of restricted stock units under the 2011 Equity Incentive Award Plan, with an option for a certain portion of a director's compensation to be paid in cash at the non-employee director's election. The Program replaces the 2011 Director Compensation Program. Under the Program, restricted stock units are granted January 1 of each year (the "Grant

Date”). The number of restricted stock units is determined by dividing the amount of the annual retainer by the fair market value of the shares of common stock as of the Grant Date. The restricted stock units are fully vested on January 1 of each year and are paid in shares of the Company’s common stock on the earlier to occur of the fifth anniversary of the Grant Date or the date the non-employee director ceases to be a member of the Board (“Separation from Service”). Non-employee directors may elect to defer receipt of the restricted stock units until their Separation from Service. The cash portion of the award, if elected, is paid ratably over the remaining calendar quarters.

The Company has estimated the fair value of all stock option awards as of the date of the grant by applying the Black-Scholes-Merton multiple-option pricing valuation model. The application of this valuation model involves assumptions that are judgmental and highly sensitive in the determination of compensation expense. The following table presents the weighted average for key assumptions used in determining the fair value of options granted and the related share-based compensation expense:

	Year Ended		
	August 26, 2017	**August 27, 2016**	**August 29, 2015**
Expected price volatility	18%	18%	20%
Risk-free interest rates	1.2%	1.5%	1.4%
Weighted average expected lives (in years)	5.1	5.1	5.1
Forfeiture rate	10%	10%	9%
Dividend yield	0%	0%	0%

The following methodologies were applied in developing the assumptions used in determining the fair value of options granted:

Expected price volatility – This is a measure of the amount by which a price has fluctuated or is expected to fluctuate. The Company uses actual historical changes in the market value of its stock to calculate the volatility assumption as it is management’s belief that this is the best indicator of future volatility. The Company calculates daily market value changes from the date of grant over a past period representative of the expected life of the options to determine volatility. An increase in the expected volatility will increase compensation expense.

Risk-free interest rate – This is the U.S. Treasury rate for the week of the grant having a term equal to the expected life of the option. An increase in the risk-free interest rate will increase compensation expense.

Expected lives – This is the period of time over which the options granted are expected to remain outstanding and is based on historical experience. Separate groups of employees that have similar historical exercise behavior are considered separately for valuation purposes. Options granted have a maximum term of ten years or ten years and one day. An increase in the expected life will increase compensation expense.

Forfeiture rate – This is the estimated percentage of options granted that are expected to be forfeited or canceled before becoming fully vested. This estimate is based on historical experience at the time of valuation and reduces expense ratably over the vesting period. An increase in the forfeiture rate will decrease compensation expense. This estimate is evaluated periodically based on the extent to which actual forfeitures differ, or are expected to differ, from the previous estimate.

Dividend yield – The Company has not made any dividend payments nor does it have plans to pay dividends in the foreseeable future. An increase in the dividend yield will decrease compensation expense.

The weighted average grant date fair value per share of options granted was $139.80 during fiscal 2017, $156.20 during fiscal 2016, and $106.27 during fiscal 2015. The intrinsic value of options exercised was $93.9 million in fiscal 2017, $178.0 million in fiscal 2016, and $154.8 million in fiscal 2015. The total fair value of options vested was $34.7 million in fiscal 2017, $32.2 million in fiscal 2016, and $30.6 million in fiscal 2015.

The Company generally issues new shares when options are exercised. The following table summarizes information about stock option activity for the year ended August 26, 2017:

	Number of Shares	Weighted Average Exercise Price	Weighted-Average Remaining Contractual Term *(in years)*	Aggregate Intrinsic Value *(in thousands)*
Outstanding – August 27, 2016	1,759,408	$ 428.72		
Granted	290,805	744.80		
Exercised	(207,069)	263.02		
Cancelled	(45,089)	657.78		
Outstanding – August 26, 2017	1,798,055	493.18	6.17	$ 199,752
Exercisable	1,041,933	362.38	4.76	189,790
Expected to vest	680,510	673.42	8.10	8,966
Available for future grants	898,992			

The Company recognized $1.8 million in expense related to the discount on the selling of shares to employees and executives under various share purchase plans in fiscal 2017, $2.0 million in fiscal 2016 and $2.1 million in fiscal 2015. The Sixth Amended and Restated AutoZone, Inc. Employee Stock Purchase Plan (the "Employee Plan"), which is qualified under Section 423 of the Internal Revenue Code, permits all eligible employees to purchase AutoZone's common stock at 85% of the lower of the market price of the common stock on the first day or last day of each calendar quarter through payroll deductions. Maximum permitted annual purchases are $15,000 per employee or 10 percent of compensation, whichever is less. Under the Employee Plan, 14,205 shares were sold to employees in fiscal 2017, 12,662 shares were sold to employees in fiscal 2016, and 14,222 shares were sold to employees in fiscal 2015. The Company repurchased 12,455 shares at market value in fiscal 2017, 12,460 shares in fiscal 2016 and 15,594 shares in fiscal 2015 from employees electing to sell their stock. Issuances of shares under the Employee Plan are netted against repurchases and such repurchases are not included in share repurchases disclosed in "Note K – Stock Repurchase Program." At August 26, 2017, 178,300 shares of common stock were reserved for future issuance under the Employee Plan.

Once executives have reached the maximum purchases under the Employee Plan, the Fifth Amended and Restated Executive Stock Purchase Plan (the "Executive Plan") permits all eligible executives to purchase AutoZone's common stock up to 25 percent of his or her annual salary and bonus. Purchases under the Executive Plan were 1,865 shares in fiscal 2017, 1,943 shares in fiscal 2016 and 2,229 shares in fiscal 2015. At August 26, 2017, 239,888 shares of common stock were reserved for future issuance under the Executive Plan.

Note C – Accrued Expenses and Other

Accrued expenses and other consisted of the following:

(in thousands)	August 26, 2017	August 27, 2016
Accrued compensation, related payroll taxes and benefits	$ 181,591	$ 180,012
Property, sales, and other taxes	98,829	95,293
Medical and casualty insurance claims (current portion)	84,756	78,458
Capital lease obligations	48,134	44,834
Accrued interest	41,047	34,179
Accrued gift cards	24,192	24,129
Accrued sales and warranty returns	19,520	19,527
Other	65,281	75,193
	$ 563,350	$ 551,625

The Company retains a significant portion of the insurance risks associated with workers' compensation, employee health, general, products liability, property and vehicle insurance. A portion of these self-insured losses is managed through a wholly owned insurance captive. The Company maintains certain levels for stop-loss coverage for each self-insured plan in order to limit its liability for large claims. The limits are per claim and are $1.5 million for workers' compensation, $2.0 million for vehicles, $21.5 million for property, $0.7 million for employee health, and $1.0 million for general and products liability.

Note D – Income Taxes

The components of income from continuing operations before income taxes are as follows:

	Year Ended		
(in thousands)	**August 26, 2017**	**August 27, 2016**	**August 29, 2015**
Domestic	$ 1,737,401	$ 1,737,727	$ 1,676,640
International	188,088	174,987	125,972
	$ 1,925,489	$ 1,912,714	$ 1,802,612

The provision for income tax expense consisted of the following:

	Year Ended		
(in thousands)	**August 26, 2017**	**August 27, 2016**	**August 29, 2015**
Current:			
Federal	$ 487,492	$ 534,621	$ 522,073
State	31,733	39,223	41,921
International	50,493	52,844	42,406
	569,718	626,688	606,400
Deferred:			
Federal	72,208	48,509	38,299
State	7,769	9,453	941
International	(5,075)	(12,943)	(3,269)
	74,902	45,019	35,971
Income tax expense	$ 644,620	$ 671,707	$ 642,371

A reconciliation of the provision for income taxes to the amount computed by applying the federal statutory tax rate of 35% to income before income taxes is as follows:

	Year Ended		
(in thousands)	**August 26, 2017**	**August 27, 2016**	**August 29, 2015**
Federal tax at statutory U.S. income tax rate	35.0%	35.0%	35.0%
State income taxes, net	1.3%	1.6%	1.5%
Other	(2.8%)	(1.5%)	(0.9%)
Effective tax rate	33.5%	35.1%	35.6%

Significant components of the Company's deferred tax assets and liabilities were as follows:

(in thousands)	August 26, 2017	August 27, 2016
Deferred tax assets:		
Net operating loss and credit carryforwards	$ 48,062	$ 50,859
Accrued benefits	96,664	93,212
Other	56,052	68,600
Total deferred tax assets	200,778	212,671
Less: Valuation allowances	(13,501)	(13,338)
Net deferred tax asset	187,277	199,333
Deferred tax liabilities:		
Property and equipment	(117,580)	(93,943)
Inventory	(333,422)	(315,563)
Prepaid Expenses	(60,920)	(27,395)
Other	(11,158)	(10,077)
Total deferred tax liabilities	(523,080)	(446,978)
Net deferred tax liability	$ (335,803)	$ (247,645)

Deferred taxes are not provided for temporary differences of approximately $712.6 million at August 26, 2017, and $572.0 million at August 27, 2016, representing earnings of non-U.S. subsidiaries that are intended to be permanently reinvested. If a deferred tax liability associated with these undistributed earnings had been recorded it would have been approximately $37.5 million and $35.0 million at August 26, 2017 and August 27, 2016, respectively.

At August 26, 2017 and August 27, 2016, the Company had deferred tax assets of $30.8 million and $25.2 million, respectively, from net operating loss (“NOL”) carryforwards available to reduce future taxable income totaling approximately $198.2 million and $122.0 million, respectively. Certain NOLs have no expiration date and others will expire, if not utilized, in various years from fiscal 2018 through 2037. At August 26, 2017 and August 27, 2016, the Company had deferred tax assets for income tax credit carryforwards of $17.2 million and $25.7 million, respectively. Income tax credit carryforwards will expire, if not utilized, in various years from fiscal 2023 through 2027.

At August 26, 2017 and August 27, 2016, the Company had a valuation allowance of $13.5 million and $13.3 million, respectively, on deferred tax assets associated with NOL and tax credit carryforwards for which management has determined it is more likely than not that the deferred tax asset will not be realized. Management believes it is more likely than not that the remaining deferred tax assets will be fully realized.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

(in thousands)	August 26, 2017	August 27, 2016
Beginning balance	$ 27,726	$ 28,434
Additions based on tax positions related to the current year	7,089	7,172
Additions for tax positions of prior years	278	95
Reductions for tax positions of prior years	(6,954)	(2,405)
Reductions due to settlements	(1,964)	(858)
Reductions due to statute of limitations	(3,974)	(4,712)
Ending balance	$ 22,201	$ 27,726

Included in the August 26, 2017 and the August 27, 2016 balances are $9.9 million and $15.5 million, respectively, of unrecognized tax benefits that, if recognized, would reduce the Company’s effective tax rate.

The Company accrues interest on unrecognized tax benefits as a component of income tax expense. Penalties, if incurred, would be recognized as a component of income tax expense. The Company had $1.2 million and $2.8

million accrued for the payment of interest and penalties associated with unrecognized tax benefits at August 26, 2017 and August 27, 2016, respectively.

The Company files U.S. federal, U.S. state and local, and international income tax returns. With few exceptions, the Company is no longer subject to state and local or Non-U.S. examinations by tax authorities for fiscal year 2013 and prior. The Company is typically engaged in various tax examinations at any given time by U.S. federal, U.S. state and local, and Non-U.S. taxing jurisdictions. As of August 26, 2017, the Company estimates that the amount of unrecognized tax benefits could be reduced by approximately $2.3 million over the next twelve months as a result of tax audit settlements. While the Company believes that it has adequately accrued for possible audit adjustments, the final resolution of these examinations cannot be determined at this time and could result in final settlements that differ from current estimates.

Note E – Fair Value Measurements

The Company has adopted ASC Topic 820, *Fair Value Measurement*, which defines fair value, establishes a framework for measuring fair value in GAAP and expands disclosure requirements about fair value measurements. This standard defines fair value as the price received to transfer an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC Topic 820 establishes a framework for measuring fair value by creating a hierarchy of valuation inputs used to measure fair value, and although it does not require additional fair value measurements, it applies to other accounting pronouncements that require or permit fair value measurements.

The hierarchy prioritizes the inputs into three broad levels:

Level 1 inputs — unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access. An active market for the asset or liability is one in which transactions for the asset or liability occur with sufficient frequency and volume to provide ongoing pricing information.

Level 2 inputs — inputs other than quoted market prices included in Level 1 that are observable, either directly or indirectly, for the asset or liability. Level 2 inputs include, but are not limited to, quoted prices for similar assets or liabilities in an active market, quoted prices for identical or similar assets or liabilities in markets that are not active and inputs other than quoted market prices that are observable for the asset or liability, such as interest rate curves and yield curves observable at commonly quoted intervals, volatilities, credit risk and default rates.

Level 3 inputs — unobservable inputs for the asset or liability.

Financial Assets & Liabilities Measured at Fair Value on a Recurring Basis
The Company's assets and liabilities measured at fair value on a recurring basis were as follows:

	August 26, 2017			
(in thousands)	**Level 1**	**Level 2**	**Level 3**	**Fair Value**
Other current assets	$ 18,453	$ 120	$ –	$ 18,573
Other long-term assets	53,319	28,981	–	82,300
	$ 71,772	$ 29,101	$ –	$ 100,873

	August 27, 2016			
(in thousands)	**Level 1**	**Level 2**	**Level 3**	**Fair Value**
Other current assets	$ 7,326	$ –	$ –	$ 7,326
Other long-term assets	65,350	25,675	–	91,025
	$ 72,676	$ 25,675	$ –	$ 98,351

At August 26, 2017, the fair value measurement amounts for assets and liabilities recorded in the accompanying Consolidated Balance Sheet consisted of short-term marketable securities of $18.6 million, which are included within Other current assets and long-term marketable securities of $82.3 million, which are included in Other long-term assets. The Company's marketable securities are typically valued at the closing price in the principal active market as of the last business day of the quarter or through the use of other market inputs relating to the securities, including benchmark yields and reported trades.

A discussion on how the Company's cash flow hedges are valued is included in "Note H – Derivative Financial Instruments," while the fair value of the Company's pension plan assets are disclosed in "Note L – Pension and Savings Plans."

Non-Financial Assets Measured at Fair Value on a Non-Recurring Basis
Non-financial assets are required to be measured at fair value on a non-recurring basis in certain circumstances, including the event of impairment. The assets could include assets acquired in an acquisition as well as property, plant and equipment that are determined to be impaired. During fiscal 2017 and fiscal 2016, the Company did not have any significant non-financial assets measured at fair value on a non-recurring basis in periods subsequent to initial recognition.

Financial Instruments not Recognized at Fair Value
The Company has financial instruments, including cash and cash equivalents, accounts receivable, other current assets and accounts payable. The carrying amounts of these financial instruments approximate fair value because of their short maturities. The fair value of the Company's debt is disclosed in "Note I – Financing."

Note F – Marketable Securities

The Company's basis for determining the cost of a security sold is the "Specific Identification Model." Unrealized gains (losses) on marketable securities are recorded in Accumulated other comprehensive loss. The Company's available-for-sale marketable securities consisted of the following:

	August 26, 2017			
(in thousands)	Amortized Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Corporate securities	$ 39,917	$ 73	$ (13)	$ 39,977
Government bonds	31,076	49	(74)	31,051
Mortgage-backed securities	4,850	2	(42)	4,810
Asset-backed securities and other	25,042	28	(35)	25,035
	$ 100,885	$ 152	$ (164)	$ 100,873

	August 27, 2016			
(in thousands)	Amortized Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Corporate securities	$ 37,789	$ 198	$ (6)	$ 37,981
Government bonds	33,497	24	(35)	33,486
Mortgage-backed securities	6,865	18	(29)	6,854
Asset-backed securities and other	20,015	26	(11)	20,030
	$ 98,166	$ 266	$ (81)	$ 98,351

The debt securities held at August 26, 2017, had effective maturities ranging from less than one year to approximately three years. The Company did not realize any material gains or losses on its marketable securities during fiscal 2017, 2016 or 2015.

The Company holds 51 securities that are in an unrealized loss position of approximately $164 thousand at August 26, 2017. The Company has the intent and ability to hold these investments until recovery of fair value or maturity, and does not deem the investments to be impaired on an other than temporary basis. In evaluating whether the securities are deemed to be impaired on an other than temporary basis, the Company considers factors such as the duration and severity of the loss position, the credit worthiness of the investee, the term to maturity and its intent and ability to hold the investments until maturity or until recovery of fair value.

Included above in total marketable securities are $85.4 million and $61.8 million of marketable securities transferred by the Company's insurance captive to a trust account to secure its obligations to an insurance company related to future workers' compensation and casualty losses as of August 26, 2017 and August 27, 2016, respectively.

Note G – Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss includes certain adjustments to pension liabilities, foreign currency translation adjustments, certain activity for interest rate swaps and treasury rate locks that qualify as cash flow hedges and unrealized gains (losses) on available-for-sale securities. Changes in Accumulated other comprehensive loss consisted of the following:

(in thousands)	Pension Liability	Foreign Currency[3]	Net Unrealized Gain (Loss) on Securities	Derivatives	Total
Balance at August 29, 2015…………	$ (70,795)	$ (171,488)	$ (26)	$ (7,209)	$ (249,518)
Other comprehensive (loss) income before reclassifications…………..	(24,542)	(39,524)	206	(2,687)	(66,547)
Amounts reclassified from Accumulated other comprehensive loss[1] …………………………	6,447[2]	–	(60)[4]	2,149[5]	8,536
Balance at August 27, 2016…………	(88,890)	(211,012)	120	(7,747)	(307,529)
Other comprehensive (loss) income before reclassifications…………..	8,046	35,198	(60)	–	43,184
Amounts reclassified from Accumulated other comprehensive loss[1] …………………………	8,468[2]	–	(71)[4]	1,391[5]	9,788
Balance at August 26, 2017…………	$ (72,376)	$ (175,814)	$ (11)	$ (6,356)	$ (254,557)

(1) Amounts in parentheses indicate debits to Accumulated other comprehensive loss.
(2) Represents amortization of pension liability adjustments, net of taxes of $5,406 in fiscal 2017 and $4,059 in fiscal 2016, which is recorded in Operating, selling, general and administrative expenses on the Consolidated Statements of Income. See "Note L – Pension and Savings Plans" for further discussion.
(3) Foreign currency is not shown net of additional U.S. tax as earnings of non-U.S. subsidiaries are intended to be permanently reinvested.
(4) Represents realized losses on marketable securities, net of taxes of $38 in fiscal 2017 and $33 in fiscal 2016, which is recorded in Operating, selling, general, and administrative expenses on the Consolidated Statements of Income. See "Note F – Marketable Securities" for further discussion.
(5) Represents gains and losses on derivatives, net of taxes of $814 in fiscal 2017 and $315 in fiscal 2016, which is recorded in Interest expense, net, on the Consolidated Statements of Income. See "Note H – Derivative Financial Instruments" for further discussion.

The 2017 pension actuarial gain of $8.0 million and the 2016 pension actuarial loss of $24.5 million include amounts not yet reflected in periodic pension costs primarily driven by changes in the discount rate.

Note H – Derivative Financial Instruments

The Company periodically uses derivatives to hedge exposures to interest rates. The Company does not hold or issue financial instruments for trading purposes. For transactions that meet the hedge accounting criteria, the Company formally designates and documents the instrument as a hedge at inception and quarterly thereafter assesses the hedges to ensure they are effective in offsetting changes in the cash flows of the underlying exposures. Derivatives are recorded in the Company's Consolidated Balance Sheet at fair value, determined using available market information or other appropriate valuation methodologies. In accordance with ASC Topic 815, *Derivatives and Hedging*, the effective portion of a financial instrument's change in fair value is recorded in Accumulated other comprehensive loss for derivatives that qualify as cash flow hedges and any ineffective portion of an instrument's change in fair value is recognized in earnings.

At August 26, 2017, the Company had $10.1 million recorded in Accumulated other comprehensive loss related to net realized losses associated with terminated interest rate swap and treasury rate lock derivatives which were designated as hedging instruments. Net losses are amortized into Interest expense over the remaining life of the associated debt. During the fiscal year ended August 26, 2017, the Company reclassified $2.2 million of net losses from Accumulated other comprehensive loss to Interest expense. In the fiscal year ended August 27, 2016, the Company reclassified $1.8 million of net losses from Accumulated other comprehensive loss to Interest expense. The Company expects to reclassify $2.2 million of net losses from Accumulated other comprehensive loss to Interest expense over the next 12 months.

Note I – Financing

The Company's debt consisted of the following:

(in thousands)	**August 26, 2017**	**August 27, 2016**
1.300% Senior Notes due January 2017, effective interest rate of 1.43%	$ –	$ 400,000
7.125% Senior Notes due August 2018, effective interest rate of 7.28%	250,000	250,000
1.625% Senior Notes due April 2019, effective interest rate of 1.77%	250,000	250,000
4.000% Senior Notes due November 2020, effective interest rate of 4.43%	500,000	500,000
2.500% Senior Notes due April 2021, effective interest rate of 2.62%	250,000	250,000
3.700% Senior Notes due April 2022, effective interest rate of 3.85%	500,000	500,000
2.875% Senior Notes due January 2023, effective interest rate of 3.21%	300,000	300,000
3.125% Senior Notes due July 2023, effective interest rate of 3.26%	500,000	500,000
3.250% Senior Notes due April 2025, effective interest rate 3.36%	400,000	400,000
3.125% Senior Notes due April 2026, effective interest rate of 3.28%	400,000	400,000
3.750% Senior Notes due June 2027, effective interest rate of 3.83%	600,000	–
Commercial paper, weighted average interest rate of 1.44% and 0.72% at August 26, 2017 and August 27, 2016, respectively	1,155,100	1,197,500
Total debt before discounts and debt issuance costs	5,105,100	4,947,500
Less: Discounts and debt issuance costs	23,862	23,381
Long-term debt	$ 5,081,238	$ 4,924,119

As of August 26, 2017, the commercial paper borrowings and the $250 million 7.125% Senior Notes due August 2018 are classified as long-term in the accompanying Consolidated Balance Sheets as the Company has the ability and intent to refinance on a long-term basis through available capacity in its revolving credit facilities. As of August 26, 2017, the Company had $1.997 billion of availability under its $2.0 billion revolving credit facilities, which would allow it to replace these short-term obligations with long-term financing facilities.

On November 18, 2016, the Company amended and restated its existing Multi-Year revolving credit facility (the "New Multi-Year Revolving Credit Agreement") by increasing the committed credit amount from $1.25 billion to $1.6 billion, extending the expiration date by two years and renegotiating other terms and conditions. This credit facility is available to primarily support commercial paper borrowings, letters of credit and other short-term unsecured bank loans. The capacity of the credit facility may be increased to $2.1 billion prior to the maturity date at the Company's election and subject to bank credit capacity and approval, and may include up to $200 million in letters of credit. Under the revolving credit facility, the Company may borrow funds consisting of Eurodollar loans, base rate loans or a combination of both. Interest accrues on Eurodollar loans at a defined Eurodollar rate, defined as LIBOR plus the applicable percentage, as defined in the revolving credit facility, depending upon the Company's senior, unsecured, (non-credit enhanced) long-term debt rating. Interest accrues on base rate loans as defined in the credit facility. The Company also has the option to borrow funds under the terms of a swingline loan subfacility. The revolving credit facility expires on November 18, 2021, but the Company may, by notice to the administrative agent, make up to two requests to extend the termination date for an additional period of one year. The first such request must be made no earlier than 60 days, and no later than 45 days, prior to November 18, 2017, while the second request must be made no earlier than 60 days, and no later than 45 days, prior to November 18, 2018.

On November 18, 2016, the Company amended and restated its existing 364-Day revolving credit facility (the "New 364-Day Credit Agreement") by decreasing the committed credit amount from $500 million to $400 million, extending the expiration date by one year and renegotiating other terms and conditions. The credit facility is available to primarily support commercial paper borrowings and other short-term unsecured bank loans. Under the credit facility, the Company may borrow funds consisting of Eurodollar loans, base rate loans or a combination of both. Interest accrues on Eurodollar loans at a defined Eurodollar rate, defined as LIBOR plus the applicable margin, as defined in the revolving credit facility, depending upon the Company's senior, unsecured, (non-credit enhanced) long-term debt rating. Interest accrues on base rate loans as defined in the credit facility. The New 364-Day Credit Agreement expires on November 17, 2017, but the Company may request an extension of the termination date for 364 days no later than 45 days prior to November 17, 2017, subject to bank approval. In addition, at least 15 days prior to November 17, 2017, the Company has the right to convert the credit facility to a term loan for up to one year from the termination date, subject to a 1% penalty.

The revolving credit facility agreements require that the Company's consolidated interest coverage ratio as of the last day of each quarter shall be no less than 2.5:1. This ratio is defined as the ratio of (i) consolidated earnings before interest, taxes and rents to (ii) consolidated interest expense plus consolidated rents. The Company's consolidated interest coverage ratio as of August 26, 2017 was 6.0:1.

As of August 26, 2017, the Company had no outstanding borrowings under each of the revolving credit facilities, and $3.3 million of outstanding letters of credit under the New Multi-Year Revolving Credit Agreement.

The Company also maintains a letter of credit facility that allows it to request the participating bank to issue letters of credit on its behalf up to an aggregate amount of $75 million. The letter of credit facility is in addition to the letters of credit that may be issued under the New Multi-Year Revolving Credit Agreement. As of August 26, 2017, the Company had $74.9 million in letters of credit outstanding under the letter of credit facility.

In addition to the outstanding letters of credit issued under the committed facilities discussed above, the Company had $10.4 million in letters of credit outstanding as of August 26, 2017. These letters of credit have various maturity dates and were issued on an uncommitted basis.

On April 18, 2017, the Company issued $600 million in 3.750% Senior Notes due June 2027 under its shelf registration statement filed with the SEC on April 15, 2015 (the "2015 Shelf Registration"). The 2015 Shelf Registration allows the Company to sell an indeterminate amount in debt securities to fund general corporate purposes, including repaying, redeeming or repurchasing outstanding debt and for working capital, capital expenditures, new location openings, stock repurchases and acquisitions. Proceeds from the debt issuance were used for general corporate purposes.

On April 21, 2016, the Company issued $400 million in 3.125% Senior Notes due April 2026 and $250 million in 1.625% Senior Notes due April 2019 under its 2015 Shelf Registration. Proceeds from the debt issuances were used for general corporate purposes.

On April 29, 2015, we issued $400 million in 3.250% Senior Notes due April 2025 and $250 million in 2.500% Notes due April 2021 under the 2015 Shelf Registration. Proceeds from the debt issuances were used to repay a portion of the outstanding commercial paper borrowings, which were used to repay the $500 million in 5.750% Senior Notes due in January 2015, and for general corporate purposes.

All senior notes are subject to an interest rate adjustment if the debt ratings assigned to the senior notes are downgraded (as defined in the agreements). Further, the senior notes contain a provision that repayment of the senior notes may be accelerated if the Company experiences a change in control (as defined in the agreements). The Company's borrowings under its senior notes contain minimal covenants, primarily restrictions on liens. Under its revolving credit facilities, covenants include restrictions on liens, a maximum debt to earnings ratio, a minimum fixed charge coverage ratio and a change of control provision that may require acceleration of the repayment obligations under certain circumstances. All of the repayment obligations under its borrowing arrangements may be accelerated and come due prior to the scheduled payment date if covenants are breached or an event of default occurs.

As of August 26, 2017, the Company was in compliance with all covenants related to its borrowing arrangements. All of the Company's debt is unsecured. Scheduled maturities of debt are as follows:

(in thousands)	Scheduled Maturities
2018	$ 1,405,100
2019	250,000
2020	-
2021	750,000
2022	500,000
Thereafter	2,200,000
Subtotal	5,105,100
Discount and debt issuance costs	23,862
Total Debt	$ 5,081,238

The fair value of the Company's debt was estimated at $5.171 billion as of August 26, 2017, and $5.117 billion as of August 27, 2016, based on the quoted market prices for the same or similar issues or on the current rates available to the Company for debt of the same terms (Level 2). Such fair value is greater than the carrying value of debt by $90.3 million at August 26, 2017 and $192.7 million at August 27, 2016, which reflect their face amount, adjusted for any unamortized debt issuance costs and discounts.

Note J – Interest Expense

Net interest expense consisted of the following:

	Year Ended		
(in thousands)	August 26, 2017	August 27, 2016	August 29, 2015
Interest expense	$ 159,329	$ 150,961	$ 153,007
Interest income	(3,502)	(2,371)	(1,605)
Capitalized interest	(1,247)	(909)	(963)
	$ 154,580	$ 147,681	$ 150,439

Note K – Stock Repurchase Program

During 1998, the Company announced a program permitting the Company to repurchase a portion of its outstanding shares not to exceed a dollar maximum established by the Board. The program was last amended on March 21, 2017 to increase the repurchase authorization to $18.65 billion from $17.9 billion. From January 1998 to August 26, 2017, the Company has repurchased a total of 142.3 million shares at an aggregate cost of $17.826 billion.

The Company's share repurchase activity consisted of the following:

	Year Ended		
(in thousands)	August 26, 2017	August 27, 2016	August 29, 2015
Amount	$ 1,071,649	$ 1,452,462	$ 1,271,416
Shares	1,495	1,903	2,010

During fiscal year 2017, the Company retired 1.8 million shares of treasury stock which had previously been repurchased under the Company's share repurchase program. The retirement increased Retained deficit by $1.321 billion and decreased Additional paid-in capital by $64.9 million. During the comparable prior year period, the Company retired 2.1 million shares of treasury stock, which increased Retained deficit by $1.424 billion and decreased Additional paid-in capital by $67.0 million.

Note L – Pension and Savings Plans

Prior to January 1, 2003, substantially all full-time employees were covered by a defined benefit pension plan. The benefits under the plan were based on years of service and the employee's highest consecutive five-year average compensation. On January 1, 2003, the plan was frozen. Accordingly, pension plan participants will earn no new benefits under the plan formula and no new participants will join the pension plan.

On January 1, 2003, the Company's supplemental defined benefit pension plan for certain highly compensated employees was also frozen. Accordingly, plan participants will earn no new benefits under the plan formula and no new participants will join the pension plan.

The Company has recognized the unfunded status of the defined pension plans in its Consolidated Balance Sheets, which represents the difference between the fair value of pension plan assets and the projected benefit obligations of its defined benefit pension plans. The net unrecognized actuarial losses and unrecognized prior service costs are recorded in Accumulated other comprehensive loss. These amounts will be subsequently recognized as net periodic benefit cost pursuant to the Company's historical accounting policy for amortizing such amounts. Further, actuarial gains and losses that arise in subsequent periods and are not recognized as net periodic benefit cost in the same periods will be recognized as a component of other comprehensive income. Those amounts will be subsequently recognized as a component of net periodic benefit cost on the same basis as the amounts previously recognized in Accumulated other comprehensive loss.

The Company's investment strategy for pension plan assets is to utilize a diversified mix of domestic and international equity and fixed income portfolios to earn a long-term investment return that meets the Company's pension plan obligations. The pension plan assets are invested primarily in listed securities, and the pension plans may hold only a minimal investment in AutoZone common stock that is entirely at the discretion of third-party pension fund investment managers. The Company's largest holding classes, fixed income bonds and U.S. equities, are invested with a fund manager that holds diversified portfolios. Accordingly, the Company does not have any significant concentrations of risk in particular securities, issuers, sectors, industries or geographic regions. Alternative investment strategies were fully liquidated during fiscal 2016. The Company's investment managers are prohibited from using derivatives for speculative purposes and are not permitted to use derivatives to leverage a portfolio.

The following is a description of the valuation methodologies used for the Company's investments measured at fair value:

U.S., international, emerging, and high yield equities – These investments are commingled funds and are valued using the net asset values, which are determined by valuing investments at the closing price or last trade reported on the major market on which the individual securities are traded. These investments are subject to annual audits.

Alternative investments – This category represents a hedge fund of funds made up of various investments in limited partnerships, limited liability companies and corporations. The fair value of the hedge fund of funds is determined using valuations provided by third party administrators for each of the underlying funds.

Fixed income securities – The fair values of corporate, U.S. government securities and other fixed income securities are estimated by using bid evaluation pricing models or quoted prices of securities with similar characteristics.

Cash and cash equivalents – These investments include cash equivalents valued using exchange rates provided by an industry pricing vendor and commingled funds valued using the net asset value. These investments also include cash.

The fair values of investments by level and asset category and the weighted-average asset allocations of the Company's pension plans at the measurement date are presented in the following table:

August 26, 2017

	Fair	Asset Allocation		Fair Value Hierarchy		
(in thousands)	Value	Actual	Target	Level 1	Level 2	Level 3
U.S. equities	$ 50,125	15.8%	17.0%	$ –	$ 50,125	$ –
International equities	33,696	10.7	11.0	–	33,696	–
Emerging equities	19,027	6.0	6.0	–	19,027	–
High yield securities	17,063	5.4	6.0	–	17,063	–
Alternative investments	–	–	–	–	–	–
Fixed income securities	178,650	56.5	60.0	–	178,650	–
Cash and cash equivalents	17,706	5.6	–	–	17,706	–
	$316,267	100.0%	100.0%	$ –	$316,267	$ –

August 27, 2016

	Fair	Asset Allocation		Fair Value Hierarchy		
(in thousands)	Value	Actual	Target	Level 1	Level 2	Level 3
U.S. equities	$ 66,008	22.9%	26.0%	$ –	$ 66,008	$ –
International equities	42,023	14.5	17.0	–	42,023	–
Emerging equities	22,848	7.9	8.5	–	22,848	–
High yield securities	21,445	7.4	8.5	–	21,445	–
Alternative investments	–	–	–	–	–	–
Fixed income securities	99,336	34.3	40.0	–	99,336	–
Cash and cash equivalents	37,726	13.0	–	–	37,726	–
	$ 289,386	100.0%	100.0%	$ –	$289,386	$ –

The asset allocations in the charts above include $17.5 million and $48.0 million in cash contributions made in the last month prior to the balance sheet date of August 26, 2017, and August 27, 2016, respectively. Subsequent to August 26, 2017, and August 27, 2016, these cash contributions were allocated to the pension plan investments in accordance with the targeted asset allocation.

In January 2017, the Company's Investment Committee approved a revised asset allocation target for the investments held by the pension plan. Based on the revised asset allocation target, the expected long-term rate of return on plan assets changed from 7.0% for the year ended August 26, 2017 to 6.0% for the year ending August 25, 2018.

The following table sets forth the plans' funded status and amounts recognized in the Company's Consolidated Balance Sheets:

(in thousands)	August 26, 2017	August 27, 2016
Change in Projected Benefit Obligation:		
Projected benefit obligation at beginning of year	$ 328,511	$ 296,123
Interest cost	10,335	11,272
Actuarial (gains) losses	(8,746)	39,842
Benefits paid	(15,376)	(18,726)
Benefit obligations at end of year	$ 314,724	$ 328,511
Change in Plan Assets:		
Fair value of plan assets at beginning of year	$ 289,386	$ 238,755
Actual return on plan assets	24,496	16,636
Employer contributions	17,761	52,721
Benefits paid	(15,376)	(18,726)
Fair value of plan assets at end of year	$ 316,267	$ 289,386
Amount Recognized in the Statement of Financial Position:		
Current liabilities	$ (283)	$ (276)
Long-term assets	8,686	–
Long-term liabilities	(6,860)	(38,849)
Net amount recognized	$ 1,543	$ (39,125)
Amount Recognized in Accumulated Other Comprehensive Loss and not yet reflected in Net Periodic Benefit Cost:		
Net actuarial loss	$ (118,889)	$ (145,948)
Accumulated other comprehensive loss	$ (118,889)	$ (145,948)
Amount Recognized in Accumulated Other Comprehensive Loss and not yet reflected in Net Periodic Benefit Cost and expected to be amortized in next year's Net Periodic Benefit Cost:		
Net actuarial loss	$ (10,736)	$ (13,874)
Amount recognized	$ (10,736)	$ (13,874)

Net periodic benefit expense consisted of the following:

	Year Ended		
(in thousands)	August 26, 2017	August 27, 2016	August 29, 2015
Interest cost	$ 10,335	$ 11,272	$ 12,338
Expected return on plan assets	(20,056)	(16,512)	(16,281)
Recognized net actuarial losses	13,873	10,506	8,941
Net periodic benefit expense	$ 4,152	$ 5,266	$ 4,998

The blended actuarial assumptions used in determining the projected benefit obligation include the following:

	Year Ended		
	August 26, 2017	August 27, 2016	August 29, 2015
Discount rate to determine benefit obligation	3.86%	3.72%	4.50%
Discount rate to determine net interest cost	3.21%	3.90%	4.28%
Expected long-term rate of return on plan assets	7.00%	7.00%	7.00%

As the plan benefits are frozen, increases in future compensation levels no longer impact the calculation and there is no service cost.

The discount rate to determine the projected benefit obligation is determined as of the measurement date and is based on the calculated yield of a portfolio of high-grade corporate bonds with cash flows that generally match the Company's expected benefit payments in future years.

During fiscal 2016, the Company changed the method used to estimate the interest cost component of net periodic benefit cost. Previously, the Company estimated interest cost using a single weighted-average discount rate derived from the yield curve used to measure the benefit obligation. The Company elected to utilize a spot rate approach by applying specific spot rates along the yield curve to calculate interest costs instead of a single weighted-average discount rate. This calculation is believed to be more refined under the applicable accounting standard. The impact of this change to net periodic benefit cost was a reduction of $1.8 million in fiscal 2016. The Company accounted for this change as a change in accounting estimate and accounted for it prospectively.

The expected long-term rate of return on plan assets is based on the historical relationships between the investment classes and the capital markets, updated for current conditions.

The Company makes annual contributions in amounts at least equal to the minimum funding requirements of the Employee Retirement Income Security Act of 1974. The Company contributed $17.8 million to the plans in fiscal 2017, $52.7 million to the plans in fiscal 2016 and $17.1 million to the plans in fiscal 2015. The Company expects to contribute approximately $20.3 million to the plans in fiscal 2018; however, a change to the expected cash funding may be impacted by a change in interest rates or a change in the actual or expected return on plan assets or through other plans initiated by management.

Based on current assumptions about future events, benefit payments are expected to be paid as follows for each of the following fiscal years. Actual benefit payments may vary significantly from the following estimates:

(in thousands)	Benefit Payments
2018	$ 13,608
2019	13,139
2020	13,817
2021	14,538
2022	14,917
2023 – 2027	79,742

The Company has a 401(k) plan that covers all domestic employees who meet the plan's participation requirements. The plan features include Company matching contributions, immediate 100% vesting of Company contributions and a savings option up to 25% of qualified earnings. The Company makes matching contributions, per pay period, up to a specified percentage of employees' contributions as approved by the Board. The Company made matching contributions to employee accounts in connection with the 401(k) plan of $21.0 million in fiscal 2017, $19.7 million in fiscal 2016, and $17.7 million in fiscal 2015.

Note M – Acquisition

Effective September 27, 2014, the Company acquired the outstanding stock of Interamerican Motor Corporation ("IMC"), the second largest distributor of quality import replacement parts in the United States, for $75.7 million, net of cash. IMC specializes in parts coverage for European and Asian cars. With this acquisition, the Company continues to grow its share in the aftermarket import car parts market. The results of operations from IMC have been included in the Company's Auto Parts Locations business activities since the date of acquisition.

Note N – Goodwill and Intangibles

The changes in the carrying amount of goodwill are as follows:

(in thousands)	Auto Parts Locations	Other	Total
Net balance as of August 29, 2015	$ 326,703	$ 65,184	$ 391,887
Goodwill added through acquisition	–	–	–
Goodwill adjustments	–	–	–
Net balance as of August 27, 2016	326,703	65,184	391,887
Goodwill added through acquisition	–	–	–
Goodwill adjustments	–	–	–
Net balance as of August 26, 2017	$ 326,703	$ 65,184	$ 391,887

The Company performs its annual goodwill and intangibles impairment test in the fourth quarter of each fiscal year. In the fourth quarter of fiscal 2017 and 2016, the Company concluded that its goodwill was not impaired. Total accumulated goodwill impairment for both August 26, 2017 and August 27, 2016 is $18.3 million.

The carrying amounts of intangible assets are included in Other long-term assets as follows:

	August 26, 2017			
(in thousands)	Estimated Useful Life	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortizing intangible assets:				
Technology	3-5 years	$ 10,570	$ (9,994)	$ 576
Noncompete agreements	5 years	1,300	(1,223)	77
Customer relationships	3-10 years	49,676	(24,730)	24,946
		$ 61,546	$ (35,947)	25,599
Non-amortizing intangible asset:				
Trade names				26,900
Total intangible assets other than goodwill				$ 52,499

	August 27, 2016			
(in thousands)	Estimated Useful Life	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortizing intangible assets:				
Technology	3-5 years	$ 10,570	$ (7,988)	$ 2,582
Noncompete agreements	5 years	1,300	(963)	337
Customer relationships	3-10 years	49,676	(18,514)	31,162
		$ 61,546	$ (27,465)	34,081
Non-amortizing intangible asset:				
Trade names				26,900
Total intangible assets other than goodwill				$ 60,981

During fiscal 2014, the Company purchased $30.2 million of intangible assets relating to the rights to certain customer relationships and technology assets relating to its ALLDATA operations. Additionally, during fiscal 2016 and 2015, the Company made an installment payment of $10 million in each year related to certain customer relationships purchased during 2014 relating to its ALLDATA operations.

As part of its annual impairment test, the Company evaluates the AutoAnything and IMC trade names for impairment in the fourth quarter of each fiscal year. In the fourth quarter of fiscal 2017 and 2016, the Company concluded that AutoAnything's and IMC's trade names were not impaired. Trade names at August 26, 2017 and August 27, 2016 reflect a total accumulated impairment of $4.1 million.

Amortization expense of intangible assets for the years ended August 26, 2017 and August 27, 2016 was $8.5 million and $8.7 million, respectively.

Total future amortization expense for intangible assets that have finite lives, based on the existing intangible assets and their current estimated useful lives as of August 26, 2017, is estimated as follows:

(in thousands)	Total
2018	$ 6,855
2019	6,203
2020	6,203
2021	3,474
2022	2,030
Thereafter	834
	$ 25,599

Note O – Leases

The Company leases some of its retail stores, distribution centers, facilities, land and equipment, including vehicles. Other than vehicle leases, most of the leases are operating leases, which include renewal options made at the Company's election and provisions for percentage rent based on sales. Rental expense was $302.9 million in fiscal 2017, $280.5 million in fiscal 2016, and $269.5 million in fiscal 2015. Percentage rentals were insignificant.

The Company records rent for all operating leases on a straight-line basis over the lease term, including any reasonably assured renewal periods and the period of time prior to the lease term that the Company is in possession of the leased space for the purpose of installing leasehold improvements. Differences between recorded rent expense and cash payments are recorded as a liability in Accrued expenses and other and Other long-term liabilities in the accompanying Consolidated Balance Sheets, based on the terms of the lease. The deferred rent approximated $130.2 million on August 26, 2017, and $121.7 million on August 27, 2016.

The Company has a fleet of vehicles used for delivery to its commercial customers and stores and travel for members of field management. The majority of these vehicles are held under capital leases. At August 26, 2017, the Company had capital lease assets of $152.0 million, net of accumulated amortization of $70.2 million, and capital lease obligations of $150.5 million, of which $48.1 million is classified as Accrued expenses and other as it represents the current portion of these obligations. At August 27, 2016, the Company had capital lease assets of $148.5 million, net of accumulated amortization of $59.5 million, and capital lease obligations of $147.3 million, of which $44.8 million is classified as Accrued expenses and other as it represents the current portion of these obligations.

Future minimum annual rental commitments under non-cancelable operating leases and capital leases were as follows at the end of fiscal 2017:

(in thousands)	Operating Leases	Capital Leases
2018	$ 293,826	$ 48,134
2019	284,523	49,808
2020	262,782	36,610
2021	237,241	21,217
2022	213,399	3,307
Thereafter	861,409	-
Total minimum payments required	$ 2,153,180	159,076
Less: Interest		(8,620)
Present value of minimum capital lease payments		$ 150,456

Note P – Commitments and Contingencies

Construction commitments, primarily for new stores and new distribution centers, totaled approximately $69.9 million at August 26, 2017.

The Company had $88.6 million in outstanding standby letters of credit and $28.8 million in surety bonds as of August 26, 2017, which all have expiration periods of less than one year. A substantial portion of the outstanding standby letters of credit (which are primarily renewed on an annual basis) and surety bonds are used to cover reimbursement obligations to our workers' compensation carriers. There are no additional contingent liabilities associated with these instruments as the underlying liabilities are already reflected in the consolidated balance sheet. The standby letters of credit and surety bonds arrangements have automatic renewal clauses.

Note Q – Litigation

In July 2014, the Company received a subpoena from the District Attorney of the County of Alameda, along with other environmental prosecutorial offices in the state of California, seeking documents and information related to the handling, storage and disposal of hazardous waste. The Company received notice that the District Attorney will seek injunctive and monetary relief. The Company is cooperating fully with the request and cannot predict the ultimate outcome of these efforts, although the Company has accrued all amounts it believes to be probable and reasonably estimable. The Company does not believe the ultimate resolution of this matter will have a material adverse effect on its consolidated financial position, results of operations or cash flows.

In April 2016, the Company received a letter from the California Air Resources Board seeking payment for alleged violations of the California Health and Safety Code related to the sale of certain aftermarket emission parts in the State of California. The Company does not believe that any resolution of the matter will have a material adverse effect on its consolidated financial position, results of operations or cash flows.

The Company is involved in various other legal proceedings incidental to the conduct of its business, including, but not limited to, several lawsuits containing class-action allegations in which the plaintiffs are current and former hourly and salaried employees who allege various wage and hour violations and unlawful termination practices. The Company does not currently believe that, either individually or in the aggregate, these matters will result in liabilities material to the Company's financial condition, results of operations or cash flows.

Note R – Segment Reporting

Four of the Company's operating segments (Domestic Auto Parts, Mexico, Brazil, and IMC) are aggregated as one reportable segment: Auto Parts Locations. The criteria the Company used to identify the reportable segment are primarily the nature of the products the Company sells and the operating results that are regularly reviewed by the Company's chief operating decision maker to make decisions about the resources to be allocated to the business units and to assess performance. The accounting policies of the Company's reportable segment are the same as those described in Note A.

The Auto Parts Locations segment is a retailer and distributor of automotive parts and accessories through the Company's 6,029 locations in the United States, Puerto Rico, Mexico and Brazil. Each location carries an extensive product line for cars, sport utility vehicles, vans and light trucks, including new and remanufactured automotive hard parts, maintenance items, accessories and non-automotive products.

The Other category reflects business activities of three operating segments that are not separately reportable due to the materiality of these operating segments. The operating segments include ALLDATA, which produces, sells and maintains diagnostic and repair information software used in the automotive repair industry; E-commerce, which includes direct sales to customers through www.autozone.com; and AutoAnything, which includes direct sales to customers through www.autoanything.com.

The Company evaluates its reportable segment primarily on the basis of net sales and segment profit, which is defined as gross profit. The following table shows segment results for the following fiscal years:

	Year Ended		
(in thousands)	**August 26, 2017**	**August 27, 2016**	**August 29, 2015**
Net Sales:			
Auto Parts Locations	$10,523,272	$10,261,112	$ 9,824,876
Other	365,404	374,564	362,464
Total	$10,888,676	$10,635,676	$10,187,340
Segment Profit:			
Auto Parts Locations	$ 5,544,494	$ 5,410,477	$ 5,132,624
Other	195,126	198,259	194,407
Gross profit	5,739,620	5,608,736	5,327,031
Operating, selling, general and administrative expenses	(3,659,551)	(3,548,341)	(3,373,980)
Interest expense, net	(154,580)	(147,681)	(150,439)
Income before income taxes	$ 1,925,489	$ 1,912,714	$ 1,802,612
Segment Assets:			
Auto Parts Locations	$ 8,964,371	$ 8,351,883	$ 7,883,720
Other	295,410	247,904	218,629
Total	$ 9,259,781	$ 8,599,787	$ 8,102,349
Capital Expenditures:			
Auto Parts Locations	$ 533,304	$ 470,631	$ 464,246
Other	20,528	18,160	16,333
Total	$ 553,832	$ 488,791	$ 480,579
Auto Parts Locations Sales by Product Grouping:			
Failure	$ 5,100,702	$ 4,913,423	$ 4,650,271
Maintenance items	3,774,386	3,721,240	3,618,779
Discretionary	1,648,184	1,626,449	1,555,826
Auto Parts Locations net sales	$10,523,272	$10,261,112	$ 9,824,876

Note S – Quarterly Summary [1]
(Unaudited)

(in thousands, except per share data)	Twelve Weeks Ended November 19, 2016	Twelve Weeks Ended February 11, 2017	Twelve Weeks Ended May 6, 2017	Sixteen Weeks Ended August 26, 2017[2]
Net sales	$ 2,467,845	$ 2,289,219	$ 2,619,007	$ 3,512,605
Gross profit	1,301,542	1,205,536	1,378,418	1,854,125
Operating profit	458,902	383,969	529,570	707,628
Income before income taxes	425,596	349,771	493,895	656,227
Net income[3]	278,125	237,145	331,700	433,899
Basic earnings per share[3]	9.61	8.28	11.70	15.52
Diluted earnings per share[3]	9.36	8.08	11.44	15.27

(in thousands, except per share data)	Twelve Weeks Ended November 21, 2015	Twelve Weeks Ended February 13, 2016	Twelve Weeks Ended May 7, 2016	Sixteen Weeks Ended August 27, 2016[2]
Net sales	$ 2,386,043	$ 2,257,192	$ 2,593,672	$ 3,398,769
Gross profit	1,252,934	1,190,596	1,370,458	1,794,748
Operating profit	437,995	382,660	536,374	703,366
Income before income taxes	402,985	349,828	502,323	657,577
Net income	258,112	228,613	327,515	426,768
Basic earnings per share	8.46	7.58	10.99	14.58
Diluted earnings per share	8.29	7.43	10.77	14.30

(1) The sum of quarterly amounts may not equal the annual amounts reported due to rounding. In addition, the earnings per share amounts are computed independently for each quarter while the full year is based on the annual weighted average shares outstanding.

(2) The fourth quarter for fiscal 2017 and fiscal 2016 are based on a 16-week period. All other quarters presented are based on a 12-week period.

(3) As discussed in Note A, the Company adopted the new accounting guidance for shared-based payments on August 28, 2016. These amounts include the impact of the adoption. For the twelve week period ended November 19, 2016, this increased net income by $3.1 million, basic earnings per share by $0.11 and diluted earnings per share by $0.03. For the twelve week period ended February 11, 2017, this increased net income by $12.5 million, basic earnings per share by $0.43 and diluted earnings per share by $0.37. For the twelve week period ended May 6, 2017, this increased net income by $11.4 million, basic earnings per share by $0.40 and diluted earnings per share by $0.32. For the sixteen week period ended August 26, 2017, this increased net income by $4.1 million, basic earnings per share by $0.15 and diluted earnings per share by $0.09. Prior period net income, basic earnings per share and diluted earnings per share amounts were not restated.

Note T – Subsequent Event
(Unaudited)

Subsequent to August 26, 2017, several storms made landfall and have resulted in extensive damage and flooding in Texas, Florida, Louisiana and Puerto Rico. The damage to the Company's stores in Texas, Florida and Louisiana did not have a material impact on its consolidated financial statements. A full assessment of the extent of the damage to stores in Puerto Rico is expected to be completed in the weeks ahead. Currently, there is uncertainty as to the magnitude of the losses associated with this event and whether such losses would have a material effect on the Company's consolidated financial statements.

Item 9. Changes In and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

Item 9A. Controls and Procedures

As of August 26, 2017, an evaluation was performed under the supervision and with the participation of AutoZone's management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as amended. Based on that evaluation, our management, including the Chief Executive Officer and the Chief Financial Officer, concluded that our disclosure controls and procedures were effective. During or subsequent to the quarter ended August 26, 2017, there were no changes in our internal controls that have materially affected or are reasonably likely to materially affect, internal controls over financial reporting.

Item 9B. Other Information

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information set forth in Part I of this document in the section entitled "Executive Officers of the Registrant," is incorporated herein by reference in response to this item. Additionally, the information contained in AutoZone, Inc.'s Proxy Statement dated October 21, 2017, in the sections entitled "Proposal 1 – Election of Directors" and "Section 16(a) Beneficial Ownership Reporting Compliance," is incorporated herein by reference in response to this item.

The Company has adopted a Code of Ethical Conduct for Financial Executives that applies to its chief executive officer, chief financial officer, chief accounting officer and other financial executives. The Company has made the Code of Ethical Conduct available on its investor relations website at http://www.autozoneinc.com.

Item 11. Executive Compensation

The information contained in AutoZone, Inc.'s Proxy Statement dated October 21, 2017, in the section entitled "Executive Compensation," is incorporated herein by reference in response to this item.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information contained in AutoZone, Inc.'s Proxy Statement dated October 21, 2017, in the sections entitled "Security Ownership of Management and Board of Directors" and "Security Ownership of Certain Beneficial Owners," is incorporated herein by reference in response to this item.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Not applicable.

Item 14. Principal Accounting Fees and Services

The information contained in AutoZone, Inc.'s Proxy Statement dated October 21, 2017, in the section entitled "Proposal 2 – Ratification of Independent Registered Public Accounting Firm," is incorporated herein by reference in response to this item.

PART IV

Item 15. Exhibits, Financial Statement Schedules

The following information required under this item is filed as part of this report.

(a) Financial Statements

The following financial statements, related notes and reports of independent registered public accounting firm are filed with this Annual Report on Form 10-K in Part II, Item 8:

Reports of Independent Registered Public Accounting Firm
Consolidated Statements of Income for the fiscal years ended August 26, 2017, August 27, 2016, and August 29, 2015
Consolidated Statements of Comprehensive Income for the fiscal years ended ended August 26, 2017, August 27, 2016, and August 29, 2015
Consolidated Balance Sheets as of August 26, 2017, and August 27, 2016
Consolidated Statements of Cash Flows for the fiscal years ended ended August 26, 2017, August 27, 2016, and August 29, 2015
Consolidated Statements of Stockholders' Deficit for the fiscal years ended ended August 26, 2017, August 27, 2016, and August 29, 2015
Notes to Consolidated Financial Statements

(b) Exhibits

The following exhibits are being filed herewith:

3.1 Restated Articles of Incorporation of AutoZone, Inc. Incorporated by reference to Exhibit 3.1 to the Quarterly Report on Form 10-Q for the quarter ended February 13, 1999.

3.2 Sixth Amended and Restated By-laws of AutoZone, Inc. Incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K dated October 7, 2015.

4.1 Indenture dated as of August 8, 2003, between AutoZone, Inc. and Bank One Trust Company, N.A. Incorporated by reference to Exhibit 4.1 to the Registration Statement on Form S-3 (No. 333-107828) filed August 11, 2003.

4.2 Officers' Certificate dated August 4, 2008, pursuant to Section 3.2 of the Indenture dated August 11, 2003, setting forth the terms of the 7.125% Senior Notes due 2018. Incorporated by reference to Exhibit 4.2 to the Current Report on Form 8-K dated August 4, 2008.

4.3 Form of 7.125% Senior Note due 2018. Incorporated by reference from the Form 8-K dated August 4, 2008.

4.4 Officers' Certificate dated November 15, 2010, pursuant to Section 3.2 of the Indenture dated August 8, 2003, setting forth the terms of the 4.000% Notes due 2020. Incorporated by reference to 4.1 to the Current Report on Form 8-K dated November 15, 2010.

4.5 Form of 4.000% Senior Note due 2020. Incorporated by reference from the Form 8-K dated November 15, 2010.

4.6 Officers' Certificate dated April 24, 2012, pursuant to section 3.2 of the indenture dated August 8, 2003, setting forth the terms of the 3.700% Senior Notes due 2022. Incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K dated April 24, 2012.

4.7 Form of 3.700% Senior Notes due 2022. Incorporated by reference from the Form 8-K dated April 24, 2012

4.8 Officers' Certificate dated November 13, 2012, pursuant to section 3.2 of the indenture dated August 8, 2003, setting forth the terms of the 2.875% Senior Notes due 2023. Incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K dated November 13, 2012.

4.9 Form of 2.875% Senior Notes due 2023. Incorporated by reference from the Form 8-K dated November 13, 2012.

4.10 Officers' Certificate dated April 29, 2013, pursuant to section 3.2 of the indenture dated August 8, 2003, setting forth the terms of the 3.125% Senior Notes due 2023. Incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K dated April 29, 2013.

4.11 Form of 3.125% Senior Notes due 2023. Incorporated by reference to Exhibit 4.2 to the Form 8-K dated April 29, 2013.

4.12 Officers' Certificate dated April 29, 2015, pursuant to Section 3.2 of the Indenture dated August 8, 2003, setting forth the terms of the 2.500% Senior Notes due 2021. Incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K dated April 29, 2015.

4.13 Form of 2.500% Note dated 2021. Incorporated by reference to Exhibit 4.3 to the Current Report on Form 8-K dated April 29, 2015.

4.14 Officers' Certificate dated April 29, 2015, pursuant to Section 3.2 of the Indenture dated August 8, 2003, setting forth the terms of the 3.250% Senior Notes due 2025. Incorporated by reference to Exhibit 4.2 to the Current Report on Form 8-K dated April 29, 2015.

4.15 Form of 3.250% Note due 2025. Incorporated by reference to Exhibit 4.4 to the Current Report on Form 8-K dated April 29, 2015.

4.16 Officers' Certificate dated April 21, 2016, pursuant to Section 3.2 of the Indenture dated August 8, 2003, setting forth the terms of the 1.625% Senior Notes due 2019. Incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K dated April 21, 2016.

4.17 Form of 1.625% Senior Notes due 2019. Incorporated by reference to Exhibit 4.3 to the Current Report on Form 8-K dated April 21, 2016.

4.18 Officers' Certificate dated April 21, 2016, pursuant to Section 3.2 of the Indenture dated August 8, 2003, setting forth the terms of the 3.125% Senior Notes due 2026. Incorporated by reference to Exhibit 4.2 to the Current Report on Form 8-K dated April 21, 2016.

4.19 Form of 3.125% Senior Notes due 2026. Incorporated by reference to Exhibit 4.4 to the Current Report on Form 8-K dated April 21, 2016.

4.20 Officers' Certificate dated April 18, 2017, pursuant to Section 3.2 of the Indenture dated August 8, 2003, setting forth the terms of the 3.750% Senior Notes due 2027. Incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K dated April 18, 2017.

4.21 Form of 3.750% Senior Notes due 2027. Incorporated by reference to Exhibit 4.2 to the Current Report on Form 8-K dated April 18, 2017.

*10.1 Second Amended and Restated 1998 Director Compensation Plan. Incorporated by reference to Exhibit 10.2 to the Annual Report on Form 10-K for the fiscal year ended August 26, 2000.

*10.2 AutoZone, Inc. 2003 Director Stock Option Plan. Incorporated by reference to Appendix C to the definitive proxy statement dated November 1, 2002, for the Annual Meeting of Stockholders held December 12, 2002.

*10.3 AutoZone, Inc. 2003 Director Compensation Plan. Incorporated by reference to Appendix D to the definitive proxy statement dated November 1, 2002, for the Annual Meeting of Stockholders held December 12, 2002.

*10.4 Third Amendment to the AutoZone, Inc. Executive Deferred Compensation Plan. Incorporated by reference to Exhibit 10.1 to the Form 8-K dated December 12, 2012.

*10.5 AutoZone, Inc. 2006 Stock Option Plan. Incorporated by reference to Appendix A to the definitive proxy statement dated October 25, 2006, for the Annual Meeting of Stockholders held December 13, 2006.

*10.6 Form of Stock Option Agreement. Incorporated by reference to Exhibit 10.26 to the Annual Report on Form 10-K for the fiscal year ended August 25, 2007.

*10.7 Amended and Restated AutoZone, Inc. 2003 Director Compensation Plan. Incorporated by reference to Exhibit 99.2 to the Current Report on Form 8-K dated January 4, 2008.

*10.8 Amended and Restated AutoZone, Inc. 2003 Director Stock Option Plan. Incorporated by reference to Exhibit 99.3 to the Current Report on Form 8-K dated January 4, 2008.

*10.9 AutoZone, Inc. Enhanced Severance Pay Plan. Incorporated by reference to Exhibit 99.1 to the Current Report on Form 8-K dated February 15, 2008.

*10.10 Form of non-compete and non-solicitation agreement for Section 16 executive officers and by AutoZone, Inc. Incorporated by reference to Exhibit 99.2 to the Current Report on Form 8-K dated February 15, 2008.

*10.11 Form of non-compete and non-solicitation agreement approved by AutoZone's Compensation Committee for execution by non-executive officers. Incorporated by reference to Exhibit 99.3 to the Current Report on Form 8-K dated February 15, 2008.

*10.12 Agreement dated February 14, 2008, between AutoZone, Inc. and William C. Rhodes, III. Incorporated by reference to Exhibit 99.4 to the Current Report on Form 8-K dated February 15, 2008.

*10.13 Form of non-compete and non-solicitation agreement for Non-Section 16 officers and by AutoZone, Inc. Incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q for the quarter ended May 3, 2008.

*10.14 AutoZone, Inc. 2010 Executive Incentive Compensation Plan, incorporated by reference to Exhibit A to the definitive proxy statement dated October 26, 2009, for the Annual Meeting of Stockholders held December 16, 2009.

*10.15 AutoZone, Inc. 2011 Equity Incentive Award Plan, incorporated by reference to Exhibit A to the definitive proxy statement dated October 25, 2010, for the Annual Meeting of Stockholders held December 15, 2010.

*10.16 Form of Stock Option Agreement under the 2006 Stock Option Plan, effective September 2010. Incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q dated December 16, 2010.

*10.17 Form of Stock Option Agreement under the 2006 Stock Option Plan for certain executive officers, effective September 2010. Incorporated by reference to Exhibit 10.3 to the Quarterly Report on Form 10-Q dated December 16, 2010.

*10.18 Form of Letter Agreement dated as of December 14, 2010, amending certain Stock Option Agreements of executive officers. Incorporated by reference to Exhibit 10.4 to the Quarterly Report on Form 10-Q dated December 16, 2010.

*10.19 AutoZone, Inc. 2011 Director Compensation Program. Incorporated by reference to Exhibit 10.5 to the Quarterly Report on Form 10-Q dated December 16, 2010.

*10.20 Form of Stock Option Agreement under the 2011 Equity Incentive Award Plan. Incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q dated March 17, 2011.

*10.21 Form of Stock Option Agreement under the 2011 Equity Incentive Award Plan for officers effective September 27, 2011. Incorporated by reference to Exhibit 10.37 to the Annual Report on Form 10-K for the fiscal year ended August 27, 2011.

*10.22 First Amended and Restated AutoZone, Inc. Enhanced Severance Pay Plan. Incorporated by reference to Exhibit 10.4 to the Quarterly Report on Form 10-Q dated March 17, 2011.

*10.23 Form of Stock Option Agreement under the 2011 Equity Incentive Award Plan for officers effective September 27, 2011. Incorporated by reference to Exhibit 10.37 to the Annual Report on Form 10-K for the fiscal year ended August 27, 2011.

*10.24 Form of Stock Option Agreement under the 2011 Equity Incentive Award Plan for certain executive officers effective September 27, 2011. Incorporated by reference to Exhibit 10.38 to the Annual Report on Form 10-K for the fiscal year ended August 27, 2011.

*10.25 Sixth Amended and Restated AutoZone, Inc. Employee Stock Purchase Plan. Incorporated by reference to Exhibit 10.40 to the Annual Report on Form 10-K for the fiscal year ended August 27, 2011.

*10.26 Second Amended AutoZone, Inc. Executive Deferred Compensation Plan. Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K dated December 14, 2011.

*10.27 Offer letter dated April 26, 2012, to Ronald B. Griffin. Incorporated by reference to Exhibit 10.39 of Annual Report on Form 10-K dated October 22, 2012.

*10.28 Offer letter dated February 7, 2013, to Albert Saltiel. Incorporated by reference to Exhibit 10.2 of the Quarterly Report on Form 10-Q dated June 12, 2013.

*10.29 Third Amendment to the AutoZone, Inc. Executive Deferred Compensation Plan incorporated by reference to Exhibit 10.1 to the Form 8-K dated December 12, 2012.

*10.30 Amended and Restated AutoZone, Inc. AutoZone, Inc. Executive Deferred Compensation Plan dated December 17, 2013. Incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q dated March 25, 2014.

*10.31 AutoZone, Inc. Director Compensation Program effective January 1, 2014. Incorporated by reference to Exhibit 10.3 to the Quarterly Report on Form 10-Q dated March 25, 2014.

*10.32 Amended and Restated AutoZone, Inc. 2011 Equity Incentive Award Plan dated December 16, 2015. Incorporated by reference to Exhibit A to the definitive proxy statement dated October 26, 2015, for the Annual Meeting of Stockholders held December 16, 2015.

*10.33 Third Amended and Restated Credit Agreement dated as of November 18, 2016, among AutoZone, Inc., as Borrower, the lenders party thereto and Bank of America, N.A. as Administrative Agent, incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K dated November 21, 2016.

*10.34	364-Day Credit Agreement Dated as of November 18, 2016, among AutoZone, Inc. as Borrower, the lenders party thereto and Wells Fargo Bank National Association as Administrative Agent, incorporated by reference to Exhibit 10.2 of the Current Report on Form 8-K dated November 21, 2016.
*10.35	AutoZone, Inc. Sixth Amended and Restated Executive Stock Purchase Plan. Incorporated by reference to Exhibit A to the definitive proxy statement dated October 24, 2016, for the Annual Meeting of Stockholders held December 14, 2016.
12.1	Computation of Ratio of Earnings to Fixed Charges.
21.1	Subsidiaries of the Registrant.
23.1	Consent of Ernst & Young LLP.
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350 as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350 as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Document
101.LAB	XBRL Taxonomy Extension Labels Document
101.PRE	XBRL Taxonomy Extension Presentation Document
101.DEF	XBRL Taxonomy Extension Definition Document

* Management contract or compensatory plan or arrangement.

(c) Financial Statement Schedules

Schedules are omitted because the information is not required or because the information required is included in the financial statements or notes thereto.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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/ WILLIAM C. RHODES, III
William C. Rhodes, III
Chairman, President and
Chief Executive Officer
(Principal Executive Officer)

Dated: October 25, 2017

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

SIGNATURE	TITLE	DATE
/s/ WILLIAM C. RHODES, III William C. Rhodes, III	Chairman, President and Chief Executive Officer (Principal Executive Officer)	October 25, 2017
/s/ WILLIAM T. GILES William T. Giles	Chief Financial Officer and Executive Vice President – Finance and Information Technology (Principal Financial Officer)	October 25, 2017
/s/ CHARLIE PLEAS, III Charlie Pleas, III	Senior Vice President and Controller (Principal Accounting Officer)	October 25, 2017
/s/ DOUGLAS H. BROOKS Douglas H. Brooks	Director	October 25, 2017
/s/ LINDA A. GOODSPEED Linda A. Goodspeed	Director	October 25, 2017
/s/ SUE E. GOVE Sue E. Gove	Director	October 25, 2017
/s/ EARL G. GRAVES, JR. Earl G. Graves, Jr.	Director	October 25, 2017
/s/ ENDERSON GUIMARAES Enderson Guimaraes	Director	October 25, 2017
/s/ J.R. HYDE, III J.R. Hyde, III	Director	October 25, 2017
/s/ D. BRYAN JORDAN D. Bryan Jordan	Director	October 25, 2017
/s/ W. ANDREW MCKENNA W. Andrew McKenna	Director	October 25, 2017
/s/ GEORGE R. MRKONIC, JR. George R. Mrkonic, Jr.	Director	October 25, 2017
/s/ LUIS P. NIETO Luis P. Nieto	Director	October 25, 2017

Exhibit 12.1

Computation of Ratio of Earnings to Fixed Charges
(Unaudited)

(in thousands, except ratios)	Fiscal Year Ended August 2017 (52 weeks)	2016 (52 weeks)	2015 (52 weeks)	2014 (52 weeks)	2013 (53 weeks)
Earnings:					
Income before income taxes	$ 1,925,489	$ 1,912,714	$ 1,802,612	$ 1,662,714	$ 1,587,683
Fixed charges	253,751	238,389	236,996	249,513	265,108
Less: Capitalized interest	(1,247)	(909)	(963)	(1,041)	(1,303)
Adjusted earnings	$ 2,177,993	$ 2,150,194	$ 2,038,645	$ 1,911,186	$ 1,851,488
Fixed charges:					
Gross interest expense	$ 150,960	$ 142,981	$ 146,777	$ 163,544	$ 180,085
Amortization of debt expense	8,369	7,980	6,230	6,856	8,239
Interest portion of rent expense	94,422	87,428	83,989	79,113	76,784
Fixed charges	$ 253,751	$ 238,389	$ 236,996	$ 249,513	$ 265,108
Ratio of earnings to fixed charges	8.6	9.0	8.6	7.7	7.0

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Exhibit 21.1

SUBSIDIARIES OF THE REGISTRANT

NAME	STATE OR COUNTRY OF ORGANIZATION OR INCORPORATION
ALLDATA LLC	Nevada
AutoAnything, Inc.	Nevada
AutoZone.com, Inc.	Virginia
AutoZone de México, S. de R.L. de C.V.	Mexico
AutoZone Development LLC	Nevada
AutoZone IP LLC	Nevada
AutoZone Northeast LLC	Nevada
AutoZone Parts, Inc.	Nevada
AutoZone Puerto Rico, Inc.	Puerto Rico
AutoZone Stores LLC	Nevada
AutoZone Texas LLC	Nevada
AutoZone West LLC	Nevada
Interamerican Motor Corporation	California
Riverside Captive Insurance Company	Arizona

In addition, 27 subsidiaries operating in the United States and 25 subsidiaries operating outside of the United States have been omitted as they would not, considered in the aggregate as a single subsidiary, constitute a significant subsidiary as defined by Rule 1-02(w) of Regulation S-X.

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following Registration Statements:

Registration Statement (Form S-8 No. 333-42797) pertaining to the AutoZone, Inc. Amended and Restated Employee Stock Purchase Plan

Registration Statement (Form S-8 No. 333-88241) pertaining to the AutoZone, Inc. Amended and Restated Director Compensation Plan

Registration Statement (Form S-8 No. 333-75140) pertaining to the AutoZone, Inc. Executive Stock Purchase Plan

Registration Statement (Form S-3 No. 333-83436) pertaining to a shelf registration to sell 15,000,000 shares of common stock owned by certain selling stockholders

Registration Statement (Form S-3ASR No. 333-152592) pertaining to a shelf registration to sell debt securities

Registration Statement (Form S-8 No. 333-171186) pertaining to the AutoZone, Inc. 2011 Equity Incentive Award Plan

Registration Statement (Form S-3 No. 333-180768) pertaining to a shelf registration to sell debt securities

Registration Statement (Form S-3 No. 333-203439) pertaining to a shelf registration to sell debt securities

of our reports dated October 25, 2017, with respect to the consolidated financial statements of AutoZone, Inc. and the effectiveness of internal control over financial reporting of AutoZone, Inc., included in this Annual Report (Form 10-K) of AutoZone, Inc. for the year ended August 26, 2017.

/s/Ernst & Young LLP

Memphis, Tennessee
October 25, 2017

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Exhibit 31.1

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, William C. Rhodes, III, certify that:

1. I have reviewed this Annual Report on Form 10-K of AutoZone, Inc. ("registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

October 25, 2017

/s/ WILLIAM C. RHODES, III
William C. Rhodes, III
Chairman, President and
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, William T. Giles, certify that:

1. I have reviewed this Annual Report on Form 10-K of AutoZone, Inc. ("registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

October 25, 2017

/s/ WILLIAM T. GILES
William T. Giles
Chief Financial Officer and Executive
Vice President – Finance and Information
Technology
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of AutoZone, Inc. (the "Company") on Form 10-K for the fiscal year ended August 26, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, William C. Rhodes, III, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(i) the Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

October 25, 2017

/s/ WILLIAM C. RHODES, III
William C. Rhodes, III
Chairman, President and
Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of AutoZone, Inc. (the "Company") on Form 10-K for the fiscal year ended August 26, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, William T. Giles, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(i) the Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

October 25, 2017

/s/ WILLIAM T. GILES
William T. Giles
Chief Financial Officer and Executive
Vice President – Finance and Information
Technology
(Principal Financial Officer)

10-K

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AutoZone

Corporate information

AutoZone's CEO Team

Our 2017 leadership team is comprised of 49 individuals who work tirelessly to support and continue to enhance the AutoZone that exists today. We lead as a team and we win as a team. Through their support and guidance, but most importantly through the commitment and passion of our 87,000+ AutoZoners, the Company is well positioned for future growth and prosperity.

Officers
Customer Satisfaction

William C. Rhodes, III†
Chairman, President and Chief Executive Officer

Executive Vice Presidents
Customer Satisfaction

Mark A. Finestone†
Merchandising, Supply Chain and Marketing

William T. Giles†
Chief Financial Officer, Finance and Information Technology

William W. Graves†
Mexico, Brazil, IMC and Store Development

Thomas B. Newbern†
Store Operations, Commercial, Loss Prevention and ALLDATA

Senior Vice Presidents
Customer Satisfaction

Philip B. Daniele†
Commercial

James C. Griffith†
Store Operations

Rodney C. Halsell†
Supply Chain

Albert Saltiel†
Marketing and E-Commerce

Kristen Collier Wright†
General Counsel and Secretary

Ronald B. Griffin†
Chief Information Officer, IT

William R. Hackney†
Merchandising

Charlie Pleas, III†
Controller

Richard C. Smith†
Human Resources

Vice Presidents
Customer Satisfaction

Jennie E. Anderson
Operations Support

Edward Beltran
Stores

B. Craig Blackwell
Stores

Brian L. Campbell
Tax, Treasury and Investor Relations

Catherine M. Culnane
IT

Anthony J. Dudek
IT

Robert A. Durkin
Distribution

William R. Edwards II
Merchandising

Joseph Espinosa
Stores

Duane Findley
Stores

Preston B. Frazer
Loss Prevention

Timothy J. Goddard
Store Development

Eric S. Gould
Replenishment

Matt Henson
Field Human Resources

Troy L. Hitchcock
Merchandising

Robert C. Hunter
Merchandising Pricing and Analysis

Domingo Hurtado
President, AutoZone de México

Joyce L. Johns
Internal Audit

Thomas A. Kliman
Tax

John L. Lammers
Merchandising

Maria M. Leggett
Assistant General Counsel and Assistant Secretary

Dennis W. LeRiche
Stores

Mitchell C. Major
Commercial Support and President, ALLDATA

Jamey Maki
E-Commerce

Grant E. McGee
Stores

J. Scott Murphy
Strategic Planning and Business Development

Raymond A. Pohlman
Government and Community Relations

Brandon H. Proctor
President, AutoAnything

Anthony D. Rose, Jr.
Visual Merchandising

Joe L. Sellers, Jr.
Commercial Sales

Brett L. Shanaman
Marketing

Jamey Traywick
Merchandising Catalog and Content

Kevin A. Williams
Assistant General Counsel and Assistant Secretary

Solomon A. Woldeslassie
Transportation

Lawrence H. Yeske
Merchandising

† Required to file under Section 16 of the Securities and Exchange Act of 1934.

Board of Directors

Douglas H. Brooks [2]
Former Chairman, President and
CEO – Brinker International

Linda A. Goodspeed [1,2]
Former Managing Partner and COO
WealthStrategies Financial Advisors

Sue E. Gove [1,3*]
President
Excelsior Advisors, LLC

Earl G. Graves, Jr. [2*,†]
President and CEO
Black Enterprise

Enderson Guimaraes [3]
Former President and COO
Laureate Education Inc.

J.R. Hyde, III
AutoZone Founder

Lead Director
GTx, Inc.

D. Bryan Jordan [1,3]
Chairman, President and CEO
First Horizon National Corporation

W. Andrew McKenna [1*,2]
Retired

George R. Mrkonic, Jr. [1,2]
Non-Executive Chairman
MARU Group

Luis P. Nieto [1,3]
President
Nieto Advisory LLC

William C. Rhodes, III
Chairman, President and CEO
AutoZone, Inc.

(1) Audit Committee, (2) Compensation Committee, (3) Nomination and Corporate Governance Committee, * Committee Chair, † Lead Director

Transfer Agent and Registrar

Computershare Investor Services
P.O. Box 43069
Providence, RI 02940-3069
(877) 282-1168
(781) 575-2723
www.computershare.com

Annual Meeting

The Annual Meeting of Stockholders of AutoZone will be held at 8:00 a.m. CST, on December 20, 2017, at the J.R. Hyde III Store Support Center, 123 South Front Street, Memphis, Tennessee.

Investor Relations Website

www.autozoneinc.com

Company Websites

www.autozone.com
www.autozonepro.com
www.alldata.com
www.autoanything.com
www.imcparts.net

Stock Exchange Listing

New York Stock Exchange
Ticker Symbol: AZO

Auditors

Ernst & Young, LLP
Memphis, Tennessee

Code of Ethical Conduct

AutoZone's Code of Ethical Conduct is available on its Investor Relations website at www.autozoneinc.com.

Form of 10-K / Quarterly Report

Stockholders may obtain, free of charge, a copy of AutoZone's annual report on Form 10-K, its quarterly reports on Form 10-Q as filed with the Securities and Exchange Commission and quarterly press releases by contacting

- Investor Relations
  P.O. Box 2198
  Memphis, TN 38101
- Phoning (901) 495-7185 or
- Emailing investor.relations@autozone.com

Copies of all documents filed by AutoZone with the Securities and Exchange Commission, including Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q, are also available at the SEC's EDGAR server at www.sec.gov.

Stockholders of Record

As of August 26, 2017, there were 2,356 stockholders of record, excluding the number of beneficial owners whose shares were represented by security position listing.

123 S. Front Street
Memphis, TN 38103-3607
(901) 495-6500
www.autozone.com

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